MEMORANDUM

To: UFCW & FELRA Legal Benefit Fund Committee Members

From: Ryk Tierney

Date: November 30, 2012

Subject: Legal Contribution Rate for Calendar Year 2013

Rate Determination

Each year we take the bargained contribution rate for the legal providers and combine that amount with the estimated operating expenses to produce a rate for January 1st of the next year.

For the Calendar Year 2012, the legal contribution rate is currently $21.06, of which $19.75 is the legal provider fee. Effective January 1, 2013, the contractual rate paid to the legal providers will be $20.25 per participant per month, an increase of $0.50 per participant per month (PPPM). We have recalculated the operating expense component based on the last quarter of 2011 and first three quarters of 2012, and it is running at $1.30 PPPM. We have used a projected trend factor of 5% for 2013, making the estimated operating expense component $1.37 PPPM. The foregoing increases produce a projected contribution rate for 2013 of $21.62, or a 2.7% increase over the current contribution rate, if approved by the Committee.

The contribution rate for the small unit (currently it consists of 20 participants with individual coverage only) is $11.81 PPPM, of which $10.50 is the legal provider rate. The new rate would be increased by $0.50 for the provider rate increase, to $11.00, and the same projected operating expense component as the regular plan, $1.37. The new rate for the small unit would be $12.37 PPPM, if approved by the Committee.

Rate Summary

	2012 PPPM Rate	2013 PPPM Rate
Regular Plan	$21.06	$21.62
Small Unit Plan	$11.81	$12.37

Effective Date

The contribution rates would be effective for January 2013 contribution as received in February 2013 from the employers.

Should you have questions, please feel free to contact me.