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

911 RIDGEBROOK ROAD	**4301 GARDEN CITY DRIVE**
SPARKS, MARYLAND 21152-9451	**SUITE 201**
TELEPHONE: (410) 683-6500	**LANDOVER, MARYLAND 20785-6102**
(800) 638-2972	**TELEPHONE: (301) 459-3020**

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE FELRA & UFCW HEALTH AND WELFARE FUND HELD SEPTEMBER 18, 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	D. White

Also present were:

P. Beerman – OptumRx
H. Burton – Morgan, Lewis & Bockius, LLP
M. Bramsteadt – Segal Co.
V. Condino – OptumRx
C. Davis – Express Scripts
N. Eid – Heritage Rx
J. Flaherty – Robert A. Ades & Associates
S. Frazee – Express Scripts
J. Freeman – UFCW Local 27
B. Funk – OptumRx
F. Gentiella - Express Scripts
M. Harris – UFCW Local 400
J. Harrison – UFCW Local 27
M. Herwig - PNC Bank
W. Jensen – Associated Administrators, LLC
J. Johnson – Envision
S. Krasnoff – Carefirst Blue Cross & Blue Shield
M. Lerry – Optum Rx
J. Lewis – UFCW Local 400
W. Meisen – Giant Food, LLC
J. McHugh – Catamaran
G. Murphy, Jr. – UFCW Local 27
C. Murphy – Associated Administrators, LLC

S. Patel – Express Scripts
J. Pedone – Carefirst Blue Cross & Blue Shield
J. Quillin – Catamaran
J. Reid – Catamaran
M. Rotelli- Catamaran
B. Slevin – Slevin & Hart, P.C.
J. Timm – Segal Co.
M. Torelli – Catamaran
T. Traylor – Safeway Health
M. Valianatos – Express Scripts
C. Wiszynski – UFCW Local 400

I. CALL TO ORDER

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

A. Appointment of Trustee

Mr. Jensen reported that a vacancy remained on the Employer side as a result of the departure of Steve Stoner from Giant Food. After discussion,

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

> **RESOLVED to appoint David White as a Trustee on the Fund effective with the date of the meeting.**

The Trustees welcomed Mr. White to the Board.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on June 20, 2014, the appeals committee meeting of June 17, 2014, the policy committee meeting of July 18, 2014, and the policy committee meeting of August 29, 2014, which were pre-circulated. After discussion,

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

> **RESOLVED that the minutes of the regular meeting held on June 20, 2014, the appeals committee meeting of June 17, 2014, the policy committee meeting of July 18, 2014 and the policy committee meeting of August 29, 2014, were approved, subject to review by Co-Counsel.**

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 August 31, 2014. Such report indicated a beginning market value of $50,725,341, earnings of $1,181,621, receipts of $108,205,044, and disbursements of $97,983,449, producing an ending market value of $62,128,557 as of August 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 June 30, 2014. He noted that the ending market value was $46,212,150 and the year-to-date return was 2.1%. He reviewed the asset allocation versus target ranges. He noted that at the August 29, 2014 meeting the Policy Committee recommended new asset allocation targets and that the portfolio would be rebalanced closer to the new asset allocation targets if adopted by the Board of Trustees. Mr. Sichel next reviewed the Transition Summary dated September 18, 2014.

Mr. Sichel reviewed the performance of each manager. He recommended that Cadence, Intech, NWQ and Westwood be terminated and the proceeds transferred to the Vanguard Total US Stock Market Fund. He further recommended that Globeflex, Mellon CF Global Expanded Alpha 1, and Windhaven GTAA be terminated and the proceeds allocated based on asset allocation decisions. He also recommended that Fountain Capital Management be terminated and the proceeds allocated to the short duration high yield manager, Chartwell Investment Partners.

Mr. Sichel next presented the Preliminary Performance report for the period ending August 31, 2014. He noted that the ending market value was $58,473,886 and the year-to-date performance was 2.3%.

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

> **RESOLVED to adopt the asset allocation targets recommended by the Policy Committee and the recommendations of IPS.**

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

IV. CONSULTANTS' REPORT

A. Heritage Rx

The Trustees welcomed Nancy Eid of HeritageRx to the meeting. She reviewed the preliminary RFP results with the Trustees. She noted that a custom scorecard was created to reflect the Fund's key Pharmacy Benefit Manager ("PBM") selection criteria. ESI ranked highest among peers in the technical and financial evaluation and Envision and Catamaran ranked second and third, respectively. OptumRx ranked last, primarily due to non-conformance with bidder and financial requirements, subjective pricing methodologies, and absence of minimum pricing guarantees.

Ms. Eid said that Express Scripts and EnvisionRx offer the most cost-competitive proposals. Express Scripts exceeds EnvisionRx in technical and qualitative measures, attributable to differences in organizational bandwidth, relative PBM and Taft-Hartley experience, depth and breadth of account service infrastructure, and performance metrics. She recommended that a Best and Final offer ("BAFO") request be submitted to Express Scripts and EnvisionRx to include an increase in Pharmacy Management Funds available in years one, two, & three, a MAC pricing guarantee that includes a floor and ceiling price threshold, performance measured quarterly and reconciled semi-annually, specialty price improvements for Top Seven Therapy Classes, with incremental improvement in discounts in years two & three to offset impact of inflation, and commitment to underwrite trend guarantees on non-specialty in years two & three of the contract. She further recommended that Express Scripts' BAFO requirements include pricing and contract provisions, enabling the Fund to implement Reference Based Pricing ("RBP") or other progressive management strategies, without change to discounts or fees.

