United Food and Commercial Workers Unions and Participating Employers Health and 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
(800) 730-2241

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE UFCW UNIONS AND PARTICIPATING EMPLOYERS HEALTH AND WELFARE FUND DECEMBER 15, 2016 NATIONAL HARBOR, MARYLAND

The following Trustees were present:

UNION TRUSTEES
M. Federici – Chairman
M. Eubank
M. Harris
G. Murphy

EMPLOYER TRUSTEES
S. Loeffler – Secretary
J. Born
D. Gwin

Also present were:

Y. Anwar – Local 400
M. Bramstaedt – The Segal Company
M. Buckberg – Bond Beebe
H. Burton – Morgan, Lewis & Bockius, LLP
D. Clutts – Associated Administrators, LLC
J. Chorpenning – Local 27
T. Hipkins – Local 27
J. Harrison – Local 27
C. Hoffman – Local 400
J. Ianniello – Associated Administrators, LLC
W. Jensen – Associated Administrators, LLC
A. Leech – Bond Beebe
S. Sanchez – Slevin & Hart, P.C.
W. Seehafer – SuperValu, Inc.
B. Slevin – Slevin & Hart, P.C
J. Timm – The Segal Company
L. Walsh – Associated Administrators, LLC

I. CALL TO ORDER

A quorum being present, Chairman Federici called the meeting to order.

II. MINUTES

The Trustees reviewed the minutes of the regular meeting held on September 27, 2016, and the appeal meeting held on October 13, 2016, which were pre-circulated.

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

> **RESOLVED that the minutes of the regular meeting held on September 27, 2016, and the appeal meeting held on October 13, 2016, were approved, as presented.**

III. FINANCIAL REPORT

A. PNC Bank

The PNC Summary of Activity report for the period January 1, 2016 to November 30, 2016 was pre-circulated. Such report indicated a beginning market value of $5,521,503, receipts of $37,714,358, disbursements of $38,679,180, and earnings of $116,446, producing an ending market value of $4,673,127 as of November 30, 2016.

B. Auditor's Report

The Trustees welcomed Mr. Mark Buckberg and Mr. Albert Leech of Bond Beebe to the meeting.

Mr. Buckberg presented a copy of the Fund's Financial Statements for the year ended 2015. Net Assets Available for Benefits on December 31, 2014 were $9,725,567. Total additions for the year ended December 31, 2015 were $48,738,952. Total deductions were $50,574,210. The decrease of Net Assets Available for Benefits was $1,835,258, producing Net Assets Available for Benefits of $7,890,309 on December 31, 2015. Mr. Buckberg reviewed the Notes to Financial Statements and the Schedule of Employer Contributions. Mr. Buckberg noted that this was an unmodified opinion, previously referred to as an "unqualified" opinion.

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

> RESOLVED to accept the Auditor's report as presented.

The Trustees thanked Mr. Buckberg and Mr. Leech for their report and they were excused from the meeting.

IV. CONSULTANT'S REPORT

The Trustees welcomed Mr. Mitch Bramstaedt and Mr. Josh Timm of The Segal Company ("Segal") to the meeting.

A. Dental Request for Proposal ("RFP")

Mr. Timm reported that Segal had submitted a revised report comparing Group Dental Services, CareFirst, and Dominion Dental. This report was sent to Subcommittee members Steve Loeffler, Donna Gwin, Mark Federici, and George Murphy on October 14, 2016.

B. Kroger Pass-Through Operational Expense Rate

The Trustees discussed the Kroger related operational expenses. Mr. Loeffler proposed that Kroger pay an operating expense rate of $9.77 per participant per month ("PPPM") for both the Kroger Roanoke and the Kroger Richmond Tidewater groups, effective January 1, 2017, for operational expenses. Segal advised that this rate would be appropriate for both groups, prospectively. Mr. Loeffler also proposed that Kroger remit to the Fund $9.77 PPPM for operational expenses relating to the Roanoke group for the period January 1, 2014 through December 31, 2016, payable over the 2017 calendar year. After discussion, and

On Motion made and seconded, with Trustee Loeffler abstaining, the Trustees voted approval of the following resolution:

> **RESOLVED to approve $9.77 per participant per month as the Kroger Pass-Through Operational Expense Rate for the Roanoke and Richmond Tidewater groups, effective January 1, 2017.**

After discussion, a Motion was made and seconded by the Union Trustees to demand from Kroger an immediate lump sum payment of all retroactive operational expenses owed to the Fund by Kroger for the period January 1, 2014 through December 31, 2016, plus interest thereon. The Union Trustees voted for the Motion and the Employer Trustees voted against the Motion, resulting in a deadlock. Trustee Loeffler abstained.

