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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE FELRA & UFCW HEALTH AND WELFARE FUND HELD APRIL 3, 2014 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
M. Federici - Secretary	J. Paradis – Chairman
M. Boyle	J. Champion
J. Chorpenning	F. Stegman
E. Masten	

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
N. Eid – Heritage Rx
G. Gatewood – UFCW Local 27
T. Goins – UFCW Local 27
J. Harrison – UFCW Local 27
M. Herwig - PNC Bank
W. Jensen – Associated Administrators, LLC
G. Kalwarski – Cheiron
S. Krasnoff – Carefirst Blue Cross Blue Shield
C. Lattanzio - CIGNA
J. Lewis – UFCW Local 400
C. Murphy – Associated Administrators, LLC
S. Patel – Express Scripts, Inc.
J. Pedone – Carefirst Blue Cross Blue Shield
D. Russell – Investment Performance Services
B. Slevin – Slevin & Hart, P.C.
M. Valianatos – Express Scripts, Inc.
J. Webb - CIGNA
D. White – Giant Food
C. Wiszynski – UFCW Local 400
K. Woodrich – Cheiron

I. CALL TO ORDER

Noting the presence of a quorum, the Chairman called the meeting to order.

II MINUTES

The Trustees reviewed the minutes of the last regular meetings held on August 27, 2013 and December 18, 2013 and the Appeals Committee meeting held on December 10, 2013, which were pre-circulated. It was noted that the Appeal Committee minutes should be revised to reflect that the location of the meeting was Landover, Maryland and not Sparks, Maryland as recorded in the minutes.

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

> **RESOLVED that the minutes of the regular meetings held on August 27, 2013 and December 18, 2013 be approved and that the appeal committee minutes of December 10, 2013 be approval as correct.**

III. FINANCIAL REPORT

A. PNC Bank

The Trustees welcomed Mr. Michael Herwig of PNC Bank to the meeting. He presented the summary of activity report for the period January 1, 2014 through February 28, 2014. Such report indicated a beginning market value of $50,725,341, earnings of $328,680, receipts of $27,038,100, and disbursements of $23,934,978, producing an ending market value of $54,157,143 as of February 28, 2014.

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

B. Investment Performance Services ("IPS")

The Trustees welcomed Mr. David Russell of Investment Performance Services to the meeting. He presented the Master Consulting Report for the period ending December 31, 2013. He noted that the ending market value was $55,902,323 and the year-to-date performance was 6.4%.

Mr. Russell reviewed the performance of each manager. He recommended that Cadence, NWQ, Windhaven and Mellon CF Global Expanded Alpha I be terminated. He further recommended that Segall, Bryant and Hamill's benchmark be changed to the Barclays Intermediate Government/Credit

Index to shorten the duration of the fixed income portfolio and potentially reduce interest rate risk. He said the recommendations would be reviewed with the Trustees in the future.

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

IV. ATTORNEY'S REPORT

A. Certified Registered Nurse Anesthetist ("CRNA")

The Trustees discussed coverage of Certified Registered Nurse Anesthetists ("CRNA"). The Trustees decided to maintain the Fund's current policy.

B. A&P Litigation

Mr. Slevin discussed the A&P contribution litigation.

C. Plan XX Eligibility

Mr. Slevin discussed the Plan XX eligibility rules.

D. SBC's

Mr. Slevin discussed the SBC's.

E. Madoff Victim Fund and Meridian Segregated Portfolio

Mr. Slevin discussed the Madoff Victim Fund and Meridian Segregated Portfolio.

F. Plan Amendement re Venue and Statute of Limitations

Mr. Slevin discussed the Plan Amendment re Venue and Statute of Limitations. After discussion,

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

RESOLVED to adopt the Plan Amendment.

G. 2013 Salter Engagement Letter

Mr. Jensen presented the audit engagement letter from Salter & Company for the year ending December 31, 2013. He noted that Salter was requesting fees not to exceed $72,000 for the 2013 audit.

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

RESOLVED to approve the audit engagement fee requested by Salter & Company not to exceed $72,000 for audit work for the year ending December 31, 2013.

H. PNC Short Term Investment Fund ("STIF")

Mr. Slevin discussed the PNC Short Term Investment Fund.

I. Subrogation Report

Mr. Slevin presented the subrogation report for the fourth quarter of 2013. He noted that $152,080.06 was collected with $38,020.02 payable to Slevin & Hart.

J. ACA

Mr. Slevin discussed recent ACA developments.

V. ADMINISTRATIVE MANAGER'S REPORT

A. 4Q13 - Combined Fund Recap

Mr. Jensen presented the administrative manager's report for the fourth quarter 2013. Such report indicated employer contributions of $31,325,299, retiree contributions of $6,982,754, employee contributions of $2,248,908, interest and dividends for the active plan of $105,190, interest and dividends for the retiree plan of $27,623, and miscellaneous income of $570, producing total income of $40,690,274. Expenses totaled $37,039,026, producing a net surplus of $3,651,248 as of the fourth quarter 2013. Mr. Jensen noted that contributions were made on behalf of 18,149 active plan participants.

