FELRA & UFCW Health & Welfare Plan

A Plan of the Food Employers Labor Relations Association
and United Food and Commercial Workers
VEBA Fund

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE FELRA AND UFCW VEBA FUND JUNE 4, 2018 LANDOVER, MARYLAND

The following Trustees were present:

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

Employer Trustees
J. Paradis - Chairman
D. Dosenbach

Also present were:

Y. Anwar - UFCW Local 400
H. Burton - Morgan, Lewis & Bockius, LLP
L. DuVall - Associated Administrators, LLC
J. Hack - UFCW Local 27
T. Hipkins - UFCW Local 27
N. Hill - UFCW Local 27
C. Hoffmann - UFCW Local 400
W. Jensen - Associated Administrators, LLC
S. Ridore – Safeway
D. Russell - Investment Performance Services
S. Sanchez - Slevin & Hart, P.C.
J. Timm - The Segal Company
L. Walsh - Associated Administrators, LLC

I. CALL TO ORDER

A. Proxy

Mr. Jensen reported that Trustee Masten was unable to attend the meeting and had provided his proxy to Trustee Chorpenning to act in all matters coming before the Board.

He further reported that Trustee Goble was unable to attend the meeting and had provided his proxy to Trustee Paradis to act in all matters coming before the Board.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on March 2, 2018 and the Appeals Committee meeting held on May 2, 2018, 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 March 2, 2018 and the Appeals Committee meeting held on May 2, 2018 are approved as presented.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report – ERISA Account - April 30, 2018

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2018 through April 30, 2018. Such report indicated a beginning market value of $23,323,631, earnings of $4,906, receipts of $41,333,208, and disbursements of $47,422,379, producing an ending market value of $17,239,366 as of April 30, 2018.

2. Summary of Activity Report – Non-ERISA Account – April 30, 2018

Mr. Jensen then presented the PNC Summary of Activity report for the Non-ERISA account for the period January 1, 2018 through April 30, 2018. Such report indicated a beginning market value of $10,508,579, no earnings, receipts of $45,030,750 and disbursements of $43,558,117, producing an ending market value of $11,981,212 as of April 30, 2018.

3. PNC Management Fee Schedule for 2018

Mr. Jensen then reviewed correspondence dated March 28, 2018 from PNC Bank for the Non-ERISA account outlining its Management Fee Schedule for 2018. PNC previously waived fees for the checking account services. Effective July 1, 2018, PNC will implement a credit to offset transaction fees based on balances maintained in the Fund's commercial checking accounts. He noted that there would be no fee increases for PNC Institutional Investment Services (Trust Department) for 2018.

B. Investment Performance Services

The Trustees welcomed Mr. David Russell of Investment Performance Services to the meeting. Mr. Russell presented the Master Consulting Report for the quarter ending March 31, 2018. Such report indicated a beginning market value for the First Quarter 2018 of $23,318,479, net withdrawals of $1,918,729, and investment earnings of ($37,014), producing an ending market value of $25,200,193 for the quarter. The performance was a negative 0.1% for the quarter.

Mr. Russell next presented the Preliminary Performance update as of April 30, 2018. He noted that the beginning market value was $25,200,193, net withdrawals were $8,008,714, and investment earnings were $38,859, producing an ending market value as of April 30, 2018 of $17,230,338. The year-to-date performance was 0.1%. Mr. Russell reviewed the performance of the individual managers for all the Funds.

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

IV. CONSULTANT'S REPORT

A. The Segal Company

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

1. Life & AD & D Insurance Provider

Mr. Timm discussed the RFP results for life and AD&D insurance. He noted that Chairman and Secretary had selected Symetra as the new life insurance and AD&D provider between meetings. He said that the rates would be $0.183 for basic life insurance for the FELRA and UFCW VEBA Fund, $0.204 for basic life for the UFCW and FELRA Severance Fund, and $0.018 per $1,000 for the basic AD&D insurance for the FELRA and UFCW VEBA Fund, for a three year period from July 1, 2018 through June 30, 2021. Savings to the Fund were estimated to be $45,000. He said that Segal had notified Symetra of the Fund's decision.

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

> **RESOLVED to confirm hiring Symetra as the Fund's life and AD&D provider effective July 1, 2018 based on the execution of an acceptable contract.**

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

B. <u>Heritage Rx</u>

Mr. Jensen distributed a report from Heritage Rx summarizing proposed savings opportunities relating to the PBM services provided by Express Scripts. The Trustees referred the report to Chairman and Secretary for further review with Heritage.

