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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE FELRA AND UFCW VEBA FUND JULY 18, 2019 LANDOVER, MARYLAND

The following Trustees were present:

Union Trustees
M. Federici - Secretary
J. Chorpenning
A. Hanson
E. Masten

Employer Trustees
J. Paradis - Chairman
D. Dosenbach
M. Goble

Also present were:

Y. Anwar - UFCW Local 400
H. Burton - Morgan, Lewis & Bockius, LLP
L. DuVall - Associated Administrators, LLC
N. Eid - Confidio
T. Hipkins - UFCW Local 27
N. Hill - UFCW Local 27
C. Hoffmann - UFCW Local 400
N. Jacobs - UFCW Local 400
W. Jensen - Associated Administrators, LLC
R. McKnight - Associated Administrators, LLC
S. Ridore - Safeway
R. Sichel - Investment Performance Services
B. Slevin - Slevin & Hart, P.C.
J. Timm - The Segal Company
L. Walsh - Associated Administrators, LLC

I. CALL TO ORDER

A quorum being present, the Chairman called the meeting to order.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on December 12, 2018, and the Appeals Committee meetings held on November 16, 2018, January 7, 2019, January 30, 2019, February 28, 2019, April 2, 2019, and May 2, 2019, all of which were pre-circulated.

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED that the minutes of the regular meeting held on December 12, 2018, and the Appeals Committee meetings on November 16, 2018, January 7, 2019, January 30, 2019, February 28, 2019, April 2, 2019, and May 2, 2019 are approved as presented.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report – ERISA Account – May 31, 2019

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2018 through May 31, 2019. Such report indicated a beginning market value of $27,570,275, earnings of $828,169, receipts of $65,428,244, and disbursements of $57,999,780, producing an ending market value of $35,826,908 as of May 31, 2019.

2. Summary of Activity Report – Non-ERISA Account – May 31, 2019

Mr. Jensen then presented the PNC Summary of Activity report for the Non-ERISA account for the period January 1, 2018 through May 31, 2019. Such report indicated a beginning market value of $1,180,645, no earnings, receipts of $67,511,223, and disbursements of $67,580,047, producing an ending market value of $1,111,821 as of May 31, 2019.

B. Investment Performance Services

The Trustees welcomed Mr. Rich Sichel of Investment Performance Services to the meeting.

1. Master Consulting Report – December 31, 2018

Mr. Sichel presented the Master Consulting Report for the quarter ending December 31, 2018. Such report indicated a beginning market value for the Fourth Quarter 2018 of $22,192,312, net cash flow of $5,651,278, and net investment change of negative $299,573, producing an ending market value of $27,544,017 for the quarter. The performance was negative 1.1% for the quarter.

2. Master Consulting Report – March 31, 2019

Mr. Sichel presented the Master Consulting Report for the quarter ending March 31, 2019. Such report indicated a beginning market value for the First Quarter 2019 of $27,544,017, net cash flow of negative $55,563, and net investment change of $733,010, producing an ending market value of $28,221,465 for the quarter. The performance was negative 2.5% for the quarter.

3. Preliminary Performance Update – May 31, 2019

Mr. Sichel presented the Preliminary Performance Update as of May 31, 2019. Such report indicated a beginning market value for the period ending May 31, 2019 of $27,651,003, net cash flow of $8,271,228, and net investment change of negative $130,609, producing an ending market value of $35,791,621 as of May 31, 2019. The performance was negative 0.3%.

4. Asset Allocation

Mr. Sichel reviewed an Asset Allocation report reflecting various possible asset allocation strategies and recommended that the Trustees update the Fund's asset allocation to decrease by 5% each the allocation targets for U.S. large cap equity and intermediate fixed income, and to increase by 10% the allocation target for real estate. After discussion,

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to adopt asset allocation Scenario 1/Portfolio B, described above, as recommended by IPS.

The Trustees thanked Mr. Sichel for his report and he was excused from the meeting.

IV. CONSULTANT'S REPORT

A. Confidio

The Trustees welcomed Ms. Nancy Eid of Confidio to the meeting.

1. Express Scripts, Inc. ("ESI") Errors/Proposed Reimbursement

Ms. Eid presented a report summarizing errors by ESI since 2016. The errors included claims incorrectly processed for mail order, preferred pharmacies that were excluded from the network, and payment of claims at excluded pharmacies.