C. OptumRX 2017 Formulary

Mr. Bramstaedt reviewed the proposed January 1, 2017 standard Optum Rx formulary update list. Mr. Bramstaedt discussed the formulary tier changes and the member impact. Optum reported that 13 participants in Plans Y20 and Y30 will have new copays effective January 1, 2017 for their current prescriptions if the participants continue to use non-preferred drugs. Optum will contact the 13 participants and their physicians to review their options for switching to medications on the preferred formulary with lower copayments.

D. Maintenance of Benefit Rates ("MOB") Rate Target and Reserves

Mr. Bramstaedt distributed and reviewed a report on the Fund's reserve level as of October 31, 2016. As of that date, the Fund would have 2.50 months of reserves assuming full payment by Kroger of the past operational expenses owed at the $9.77 PPPM rate and the retiree-related expenses owed. Mr. Seehafer proposed that SuperValu make payments to the Fund of $100,000 per month, in addition to SuperValu's regular contribution obligation, commencing January 2017, to restore reserve levels to the three month target. Mr. Bramstaedt stated that, if SuperValu's proposal were accepted, it would take approximately 12 months to return the Fund to the three month reserve target, assuming that SuperValu's current contribution rates are sufficient to cover current claims and expenses.

After discussion, a Motion was made and seconded by the Union Trustees to demand payment from SuperValu by December 31, 2016 of the amount required to bring the Fund's reserve to the required three month level. The Union Trustees voted for the Motion and the Employer Trustees voted against the Motion, resulting in a deadlock. The Shoppers Trustees abstained.

Mr. Bramstaedt also distributed a report analyzing SuperValu's MOB rates, effective January 1, 2017. He stated that Segal's projections resulted in proposed MOB rates that are approximately 1.5% higher than the MOB rates calculated by Associated Administrators.

After discussion, a Motion was made and seconded by the Union Trustees to increase SuperValu's MOB rates in accordance with Segal's recommendation. The Union Trustees voted for the Motion and the Employer Trustees voted against the Motion, resulting in a deadlock.

E. Third Party Administration ("TPA") RFP

Mitch Bramstaedt reported that Segal provided the Subcommittee of Donna Gwin, Jon Born, Mark Federici, and George Murphy with a report concerning the market rates charged by Associated Administrators in comparison to other TPAs.

V. ATTORNEY'S REPORT

A. Roanoke Retiree Termination

Mr. Slevin reported on the provisions of the Memorandum of Agreement ("MOA") between Kroger Roanoke and UFCW Local 400 relating to retiree health benefits. Trustee Loeffler said the bargaining parties have agreed on a June 30, 2017 termination date for retiree health coverage. Expenses relating to claims incurred prior to June 30, 2017 would continue to be paid by Kroger after that date.

B. Kroger Plans Transfer

Mr. Slevin reported that per the revised directive of the bargaining parties, the effective date for the transfer of Kroger's participating employees to the West Virginia UFCW Health Fund now is scheduled to be January 1, 2018.

C. Non-Discrimination Regulations

Mr. Slevin reported on the non-discrimination rules under Section 1557 of the ACA, and related regulations. After discussion, and

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

> **RESOLVED that the Retiree Plan's exclusion of trans-sexual operations, and related care and services, is eliminated, effective January 1, 2017, and**
>
> **Further RESOLVED that, effective January 1, 2017, the Retiree Plan's dependent eligibility rules are revised to provide that a baby born to a retired participant, or placed for adoption with a retired participant, not otherwise eligible for dependent child coverage will be eligible for medical benefits under the Plan until the end of month following the month of birth.**

D. Secova Audit

Mr. Slevin reported that the draft Secova contract for dependent audit services is pending with Secova. Mr. Slevin reported that the proposed dependent eligibility reinstatement procedure relating to the Secova contract is pending with co-counsel.

