**Food Employers Labor Relations Association
and United Food & Commercial Workers
Health & Welfare Fund**

911 RIDGEBROOK ROAD
SPARKS, MARYLAND 21152-9451
TELEPHONE: (410) 683-6500
(800) 638-2972

4301 GARDEN CITY DRIVE
SUITE 201
LANDOVER, MARYLAND 20785-6102
TELEPHONE: (301) 459-3020

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE FELRA & UFCW HEALTH AND WELFARE FUND HELD JUNE 20, 2014 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
M. Federici - Secretary
E. Masten

EMPLOYER TRUSTEES
J. Paradis – Chairman
J. Champion
F. Stegman

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
L. Barrios – Advantica
B. Boorgis - Secova
M. Bramsteadt – Segal Co.
E. Chappell – Health Dialog
F. Crockett – HMS
N. Eid – Heritage Rx
J. Freeman – UFCW Local 27
G. Gatewood – UFCW Local 27
M. Harris – UFCW Local 400
J. Harrison – UFCW Local 27
C. Heppner – Segal Co.
M. Herwig - PNC Bank
M. Imming – Group Dental Service
W. Jensen – Associated Administrators, LLC
G. Kalwarski – Cheiron
E. Knitter - ValueOptions
J. Lewis – UFCW Local 400
G. Murphy, Jr. – UFCW Local 27
C. Murphy – Associated Administrators, LLC
L. Phillips – Kaiser Permanente
T. Poffenbaugh - ValueOptions
B. Slevin – Slevin & Hart, P.C.

J. Timm – Segal Co.
D. White – Giant Food
C. Wiszynski – UFCW Local 400

I. CALL TO ORDER

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

A. Proxy

Mr. Jensen reported that Trustee Chorpenning had given his proxy to Trustee Masten to act in all matters coming before the Trustees.

B. Trustee Vacancy

Mr. Jensen reported that he had been notified by Giant Food, that Steve Stoner was no longer employed with Giant Food. No replacement Trustee had yet been appointed.

II MINUTES

The Trustees reviewed the minutes of the last regular meeting held on April 3, 2014, the minutes of the policy committee meeting held on April 28, 2014, and the appeals committee minutes of March 18, 2014, which were pre-circulated. It was noted that there was an error in the appeal committee minutes. The error was corrected and the minutes were re-circulated.

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

> **RESOLVED that the minutes of the regular meeting held on April 3, 2014, the policy committee meeting held on April 28, 2014, and the revised appeal committee minutes of March 18, 2014 be approved as corrected.**

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 May 31, 2014. Such report indicated a beginning market value of $50,725,341, earnings of $693,934, receipts of $68,211,946, and disbursements of $62,385,872, producing an ending market value of $57,245,349 as of May 31, 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. Rich Sichel of Investment Performance Services to the meeting. He presented the Master Consulting Report for the period ending March 31, 2014. He noted that the ending market value was $56,068,274 and the year-to-date performance was 0.6%.

Mr. Sichel 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 in the context of a recommended change in the investment policy asset allocation, so action could be taken on all the recommendations at the same time.

Mr. Rich Sichel next presented the Preliminary Performance report for the period ending May 31, 2014. He noted that the ending market value was $46,861,512 and the year-to-date performance was 1.6%.

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

IV. HEALTH CONSULTANT'S REPORT

A. Segal Company

The Trustees welcomed Mr. Josh Timm, Mr. Mitch Bramstaedt, and Mr. Chris Heppner, from Segal to the meeting. Mr. Timm provided an overview of the retainer services offered by Segal.

B. Heritage Rx

The Trustees welcomed Nancy Eid of HeritageRx to the meeting. She presented a status update for the for the Pharmacy Benefit Manager (PBM) Request for Proposals (RFP), and the Reference Based Pricing Proposal from Safeway Health . Ms. Eid was asked to discuss the next steps for the RFP and review of the Safeway Health Proposal at an upcoming Policy committee meeting.

V. ATTORNEY'S REPORT

A. Named Fiduciaries

Mr. Slevin discussed the appeals process.

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

> **RESOLVED to designate the appeals committee as the named fiduciaries for the purpose of deciding participant appeals.**

B. A&P Litigation

Mr. Slevin discussed the A&P Health and Welfare contribution litigation.

C. PNC Agreement

Mr. Slevin discussed the PNC Agreement.

D. Business Associate Agreements

Mr. Slevin discussed several revised BAA's for HIPAA Hi-Tech and presented same for execution by the Trustees. The documents were executed.

E. Madoff Victim Fund and Meridian Segregated Portfolio

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

F. Mental Health Parity

Mr. Slevin discussed the regulations regarding Mental Health Parity.

G. Fidelity Bond

Mr. Slevin reviewed the renewal of the fidelity bonds.

H. Non-Disclosure Agreements

Mr. Slevin discussed the non-disclosure agreement with Secova. It was not signed.

I. Consulting Agreements

Mr. Slevin discussed the consulting agreements between the Fund and Heritage and Segal.

