United Food and Commercial Workers Unions
and Participating Employers
Health and Welfare Fund

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE UFCW UNIONS AND PARTICIPATING EMPLOYERS HEALTH AND WELFARE FUND APRIL 11, 2018 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
M. Federici – Chairman
T. Hipkins

EMPLOYER TRUSTEES
D. Gwin – Secretary
J. Born

Also present were:

M. Bramstaedt – The Segal Company
H. Burton – Morgan, Lewis & Bockius, LLP
D. Clutts – Associated Administrators, LLC
J. Chorpenning – Local 27
A. Hanson – Local 400
C. Heppner – The Segal Company
N. Jacobs – Local 400
W. Jensen – Associated Administrators, LLC.
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
M. Wilson – Local 400

I. CALL TO ORDER

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

A. Proxy

Mr. Jensen reported that he had received correspondence from Trustee Murphy giving his proxy to Trustee Hipkins to act in all matters coming before the Trustees.

B. Trustee Resignation

Mr. Jensen reported that he had received correspondence dated February 21, 2018 from The Kroger Company advising of Steven Springer's resignation as a Trustee.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on December 6, 2017, the appeals committee meeting held on December 8, 2017, and the appeals committee meeting held on January 31, 2018, which were previously 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 December 6, 2017, the appeals committee minutes of December 8, 2017, and the appeals committee minutes of January 31, 2018, are approved, as presented.**

III. FINANCIAL REPORT

A. PNC Bank

The Trustees welcomed Ms. Mary Jones of PNC Institutional Asset Management to the meeting. She presented the Summary of Activity report for the period January 1, 2018 to March 31, 2018. Such report indicated a beginning market value of $6,432,670, receipts of $8,289,103, disbursements of $7,031,424, and earnings of ($1,560), producing an ending market value of $7,688,789 as of March 31, 2018.

Mr. Jensen said that PNC is changing its fee structure for its commercial banking clients. PNC will present its fee proposal at the August 15, 2018 Board meeting. Ms. Jones confirmed that the PNC Trust division was not altering its fees at this time.

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

IV. CONSULTANT'S REPORT

A. The Segal Company

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

1. Dental Request for Proposal ("RFP")

The Trustees discussed the Dental RFP study presented by Segal at the last meeting and delegated the matter to a committee of Trustees Gwin, Federici and Chorpenning to follow up with Segal.

2. Reserves

Mr. Heppner distributed and reviewed Segal's report on the Fund reserve level as of March 31, 2018. He noted that no action was required as the reserve level was 3.55 months as of March 31, 2018, which is within the target range of two to four months as outlined in the Collective Bargaining Agreement.

3. Retirees Formerly Employed by Kroger

Mr. Bramstaedt provided an update on the Kroger Roanoke group retiree experience through December 31, 2017. He reported that effective June 30, 2017, the retiree benefits were terminated and all expenses and income for the period July 1, 2017 through December 31, 2017 represented run-out. He stated that Kroger appears to have overpaid the Fund for run-out claims by $148,880. The Trustees agreed that the Fund's auditor should review this matter to determine whether there has been an overpayment and, if so, the amount Kroger overpaid.

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

B. Heritage Rx

Mr. Jensen presented the Proposed Scope of Services for pharmacy consulting services from Heritage Rx. He outlined the services, noting that the fee for the work Heritage Rx already performed to facilitate negotiation and execution of the OptumRx PBM contract Amendment governing the Fund's renewal term effective January 1, 2018 – December 31, 2020 was $6,000.00. If the Fund chose to retain Heritage to track and manage OptumRx's performance, ensuring the PBM's compliance with contractual obligations and consistency with industry best practices, the fee would be $26,000. Fees for ad hoc services would be quoted upon request.

The Trustees discussed the proposal. They asked Mr. Jensen to obtain pricing from Heritage for claims audit services for further review by the Trustees.

V. ATTORNEY'S REPORT

A. Transfer to West Virginia Fund

Mr. Slevin reported on the transfer of Kroger-employed participants, and their dependents, from the Fund to the UFCW Local 400 Health and Welfare Fund effective January 1, 2018 for the Richmond/Tidewater Group and effective February 1, 2018 for the Roanoke Group.