E. Express Scripts Audit

Mr. Slevin reported on the status of the Express Scripts audit.

F. Perkins Delinquent Contributions

Ms. Sanchez reported on the status of the Perkins delinquency.

G. Woodard Agreement

Ms. Sanchez reported that the Woodard agreement for retiree assistance had been signed between meetings.

H. Roanoke Summary Plan Description ("SPD")

Ms. Sanchez reported that the Roanoke SPD was distributed between meetings.

I. Kroger Prescription Plan ("KPP") Agreement

Ms. Sanchez reported that the KPP agreement had been signed between meetings.

J. CareFirst Agreement.

Mr. Slevin reported on the status of the CareFirst agreement.

K. JSS Retiree Plan SPD

Mr. Slevin reported on the status of the JSS Retiree Plan SPD.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Third Quarter 2016 Report

Mr. Jensen presented the Administrative Manager's report for the third quarter 2016, which had been pre-circulated. Such report indicated total income of $11,625,875, and total expenses of $12,028,525, producing a deficit of $402,650. Mr. Jensen noted that contributions were made on behalf of 5,747 Plan participants.

VII. INVOICES

The Trustees reviewed the list of invoices dated December 15, 2016. It was noted there were no additions, deletions or changes to the list of invoices.

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

RESOLVED that the invoices shown on the list dated December 15, 2016 are approved for payment.

VIII. OTHER FUND BUSINESS

A. Retiree Invoice

Mr. Jensen stated that the Fund has been invoicing Kroger for the Kroger Roanoke retiree expenses and that Kroger has paid all invoices to date.

B. Kroger Roanoke Memorandum of Agreement ("MOA")

Mr. Jensen discussed the MOA between Kroger Roanoke and UFCW Local 400. The bargaining parties recommended a change to the MOA relating to spousal coverage. Specifically, they recommended adoption of a rule providing that dependent spouse coverage would be available in 2018 to participants who are entitled to payment for an average of 32 hours per week during the period January 2017 to October 2017. After discussion, and

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

RESOLVED to approve the eligibility change described by the bargaining parties.

C. CareFirst Patient Centered Medical Home Program

Mr. Jensen reported that Associated Administrators met with a team from CareFirst ("PPO") regarding their proposed Patient-Centered Medical Home ("PCMH") and Total Care and Cost Improvement ("TCCI") Programs. CareFirst was seeking input from Associated to be able to offer these programs to the Fund participants under the shared processing PPO structure. CareFirst's programs use medical and prescription data to allow select physicians to better manage a participant's medical needs, and could be expanded to behavioral health management as well. In order to allow the program to be offered to Fund participants, CareFirst would need to change its model to allow prescription data to be utilized by the Fund's pharmacy Benefit Manager (PBM), Optum Rx. CareFirst currently partners with CVS/Caremark for the pharmacy benefits. CareFirst indicated they would review the feedback from Associated to refine the product offering.

D. 2017 Medicare Co-Insurance Rates

Mr. Jensen presented the 2017 Medicare Co-Insurance rates for review. After discussion, and

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

RESOLVED to approve the 2017 Medicare Co-Insurance rates as presented to be effective January 1, 2017 on a non-precedent setting basis.

E. Transitional Reinsurance Fee

Mr. Jensen reported that Transitional Reinsurance Fees have been paid for 2016.

F. Education Budget

Mr. Jensen reported that the retiree transition education budget balance as of November 30, 2016 was $21,145.71.

G. SuperValu Census Data Request

Mr. Jensen reported on Supervalu's request that that Fund provide to SuperValu's actuary, Milliman, census data relating to the Fund's benefit programs in which Shoppers' employees participate, for internal comparison purposes. The Trustees authorized Associated Administrators to provide Milliman with the requested census information, except participant Social Security numbers, subject to execution of a Business Associate Agreement ("BAA") between the Fund and Milliman.

IX. NEXT MEETING DATES AND LOCATIONS

After discussion, the Trustees selected the following dates and meeting locations:

April 19 – 20, 2017 - 9:30 a.m. – Hanover, Maryland
September 14, 2017 - 9:30 a.m. – Annapolis, Maryland
December 6-7, 2017 - 9:30 a.m. – National Harbor, Maryland

X. ADJOURNMENT

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

Respectfully Submitted,

Steve Loeffler – Secretary