Ms. Eid reported that ESI paid the mail order related claims reimbursement of just over $77,000. ESI owes approximately $8,000 to the Fund and $36,000 to participants for the preferred pharmacy processing error. Confidio is reviewing the ESI summary of those errors. The excluded pharmacy payments error totals nearly $2.4 million. ESI has proposed a reimbursement of the latter error in installments through May 2020. The Trustees discussed the proposal to reimburse the Fund.

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to accept ESI's offer to repay $8,000 to the Fund by taking a credit on the next payment, and $36,000 to the participants, due to the preferred pharmacy processing error; and

FURTHER RESOLVED to delegate to the Chairman and Secretary the authority to resolve the excluded pharmacies overpayment with ESI.

2. Express Scripts, Inc. ("ESI") Renewal Offer:

Ms. Eid reviewed ESI's proposed renewal with a proposed effective date of January 1, 2020, including a credit on the first 2020 invoice to implement the improved pricing retroactive to July 1, 2019.

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to delegate to the Chairman and Secretary the authority to make a decision on the ESI renewal proposal.**

3. Zolgensma

Ms. Eid said the FDA approved Zolgensma, with an anticipated cost of $2.5 million per dose. It treats a rare condition, and is considered gene therapy. The Trustees discussed gene therapy treatment coverage with both Segal and Confidio and instructed them to issue a report on this issue for review at a future meeting.

4. Limited Distribution Drugs

Ms. Eid presented a proposed policy for providing coverage of limited distribution specialty drugs that are available only through a CVS pharmacy based on restrictions imposed by the drug manufacturer. After discussion,

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to delegate to the Chairman and Secretary the authority to make a decision on adopting a limited distribution drug policy.**

The Trustees thanked Ms. Eid for her report and she was excused from the meeting.

B. <u>The Segal Company</u>

The Trustees welcomed Mr. Josh Timm of the Segal Company to the meeting.

1. Carewise Health Termination Notice

Mr. Jensen noted that he had received notification from Carewise Health that it would be terminating the Fund's contract effective September 30, 2019. Mr. Jensen reported that, after discussion with Carewise, it agreed to extend services through December 31, 2019, with a 20% increase in its fees, effective October 1, 2019.

Mr. Timm suggested that the Fund request a proposal from Conifer to provide utilization review and case management services, given the impending Carewise termination date. Mr. Jensen said that Health Dialog performs the Fund's disease management services, but there may be value in an integrated approach to care management under one vendor. After discussion,

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to delegate to the Chairman and Secretary the authority to review and act on a proposal for utilization review and disease management services from Conifer; and**
>
> **FURTHER RESOLVED to approve extending the Carewise agreement thorough December 31, 2019, subject to review by counsel of any necessary contract amendment.**

The Trustees noted that they could conduct a full Request for Proposal for these services next year, if needed.

2. Optical Provider

Mr. Timm reported that he had received a renewal letter from the optical provider, Advantica, advising that there would be no increase in the rates charged to the Fund for the period August 1, 2019 – July 31, 2021. After discussion, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve the Advantica renewal proposal with no fee increase through July 31, 2021.**

The Trustees thanked Mr. Timm for his report and he was excused from the meeting.

V. <u>ATTORNEY'S REPORT</u>

A. <u>Subrogation</u>

Mr. Jensen stated that Slevin & Hart reported subrogation recoveries of $69,802.62 for the third quarter 2018, $86,690.30 for the fourth quarter 2018, and $12,961.43 for the first quarter 2019.

B. <u>CareFirst Blue Cross/Blue Shield Renewal</u>

Mr. Slevin presented the CareFirst agreement effective January 2017 through December 31, 2021 for execution.

The Trustees executed the Amendment.

VI. <u>ADMINISTRATIVE MANAGER'S REPORT</u>

A. <u>Fourth Quarter 2018 – Combined Fund Recap</u>

Mr. Jensen presented the Administrative Manager's Report for the Fourth Quarter 2018. For the combined VEBA Fund, Active and Retiree Plans, total income was $34,596,366. Expenses totaled $32,388,043, producing a net surplus of $2,208,323 for the Fourth quarter 2018. Mr. Jensen noted that contributions were made on behalf of 15,935 active Plan participants.