B. Enrollment Rules

Mr. Slevin reported on a SMM regarding the rules adopted by the Trustees relating to the annual open enrollment process. After discussion,

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

> **RESOLVED to delegate to the Chairman and Secretary the authority to approve any other changes to the Fund's enrollment rules as are necessary.**

C. Department of Labor ("DOL") Disability Regulations Amendment

Mr. Slevin reported on the new DOL Regulations Regarding Claims and Appeals Procedures for Disability Benefits and presented a summary of material modifications regarding the same. After discussion,

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

> **RESOLVED to ratify the Chairman's and Secretary's prior approval of the Plan changes, as reflected in the SMM, to comply with the new DOL disability regulations effective April 1, 2018.**

D. Benchmark Anti-Trust Litigation

Mr. Slevin reported on several benchmark-related class actions, noting that PNC stated it would file any applicable claims on the Fund's behalf.

E. Express Scripts ("ESI") Audit Status

Mr. Slevin reported on the ESI audit for the period ending in 2006.

F. OptumRx Amendment

Mr. Slevin presented the Optum Rx renewal amendment for signature by the Trustees. The amendment was executed.

G. Subrogation

Mr. Jensen stated that Slevin & Hart reported subrogation recoveries of $20,703.00 for the fourth quarter 2017.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2017

Mr. Jensen presented the Administrative Manager's report for the fourth quarter 2017, which had been pre-circulated. Such report indicated total income of $12,576,099 and total expenses of $11,787,523, producing a surplus of $788,576. Mr. Jensen noted that contributions were made on behalf of 5,469 Plan participants.

B. Administrative Manager's Contract Renewal

Mr. Jensen stated that Associated Administrators' contract will expire May 31, 2018. He presented a request for a three-year extension of the contract and reviewed a justification for a fee increase, including new legislation that has significantly affected benefits processing, implementation of the new eligibility rule changes and regulatory changes, and ongoing information technology investment for mandated security and compliance.

The representatives from Associated Administrators, LLC were excused from the meeting.

The Trustees discussed the contract renewal and tabled same pending further discussion.

The Trustees invited the representatives from Associated to rejoin the meeting and they were advised of the Trustees' decision.

VII. INVOICES

The Trustees reviewed the list of invoices for the Active and Retiree Plans dated April 11,

2018. It was noted that there were no additions, deletions or changes to the lists of invoices.

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

> **RESOLVED that the invoices shown on the lists of the Active and Retiree Plans dated April 11, 2018 are approved for payment.**

VIII. OTHER FUND BUSINESS

A. CareFirst PPO Contract – Renewal

Mr. Jensen said that CareFirst continues to work on contract language with a related UFCW Health Fund and Counsel. Once that language is complete, CareFirst will present the revised language to this Fund for review and approval.

B. Dependent Audit – Final Report

Mr. Jensen said that the dependent audit conducted by the Fund office was complete. Approximately 6% of the spousal dependents had been removed due to lack of response to the audit. A few of the dependent spouses had appealed to reinstate coverage. The estimated annual reduction in cost based on an audit firm's benchmark was $137,000.

C. Kroger Active Plans Transition – Status Update

Mr. Jensen said the active Richmond Tidewater participants were transferred January 1, 2018, and the Roanoke plan participants were transferred February 1, 2018, after a delay requested by the administrator of the other Fund. Mr. Jensen said there are reserves owed to Kroger, as noted in the Segal report.

D. 2018 COBRA Rates

Mr. Jensen presented the 2018 COBRA rates effective May 1, 2018 for the Active Plan.

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

RESOLVED to approve the COBRA rates effective May 1, 2018 as presented.

E. Patient Centered Outcomes Research Institute ("PCORI") Method

Mr. Jensen said that the Fund Office would utilize the snapshot method of calculation of the PCORI fees unless otherwise directed by the Trustees.

F. Fiduciary Liability Insurance – Individual Waiver of Recourse

Mr. Jensen reported that the fiduciary liability insurance through Chubb had been renewed for the period April 29, 2018 through April 29, 2019. The Individual Waiver of Recourse invoices were sent to the Trustees on March 14, 2018.

IX. NEXT MEETING DATES AND LOCATION

The Trustees noted that their next meeting date is scheduled for August 15, 2018 in the offices of UFCW Local 400 located in Landover, Maryland, at 9:00 a.m.

X. ADJOURNMENT

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

Respectfully Submitted,

Donna Gwin – Secretary

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