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

A. <u>Open Enrollment Rule Clarification</u>

Ms. Sanchez reported on the annual enrollment process for the Fund. After discussion,

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

> **RESOLVED that, because any increase in participant cost-sharing relating to dependent coverage is considered by the Trustees to be significant, participants may drop dependent coverage outside of open enrollment if there is an increase in the participant's share of the cost for such coverage, provided such election to drop coverage is made within thirty (30) days from the date the participant is notified of the increase.**

B. Associated Administrators – Fee Amendment

Ms. Sanchez presented an amendment to Associated Administrators' agreement with the Fund for the Trustees' review. Thereafter, it was executed by the Chairman and Secretary.

C. Subrogation

Mr. Jensen stated that Slevin & Hart reported subrogation recoveries of $100,423.80 for the first quarter 2018.

D. Disability Regulations

Ms. Sanchez reported on a Summary of Material Modifications regarding the Disability Claims Procedures Regulations which was approved by the Chair and Secretary between meetings. After discussion,

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

> **RESOLVED to ratify the Chairman and Secretary's approval of the disability claims procedures reflected in the Summary of Material Modification, effective April 1, 2018.**

E. ESI Clinical Addendum

Ms. Sanchez reported on a Clinical Addendum to the Fund's agreement with Express Scripts. It was executed between meetings.

F. SMM re Associated MOA

Ms. Sanchez reported on a Summary of Material Modification regarding the eligibility changes reflected in Associated's MOA, as previously approved by the Trustees.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. First Quarter 2018 – Combined Fund Recap

Mr. Jensen presented the Administrative Manager's Report for the First Quarter 2018. For the combined VEBA Fund, Active and Retiree Plans, total income was $33,840,478.

Expenses totaled $36,332,428, producing a net deficit of $2,492,050 for the first quarter 2018. Mr. Jensen noted that contributions were made on behalf of 16,650 active Plan participants.

B. Adjusted Reserve – April 30, 2018

Mr. Jensen said the adjusted reserve for the Health and Welfare Plan was 2.36 months of expenses. Adjusted assets held in the ERISA account after transfers from the Non-ERISA accounts were $27,784,867. Mr. Jensen said he sent the revised MOB projections to Fund Counsel and the Trustees. The Trustees discussed the Fund's reserve level and MOB rates and agreed to defer any decision until the September meeting.

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated June 4, 2018. 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 June 4, 2018 for the Active Plan and Retiree Plan are approved for payment.**

VIII. OTHER FUND BUSINESS

A. Safeway Overpayment

Mr. Jensen said that Safeway has not yet submitted information on the scope of any overpayment or a credit request.

B. Participant Appeal Referred by Subcommittee - #A18/102-9281

Mr. Jensen noted that the participant is appealing for payment of accident and sickness benefits for a period of disability beginning January 15, 2018 through January 21, 2018. The Trustees discussed the case and, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve payment of accident and sickness benefits on a non-precedent setting basis, based on the specific facts and circumstances.**

C. <u>Miscellaneous Correspondence</u>

1. Cheiron – 2018 Engagement

Mr. Jensen reviewed correspondence received from Cheiron outlining proposed fees for 2018. He noted that the health retainer will increase from $52,200 per month to $54,000 per month, which does not include services for the Non-ERISA account. The non-retainer fees will range between $102 and $496 per hour.

The Trustees discussed the proposed fee increases and,

> **RESOLVED to approve Cheiron's 2018 engagement as requested.**

2. Fiduciary Insurance and Fidelity Bond Renewals

Mr. Jensen discussed the renewal of the fiduciary insurance for the FELRA and UFCW VEBA Fund through Chubb and renewal of the fidelity bond for the FELRA and UFCW Retiree Health Plan. He noted that the cost to renew the fiduciary insurance is $56,378 for a $10 million dollar policy and the cost to renew the fidelity bond through Chubb for a three year period would be $3,267 per year for a $1 million dollar policy.

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

> **RESOLVED to approve the renewal of the fiduciary insurance for the FELRA and UFCW VEBA Fund and the fidelity bond for the FELRA and UFCW Retiree Health Plan through Chubb for the three year period beginning May 29, 2018 through May 29, 2021.**

3. Express Scripts, Inc.

Mr. Jensen noted that the Fund had received payment in the amount of $200,800.03 from Express Scripts for failure to meet performance guarantees for the period January 1, 2017 - December 31, 2017.

4. CIGNA

Mr. Jensen noted that the Fund had received payment in the amount of $9,253.84 for a claim refund from CIGNA.

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 DATE AND LOCATION

It was noted that the next meeting of the Board of Trustees is scheduled for September 25, 2018 in the offices of UFCW Local 400 located in Landover, Maryland.

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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