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

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MINUTES OF THE MEETING OF THE POLICY COMMITTEE OF THE BOARD OF TRUSTEES OF THE FELRA AND UFCW HEALTH AND WELFARE FUND JULY 18, 2014 IN LANDOVER, MARYLAND

The following Trustees were present:

Union Trustees
M. Federici – Secretary
G. Murphy, Jr.

Employer Trustees
J. Paradis - Chairman
W. Kraemer (Via Teleconference)
F. Stegman

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
M. Bramsteadt – Segal Company
J. Champion – Safeway, Inc.
J. Chorpenning – UFCW Local 27
N. Eid – Heritage Rx
T. Hipkins – UFCW Local 27
W. Jensen – Associated Administrators, LLC
C. Murphy – Associated Administrators, LLC
R. Sichel – Investment Performance Services
B. Slevin – Slevin & Hart, P.C.
L. Walsh – Associated Administrators, LLC

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

I. FINANCIAL REPORT

The Trustees welcomed Rich Sichel of Investment Performance Services to the meeting. He presented a preliminary performance report for the Health and Welfare, Severance, Scholarship, and Legal Sub-Trusts. Total assets for the health and welfare fund as of June 30, 2014 were $57,156,930. Mr. Jensen noted that there had been a contribution check in transit and that the adjusted total was $58,786,899, which represented 4.75 months of reserves. Mr. Sichel said year-to-date performance for the portfolio was 2.7.

Mr. Sichel reviewed several asset allocation alternatives. The Trustees discussed the cash flow needs of the Health and Welfare Fund in light of the Maintenance of Benefit (MOB) provisions in the collective bargaining agreements. After further discussion, Mr. Sichel said he could provide asset allocation recommendations to the Trustees in the near future after reviewing the cash flow needs with the Fund office%. The Trustees agreed to transfer $15 million in the Health and Welfare account o Segall, Bryant and Hamill pending completion of the review.

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

> **RESOLVED to direct Investment Performance Services to provide recommendations prior to the next Board of Trustee meeting regarding the asset allocation.**

Mr. Sichel reported that Segall, Bryant and Hamill had changed their benchmark to a shorter duration, using the Intermediate Government Credit benchmark instead of the Aggregate benchmark. They requested approval of the shorter duration benchmark.

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

> **RESOLVED to recommend to the Board of Trustees that it approve the benchmark change recommended by Segall, Bryant, and Hamill to the Intermediate Government Credit benchmark.**

Mr. Sichel reviewed the Severance Fund allocation and various alternative scenarios. The future cash flows of the Severance were discussed. Mr. Sichel was directed to work with Co-Counsel and the Fund Administrative Manager regarding the Severance Plan cash flows, and provide asset allocatin recommendations to the Trustees.

The Trustees directed IPS to review the cash flows of the Scholarship and Legal sub-trusts with Counsel and the Fund Administrative Manager. They then selected August 29, 2014 as a date for review of the Health and Welfare Fund asset allocation recommendations.

Mr. Sichel said that Chartwell had been hired to perform investment of short duration high yield fixed income and recommended that the cash flows could be directed to that manager. The Trustees noted that $6 million dollars had been recently received as new contributions to the Severance Fund from participating employers. After discussion,

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

RESOLVED to recommend to the Board of Trustees that the Fund invest up to $6 million dollars in the Severance Fund account in a short duration high yield bond fixed income portfolio with Chartwell, subject to an acceptable contract.

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

II. ATTORNEY'S REPORT

A. Acme

Mr. Slevin discussed the status of the Acme and A & P severance contribution litigation. The Trustees agreed that if Acme or A & P agree with Local 27 to a transfer of liabilities from the Fund, the effective date can be June 1, 2014 to make clear such transfer is in lieu of the July, 2014 contribution. Also, to administer the payment of benefits so transferred the company could contract with Associated Administrators to do so.

III. CONSULTANT'S REPORT

A. Heritage Rx

The Trustees welcomed Ms. Nancy Eid of HeritageRx to the meeting. She reviewed the status of her analysis of the prescription drug program and potential savings that could be obtained through managed formularies, referenced base pricing and competitive bidding of the pharmacy benefit ("PBM") contract. Ms. Eid said the estimated savings would be $3,186,996 annualized for adopting managed formulary programs, based on the Fund's data.

Ms. Eid noted that she had recently received data from Safeway Health concerning referenced base pricing. Mr. Stegman said that he and Mr. Champion would recuse themselves from discussion and any matters regarding Safeway Health.

Ms. Eid said that she would be forwarding questions to Safeway Health regarding their offering in order to benchmark estimated savings against savings from a managed formulary program alternative. Ms. Eid said that Express Scripts does not currently manage a referenced base pricing model. She said that EnvisionRx is a PBM vendor that has experience with Safeway Health. She recommended the Trustees solicit competitive bids for the PBM contract, including OptumRx, EnvisionRx, Navitus, Catamaran, and the current provider, Express Scripts. After discussion,

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

RESOLVED to notify Express Scripts of the intent to terminate the contract and solicit competitive bids for PBM services. It was further RESOLVED to authorize HeritageRx to perform further analysis on Safeway Health's reference based pricing model.

The Trustees noted that the Segal Company could join in the discussions, as well as interested Trustees, in any future calls with Safeway Health's representatives.

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

B. Segal Company

The Trustees welcomed Mr. Mitch Bramstaedt of the Segal Company to the meeting. Mr. Bramstaedt said that he would be providing an analysis of the dependent audit proposals received by the Fund.

IV. OTHER FUND BUSINESS

A. Emdeon Proposal

Ms. Laura Walsh presented a proposal by one of Associated's vendors, Emdeon, to offer a virtual credit card, potentially generating shared savings between the Fund and Associated for such a service. She noted that the virtual credit card will allow the Fund to reimburse vendors electronically. Such process would eliminate the printing and mailing of checks to providers. The Trustees asked Associated to review this proposal with Fund Co-Counsel.

B. Draft Summary Of Material Modifications ("SMM") For Plans XX, XXX & XL

Mr. Jensen reported that his office had worked with Fund Co-Counsel on the draft of the SMM for the new eligibility rules for Plan XX, XXX & XL. He advised that such rules were awaiting comments from the Employer Trustees.

C. January 2015 Enrollment/Salary Deduction Process

Mr. Jensen reviewed the salary deduction/enrollment process and the spousal surcharges also required by the recent collective bargaining agreement. The deadline for such enrollment is January 2015.

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D. Group Dental Service – Contract Renewal

The tabled request by Group Dental Service was reviewed by the Trustees. They directed that GDS be invited to attend the next meeting to explain their rate renewal request, as well as detailed information related to their dentists enrolled in their network.

E. Subrogation Process

Mr. Jensen reviewed the subrogation process for the Fund as requested by the Trustees at their last regular meeting.

F. Legal Provider Proposal for New Hire Benefit Plan

Mr. Jensen presented the response from the legal providers concerning their recommendation for a benefit plan design for new hires that would be in effect beginning July 2015. After discussion, the Trustees directed that the President of Robert A. Ades and Associates be invited to the next regular scheduled meeting to review the status of their services.

G. Hold Harmless Protection for Out-Of-Network Claims

Mr. Jensen said that the Chairman had requested that the Trustees review the Hold Harmless Protection for out-of-network claims based on a recent settlement for such a claim. Mr. Jensen was directed to provide the Policy Committee with the history of such claims for further review.

V. ADJOURNMENT

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

Respectfully submitted,

Mark Federici – Secretary