J. COBRA

Mr. Slevin discussed the Fund's COBRA notices and the regulations.

K. SPD's

Mr. Slevin provided a status report on the update to the SPDs.

L. AA Contract

Mr. Slevin discussed an issue being researched by Associated Administrators, LLC regarding the fees paid under its contract.

M. Independent Review Organizations

Mr. Slevin discussed contracting with IROs. After discussion,

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

> **RESOLVED to delegate the Chairman and Secretary authority to select and contract with IROs.**

N. Subrogation Report

Mr. Slevin presented the subrogation report for the first quarter of 2014. He noted that $140,047.63 was collected with $35,011.91 payable to Slevin & Hart.

Mr. Paradis inquired about the subrogation process and fees. Mr. Jensen was instructed to prepare a summary of the subrogation process for review by the trustees.

O. Reinsurance Fee

Mr. Selvin discussed his firm's June 2, 2014 memorandum.

P. Cigna Contract Amendment

Mr. Slevin presented two amendments to the Cigna contract.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. 1Q14 - Combined Fund Recap

Mr. Jensen presented the administrative manager's report for the first quarter 2014. Such report indicated employer contributions of $31,709,886, retiree contributions of $6,907,706, employee contributions of $2,153,657, interest and dividends for the active plan of $85,404, interest and dividends for the retiree plan of $22,395, and miscellaneous income of $3,886, producing total income of $40,882,934. Expenses totaled $35,682,121, producing a net surplus of $5,200,813 as of the first quarter 2014. Mr. Jensen noted that contributions were made on behalf of 18,126 active plan participants.

VII. INVOICES

The Trustees reviewed the list of invoices for the active and retiree plans dated June 20, 2014, as well as the PPACA invoice for the first quarter 2014. Mr. Jensen noted that the PPACA invoice was substantially higher than previous invoices due to charges related to the ICD-10 coding for 2013. It was noted there were no additions, deletions or changes to the list.

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

> **RESOLVED that the invoices on the lists dated June 20, 20144 for the active plan and the retiree plan, including the PPACA invoice submitted by Associated, were approved for payment.**

VIII. OTHER FUND BUSINESS

A. Miscellaneous Correspondence

1. CareFirst Correspondence

Mr. Jensen reviewed a correspondence dated April 3, 2014 from CareFirst BlueCross/Blue Shield concerning service issues, and their plan to correct such issues.

2. Express Scripts Correspondence

Mr. Jensen reviewed correspondence from Express Scripts dated June 12, 2014 concerning their desire to continue servicing the Fund and its participants.

3. Fiduciary Insurance – Waiver of Recourse

Mr. Jensen reported that the waiver of recourse invoices for the fiduciary insurance were sent to the Trustees on June 2, 2014.

4. Plan XXX Rates

Mr. Jensen said that the Segal Company had provided Plan XXX contribution rates to be utilized by the Fund in 2014.

5. PCORI Fees

Mr. Jensen said that the $2 per participant PCORI fee was due at the end of July, 2014. His firm would work with the Fund Auditor on such filing.

6. Motorola Inc. Securities Litigation

Mr. Jensen reported that the Fund received $1,476.38 as settlement in the Motorola Inc. Securities Litigation.

7. Topol Class Action Settlement

Mr. Jensen reported that the Fund had received $2,839.84 as settlement in the Topol Class Action litigation.

C. Draft SMM Eligibility Rules (Plan XX, XXX & XL)

Mr. Jensen reviewed the most recent draft eligibility rules for Plans XX, XXX, and XL. The Trustees tabled consideration of these rules and delegated authority to take action on them to the Policy committee.

D. January 2015 Salary Deduction Process

Mr. Jensen reviewed the process beginning in mid-August to obtain authorizations by the participants for salary deductions and spousal surcharges that must be in effect by January 1, 2015. He outlined several mailings that would go to plan participants, with responses to be received via mail, fax, and email. The goal was to send the deduction information to the participating employers in December 2014.

E. Dependent Eligibility

Mr. Jensen provided a report summarizing the rules concerning dependent eligibility, and the Coordination of Benefit (COB) rules adopted by the Fund.

1. Dependent Audit Presentations

a. HMS

The Trustees welcomed Mr. Frederick Crockett of HMS to the meeting. Mr. Crockett presented his proposal to provide dependent audit services to the Fund. He noted that HMS' Employer Solutions division was one of the first in the marketplace to offer broad-based comprehensive dependent eligibility, with the first audit conducted in 2003. He noted that his firm has completed nearly 900 audits successfully over the past ten years. He said that that they have 40 plus union trust clients and that the savings to their clients was over $2.5 billion. He noted that over 3.5 million dependents have been verified. He outlined the services offered by his firm. He noted that they had a custom website with 24/7 access and that they were fully HIPAA compliant. He said that the ROI calculation, based on an average annual cost of $3,500 per dependent and an estimated total audit fee of $77,094 and an initial dependent count of $11,535 was 4:1 guaranteed.