VI. INVOICES

The Trustees reviewed the list of invoices for the active and retiree plans dated April 3, 2014, as well as the PPACA invoice for the fourth quarter 2013. 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 April 3, 2014 for the active plan and the retiree plan, including the PPACA invoice submitted by Associated, were approved for payment.

VII. OTHER FUND BUSINESS

A. Miscellaneous Correspondence

1. Cheiron Engagement Letter

Mr. Kalwarski presented Cheiron's proposed fees for 2014. He noted that his firm was requesting retainer fees of $74,340, representing an increase of 3.25% or $5,125 per month over the 2013 fee. Non-retainer fees for 2014 would range between $84.00 and $465.00 per hour.

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

> **RESOLVED to recommend that the retainer and non-retainer fees for Cheiron be approved for the 2014 calendar year.**

2. Preventive Services Benefits

Mr. Jensen presented a list of Preventive Services Benefits prepared by the Segal Company for the Trustees' review. He noted that coverage would be provided on an in-network basis only, with no cost-sharing, i.e. no deductibles, coinsurance, or copayments. The Trustees reviewed the list and,

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

> **RESOLVED to approve the list of Preventive Services Benefits for use effective March 1, 2014.**

3. Health Dialog

Mr. Jensen reported that Health Dialog has been purchased by Rite Aid Corporation.

4. Investment Manager Confirmations

Mr. Jensen noted that the investment manager confirmations for the 5500 had been sent to the investment managers on March 19, 2013.

5. Maintenance of Benefit ("MOB")

Mr. Jensen reported that the MOB letters had been sent to the Participating Employers on March 7, 2014, effective for the January 2014 contribution.

B. Participant Appeals

Mr. Jensen presented several participant appeals, which were referred to the full Board of Trustees by the Appeals Subcommittee. After discussion, the Trustees referred the ambulance appeals to the Appeals Committee for resolution. The Trustees denied an appeal for coverage of the HPV vaccine for a male child, incurred prior to the effective date of the preventive list.

C. Heritage Rx

The Trustees welcomed Ms. Nancy Eid of Heritage Rx to the meeting. She reviewed the scope of work to be provided by Heritage Rx. She recommended the Trustees solicit bids for PBM services, in order to obtain best pricing from ESI, the current vendor. She reviewed reference based pricing strategies, but recommended working with the PBM and case management vendor to obtain the best savings opportunities.

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

D. Request for Proposal

The Trustees requested that Associated solicit proposals from Horizon and the Segal Company for consulting services, for presentation to the Policy Committee on May 27, 2014.

VIII. ANNUAL REPORTS

A. Retiree Self-Insured HMO (CIGNA)

The Trustees welcomed Mr. Jason Webb and Mr. Cliff Lattanzio of CIGNA to the meeting. They presented the 2013 utilization report for the CIGNA self-insured plan covering pre-Medicare retirees. Mr. Webb reported that the Medical Plan Trend was (-8.5%) per participant per year and that the Plan Spend per participant per year for the current period was $5,742. Mr. Webb reported that provider discounts represented over $9.7 million dollars of savings in 2013 and Specialty Case Management represented over $510,000 in savings. Mr. Webb further reported that 49.2% of the membership have a chronic condition.

Mr. Webb presented a fee renewal request amounting to a 3.1% increase in the retiree fees effective June 1, 2014.

The Trustees thanked the representatives of CIGNA for their report and they were excused from the meeting.

The Trustees tabled consideration of the CIGNA fee request.

B. PPO Provider (Carefirst)

The Trustees welcomed Mr. Steve Krasnoff and Mr. Joe Pedone of Carefirst to the meeting. Mr. Krasnoff presented the Preferred Provider Organization report for the calendar year 2013. Such report indicated 220,138 claims submitted to Carefirst, a 6.74% decrease from calendar year 2012. The total billed in 2013, was $174,102,849, a 1.29% decrease from 2012. Mr. Krasnoff reported total savings of $85,561,929 in 2013, a 5.67% increase from 2012. Carefirst administrative charges were $1,218,773 in 2013, a 1.5% decrease from those charged in 2012.

The Trustees thanked the representatives from Carefirst for their report and they were excused from the meeting.

C. Pharmacy Benefit Manager (Express Scripts)

The Trustees welcomed Ms. Michele Valianatos and Mr. Shardul Patel of Express Scripts to the meeting. Ms. Valianatos reviewed the 2013 utilization report. The 2013 total plan cost, after network discounts and member co-payments, was $29,828,956. The cost per participant and dependents per month was $96.15, a 1.9% increase over the participant and dependents per month cost in 2012. She indicated total savings to the Fund of $7,503,114 for 2013.

The Trustees thanked the representatives from Express Scripts for their report and they were excused from the meeting.

IX. ADOPTION OF COMMITTEE RECOMMENDATIONS

After review of the minutes of the recommendations made by the Legal, Severance 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 Committees are adopted by the Trustees of the Health and Welfare Fund.**

X. NEXT MEETING DATE

After discussion, the Trustees selected June 20, 2014, September 18, 2014, and December 11, 2014 as the next meeting dates 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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