Ms. Eid said that Safeway Health would first present its RBP Service proposal, followed by PBM bidding firms.

1. Safeway Health

The Trustees welcomed Mr. Tom Traylor of Safeway Health to the meeting. Mr. Traylor noted that Safeway Health currently has five UFCW Fund clients under contract servicing over 300,000 members. The average plan savings is 18% to 21% and the average member savings is 10% - 12%. Ms. Eid asked Mr. Traylor if his firm would guarantee savings. Mr. Traylor responded that he would guarantee a 10% savings. Ms. Eid asked whether the Fund could terminate the contract without penalty and if the contact were to be terminated is the RBP program design portable? Mr. Traylor said that he would research those issues and report back to the Trustees. He noted that the fee would be $1.50 per participant per month.

The Trustees thanked Mr. Traylor for his presentation and he was excused from the meeting.

2. Envision

The Trustees welcomed Ms. Jennifer Johnson from EnvisionRx to the meeting. Ms. Johnson said that Envision was founded in 2001 and is a privately held company. The majority owner is TPG Capital. They have over 700 clients and serve 20 million members nationally. She discussed the implementation timeline and reporting capabilities. She proposed pass-through pricing with no mark-up and complete audit rights. She said that 100% of member utilized pharmacies are in-network and 96% of medications are on Envision's formulary. Envision currently works in conjunction with almost 100,000 lives under Safeway Health's RBP program.

The Trustees thanked Mr. Johnson for her presentation and she was excused from the meeting.

3. Catamaran

The Trustees welcomed Mr. John McHugh, Mr. Jon Reid, Mr. Marco Rotelli and Mr. Jason Quillin of Catamaran to the meeting. Mr. McHugh discussed Referenced Based Pricing. Catamaran's clinical strategy uses advanced analytics to drive meaningful impact. Catamaran would partner with the Fund to determine the optimal way to adopt formulary changes. Catamaran serves the companion UFCW Unions and Participating Employers Health and Welfare Fund.

The Trustees thanked the representatives from Catamaran for their presentation and they were excused from the meeting.

4. Optum Rx

The Trustees welcomed Mr. Vinco Condino, Mr. Marc Lerry, Mr. Brian Funk and Mr. Peter Beerman of Optum Rx to the meeting. Mr. Condino said that Optum Rx has over 29.8 million members under contract and acquired 2.1 million new members from 2013 to 2014 year-to-date. He said that Optum Rx has a 95% member satisfaction rating. Estimated savings for RBP would be between 15% to 20%. He reviewed the Specialty Management Program and the implementation process. The Referenced Based

Pricing ("RBP") fee would be $0.80 per participant per month. The pass through pricing service fee would be $2.10 per participant per month.

The Trustees thanked the representatives from Optum Rx for their presentation and they were excused from the meeting.

5. Express Scripts ("ESI")

The Trustees welcomed Mr. Colin Davis, Ms.Sharon Frazee, Mr. Frank Gentilella, Mr. Shardul Patel, and Ms. Michelle Valianatos of Express Scripts to the meeting. Mr. Gentiella said that Express Scripts is serving 400 plus funds representing 5.4 million members, as well as the Fund. Express Scripts offers two formulary options: a National Preferred Formulary and a High Performance Formulary. They explained the differences in each. Express Script's proposed pricing as of October 1, 2014, with savings of $700,000 to $1,300,000, depending on the formulary selected. Express Script's projected savings from 2015 – 2017 was $16,900,000 for the National Preferred Formulary option.

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

Discussion

The Trustees discussed the proposals. The issue was tabled and the Trustees instructed that this item be placed on the agenda for a special September 30, 2014 meeting.

B. Segal Company

The Trustees welcomed Mr. Josh Timm and Mr. Mitch Bramstaedt of the Segal Company to the meeting. They presented the Dependent Eligibility Verification Audit Comparison of Proposals. Mr. Timm reviewed proposals from the two vendors. The Trustees tabled a decision on the issue and asked that this item be placed on the agenda for the September 30, 2014 meeting.

V. ATTORNEYS' REPORT

A. COBRA

Mr. Slevin discussed his firm's July 29, 2014 Memorandum and the Fund's COBRA notices and the regulations.

B. Health Plan Identifier ("HPID")

Mr. Slevin discussed his September 11, 2014 memorandum regarding filing for an HPID. After discussion,

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

> **RESOLVED to delegate the Fund Administrative Manager the authority to act as the Fund's authorizing official for the purpose of completing the Fund's HPID application.**

C. A & P Litigation

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

D. Subrogation Report

Mr. Jensen presented the subrogation report for the second quarter of 2014. He noted that $51,735.60 was collected with $12,933.90 payable to Slevin & Hart.