Mr. Jensen presented a snapshot of work performed by Associated Administrators during the fourth quarter 2018. The report reflected the processing of 263 accident and sickness claims, 98 appeals, 12,308 participant service calls, the production of 582 COBRA notices, the processing of 94,032 medical claims, and the mailing of 38,178 communications to Plan participants.

B. First Quarter 2019 – Combined Fund Recap

Mr. Jensen presented the Administrative Manager's Report for the first quarter 2019. For the combined VEBA Fund, Active and Retiree Plans, total income was $34,392,040. Expenses totaled $33,475,331, producing a net surplus of $916,709 for the first quarter 2019. Mr. Jensen noted that contributions were made on behalf of 16,063 active Plan participants.

Mr. Jensen presented a snapshot of work performed by Associated Administrators during the first quarter 2018. The report reflected the processing of 389 accident and sickness claims, 161 appeals, 12,230 participant service calls, the production of 461 COBRA notices, the processing of 80,874 medical claims, and the mailing of 67,613 communications to Plan participants.

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated July 18, 2019. It was noted there were no additions, deletions or changes to the lists.

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED that the invoices on the lists dated July 18, 2019 for the Active Plan and Retiree Plan are approved for payment.**

VIII. OTHER FUND BUSINESS

A. Safeway Overpayment

Mr. Jensen reported that Safeway has not yet submitted information on the scope of any overpayment or provided a credit request to the Fund office. He said this item has been on the agenda for over two years.

B. Participant Appeal – E19/141-4000

Mr. Jensen presented an appeal referred by the Appeals Committee to the full Board for resolution. The participant is requesting a six month extension of his health coverage with no co-payment. The participant was receiving Workers' Compensation benefits, and had a 39 week extension of health benefits as a Tier I employee through August 2018. His employer issued days of vacation from September 2018 through March 2019, extending coverage as contributions are due related to vacation pay. The participant stated that obtaining visits from medical providers was difficult, as the timing of contributions was not in advance of the month for benefits being provided. The Trustees reviewed the appeal.

The Management Trustees suggested that they would agree to provide an extension of coverage, with appropriate weekly co-payments, if the Fund would no longer allow vacation pay to be allocated over several months, as it was in this case. The Union Trustees noted that the allocation of vacation pay by the employers is not an issue under the Fund's control. After discussion, a motion was made to approve the appeal. The Union Trustees voted for the Motion. The Employer Trustees voted against the Motion. The Motion was deadlocked.

E. Miscellaneous Correspondence

1. Beacon Health Options

Mr. Jensen noted that Beacon Health Options had been acquired by Anthem.

2. Fiduciary Insurance

Mr. Jensen reported that the fiduciary insurance had been renewed through Chubb for the period May 29, 2019 through May 29, 2020 and the Elimination of Recourse invoices had been sent to the Trustees on May 1, 2019.

3. Express Scripts, Inc. ("ESI") Rebate

Mr. Jensen reported that a rebate in the amount of $1,474,335.00 had been received on January 8, 2019 from ESI for the period July 1, 2018 through September 30, 2018. Mr. Jensen also reported that a rebate in the amount of $1,569.026.93 had been received on April 8 2019 from ESI for the period October 1, 2018 through December 31, 2018.

4. Madoff Victim Fund

Mr. Jensen noted that the Fund had received a check in the amount of $137,948.38 from the Madoff Victim Fund.

5. Annual Reports

Mr. Jensen said that the annual provider reports were available for review on the Trustee Web Portal.

IX. ADOPTION OF COMMITTEE RECOMMENDATIONS

After review of the recommendations made by the Severance, Legal and Scholarship Committees during their meetings,

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED that the recommendations made by the Severance, Legal and Scholarship Committees are adopted.**

X. NEXT MEETING DATES AND LOCATIONS

The Trustees noted that the next meeting was scheduled for September 25, 2019 in Landover, Maryland. There was discussion noting the need for two day meetings for this Plan and the related Plans. After discussion, the Trustees decided to hold the next regular meeting of the Health and Welfare Plan on September 24, 2019 at 1:00 p.m.

XI. ADJOURNMENT

There being no further business to come before the Trustees, the meeting was adjourned.

Respectfully submitted,

Mark Federici, Secretary

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