The Trustees thanked Mr. Crockett for his proposal and he was excused from the meeting.

b. Secova

The Trustees welcomed Bruce Boorgis of Secova to the meeting. Mr. Boorgis presented his proposal to provide dependent audit services to the Fund. He noted that the company was founded in 1989 and their headquarters are located in Newport Beach, California. He noted that they have three worldwide locations to efficiently manage the administrative process. He said that they were a 24/7 service provider and that their mission was to help organizations control and drive down the cost of administering benefit programs while providing anyway, anytime, anywhere participant advocacy. He outlined the services offered by their firm. He noted that security was their top priority and that they were HIPAA compliant. He reviewed the options available through their firm and the advantages in hiring their firm to perform the audit.

The Trustees thanked Mr. Boorgis for his proposal and he was excused from the meeting.

The Trustees tabled consideration of the dependent audit process, and requested that the Segal Company review the proposals submitted by both firms.

IX. ANNUAL REPORTS

A. Non-Medicare HMO (Kaiser Permanente)

The Trustees welcomed Mr. Leonard Phillips of Kaiser Permanente to the meeting. He presented the annual report as of January 21, 2014. He noted that there were 557 subscribers. Total membership, including dependents, was 1,667. The average age was 34 years, with 53.4% of the membership being female. Mr. Phillips reviewed benchmarks comparing the clinical outcomes of the Fund participants to Kaiser fund membership at large.

The Trustees thanked Mr. Phillips for his report and she was excused from the meeting.

B. Dental Provider (Group Dental Service)

The Trustees welcomed Molly Imming of Group Dental Service (GDS) to the meeting. She presented the annual utilization report for 2013. She noted that GDS had 36,750 total visits by participants, spouses and other eligible dependents. 74,839 procedures had been processed with a UCR value of $14,138,905. GDS had been reimbursed a total of $8,971,845 in premiums and co-payments received from plan participants. The relative value of service was 1.58. Ms. Imming reported that cost of care report was 62.3%.

1. Contract Renewal

Ms. Imming noted that the Fund's contract with GDS was scheduled to renew effective January 1, 2014. She noted that GDS proposed no premium increase for 2014. The Health Insurer Fee (HIF), which went into effect January 1, 2014 in accordance with the Affordable Care Act, would be assumed by GDS for 2014. She said that based on their underwriter's calculations, the HIF fee would impact the premium by 2.6%. She requested a 2.6% increase in their fee for 2015, due to the HIF tax.

The Trustees discussed the relatively low cost of care percentage, in comparison with prior experience, and questioned the need for a premium increase.

The Trustees thanked Ms. Imming for her report and she was excused from the meeting. The trustees tabled consideration of the rate increase request until a future meeting.

C. Disease Management Report (Health Dialog)

The Trustees welcomed Mr. Ed Chappell of Health Dialog to the meeting. Mr. Chappell presented his 2013 annual report. He reported that there were 25,568 total eligible participants and 1,398 participants with interactions. The estimated savings for 2013 was $928,424 and the estimated savings per participant per month was $3.35. The ROI was 1.6:1. He noted that diabetes was the most prevalent chronic condition. He outlined the 2014 program recommendations. He further noted that the annual CPI increase, per contract, is 3% or $2.12 per participant per month, effective September 1, 2014.

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

D. **Mental Health Provider (ValueOptions)**

The Trustees welcomed Mr. Terry Poffenbaugh and Mr. Ed Knitter of Value Options to the meeting. Mr. Poffenbaugh presented the Managed Behavioral Health and Employee Assistance Program for 2013. Mr. Poffenbaugh reported that the average membership count was 27,354 in 2013. Total paid MHSA claims were $1,631,703 in 2013, a 14% increase, after decreasing 12% in 2012. He noted that the 2013 increase was primarily associated with outpatient units of care. There were 255 inpatient visits and 9,526 outpatient visits in 2013. The average length of inpatient stay was 5.9 days per admission.

Mr. Poffenbaugh presented the Employee Assistance Program Utilization for 2013, indicating that the annual utilization for 2013 was 1.5%, compared to 1.9% in 2012.

Mr. Poffenbaugh noted that the merger/purchase of ValueOptions by Beacon Health Strategies was pending a regulatory review. He will advise once such review is completed.

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

F. **Optical Provider (Advantica)**

The Trustees welcomed Ms. Lisbeth Barrios of Advantica to the meeting. Mr. Murphy requested that Ms. Barrios provide a list of network providers in the area covered by the Fund. Ms. Barrios was excused with thanks.

X. ADOPTION OF POLICY COMMITTEE RECOMMENDATIONS

After review of the recommendations of the Policy Committee during its meetings, and

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

> **RESOLVED that recommendations of the Policy Committee during its meetings, as reviewed by the Trustees, are adopted.**

XI. 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.**

XII. NEXT MEETING DATE AND LOCATION

The Trustees noted that their next meeting was scheduled for September 18, 2014 in Landover, Maryland.

XIII. ADJOURNMENT

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

Respectfully submitted,
Mark Federici, Secretary

FW062014(orig : 08/18/14)(Rev: 09/17/14bs)