E. Independent Review Organizations (IRO)

Mr. Slevin discussed the IRO requirements for non-grandfathered plans.

F. Business Associate Agreements (BAA)

Mr. Slevin discussed the revised BAA forms and which were outstanding.

G. ESI Compound Management

Mr. Slevin discussed the adoption of the ESI Compound Management Program.

H. Summary Plan Descriptions ("SPD")

Mr. Slevin discussed the need for revised SPDs. Mr. Jensen reported that Plan X and Plan XX were sent in draft form to co-counsel. The Plan I draft SPD would be sent in the near future.

I. Health Dialog Fee Increases

Mr. Slevin discussed the Health Dialog agreement terms relating to fee increases and termination.

J. Chartwell Agreement

Mr. Slevin discussed the status of the Chartwell investment management agreement and addendum to the Investment Policy.

K. Associated Amendment

Mr. Slevin discussed the Associated contract, the rates being charged by Associated and the review being undertaken by Associated.

L. SMMs

Mr. Slevin discussed the status of the SMMs describing the new eligibility rules.

M. Segal Agreement

Mr. Slevin advised of the status of the agreement between the Fund and The Segal Company.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. 2Q14 - Combined Fund Recap

Mr. Jensen presented the administrative manager's report for the second quarter 2014. Such report indicated employer contributions of $31,209,543, retiree contributions of $6,680,608, employee contributions of $2,214,846, interest and dividends for the active plan of $101,505, interest and dividends for the retiree plan of $26,969, and miscellaneous income of $26,608, producing total income of $40,260,079. Expenses totaled $40,026,993, producing a net surplus of $233,086 as of the second quarter 2014. Mr. Jensen noted that contributions were made on behalf of 17,880 active plan participants.

VII. INVOICES

The Trustees reviewed the list of invoices for the active and retiree plans dated September 18, 2014, as well as the PPACA invoice for the second quarter 2014. Mr. Jensen noted that the PPACA invoice included PCORI related costs to calculate, report, and file the PPACA related work, at the same rate as permitted for compliance related work. 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 list dated September 18, 2014 for the active plan, including the PPACA invoice submitted by Associated, are approved for payment.

VIII. OTHER FUND BUSINESS

A. Miscellaneous Correspondence

1. Class Action Settlements

Mr. Jensen reported that the Fund had received a check in the amount of $378.83 as a result of a settlement in the Motorola, Inc. Securities Litigation. He further reported that the Fund had received a check in the amount of $536.07 as a result of a settlement in the Wellbutrin class action litigation.

2. Hospital Audit Vendor

Mr. Jensen reported that Patricia Muirhead of Compufacts, the Fund's hospital audit vendor, had notified the Fund of her impending retirement. The Fund would have to seek another hospital audit firm for the Fund. Segal was asked to research potential hospital audit vendors.

3. Voya Financial (formerly ING) Rate Renewal

Mr. Jensen said that ING had changed its name to Voya Financial. Voya proposed a life insurance renewal as of January 1, 2015 with no increase in the current rate. After discussion,

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

RESOLVED to approve the one year renewal with Voya Financial at the current rates, effective January 1, 2015.

B. Draft SMM Eligibility Rules – Plans XX, XXX & XL

The Trustees discussed the draft SMM eligibility rules for Plans XX, XXX & XL, but tabled the issue and asked that it be placed on the agenda of the September 30, 2014 meeting.

C. January 2015 Enrollment/Salary Deduction Process – Status

Mr. Jensen provided a status update on the January 2015 re-enrollment/salary deduction process.

D. Group Dental Revised Renewal Proposal

Mr. Jensen reported that Group Dental Service had submitted a revised renewal proposal with no increase in their rate through December 31, 2015. The Trustees asked the Segal Company to review it and tabled consideration of the revised proposal.

E. Carefirst PPO – Allowed Amounts vs. Fund Usual, Customary, and Reasonalble Fee (UCR)

The Trustees welcomed Mr. Joe Pedone and Mr. Steve Krasnoff of Carefirst Blue Cross & Blue Shield to the meeting. They discussed the use of the Fund's UCR amounts versus Carefirst contract pricing. Mr. Pedone said that payment using UCR fee when less than the Carefirst contracted amount does not comply with Carefirst's provider contracts. CareFirst is concerned that continued use of the UCR fee limitation will result in a termination of the Fund's contract by CareFirst.

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

Mr. Jensen said that he would supply the Trustees with experience in 2013 and 2014 to date concerning the number of cases involved when the Fund pays up to the UCR fee limitation, but less than the Carefirst approved amount.

F. Retiree Co-Pays

The Trustees reviewed the proposed retiree co-pays as developed by Cheiron, but tabled same and asked that this item be placed on the agenda for the September 30, 2014 meeting.

IX. 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.**

X. 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.**

XI. NEXT MEETING DATE AND LOCATION

The Trustees noted that their next meeting was scheduled for December 11, 2014 in Landover, Maryland.

XII. ADJOURNMENT

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

Respectfully submitted,
Mark Federici, Secretary