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
www.associated-admin.com

8400 Corporate Drive, Suite 430
Landover, Maryland 20785-2361
Telephone: (301) 459-3020
(800) 638-2972
www.associated-admin.com

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE UFCW UNIONS AND PARTICIPATING EMPLOYERS HEALTH AND WELFARE FUND AUGUST 30, 2018 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
M. Federici – Chairman	D. Gwin – Secretary
T. Hipkins	J. Born

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
D. Clutts – Associated Administrators, LLC
J. Chorpenning – Local 27
A. Hanson – Local 400
C. Heppner – The Segal Company
C. Hoffmann – Local 400 (via tele-conference)
J. Ianniello -- Associated Administrators, LLC
N. Jacobs – Local 400
W. Jensen – Associated Administrators, LLC.
S. Sanchez – Slevin & Hart, P.c.
W. Seehafer – SuperValu, Inc.
T. Sloan -- Confidio
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.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on April 11, 2018, and the appeals committee meeting held on April 17, 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 April 11, 2018, and the appeals committee minutes of April 17, 2018, are approved, as presented.

III. FINANCIAL REPORT

A. PNC Bank

Mr. Ianniello reviewed the PNC Summary of Activity report for the period January 1, 2018 to July 31, 2018. Such report indicated a beginning market value of $6,432,670, receipts of $18,541,785, disbursements of $15,783,312, and earnings of $36,972, producing an ending market value of $9,228,115 as of July 31, 2018.

Mr. Ianniello reviewed a memo from PNC dated March 28, 2018 proposing a new fee structure for its Treasury Management accounts beginning September 1, 2018. The institutional accounts fee basis was unchanged. After discussion,

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

RESOLVED to accept PNC's fee proposal for the UFCW Unions and Participating Employers Health and Welfare Fund's Treasury Management accounts effective September 1, 2018.

IV. CONSULTANT'S REPORT

A. The Segal Company

The Trustees welcomed Mr. Josh Timm and Mr. Christopher Heppner, of The Segal Company ("Segal") to the meeting.

1. Reserves

Mr. Heppner distributed and reviewed the Reserve Determination through July 31, 2018. He noted that the reserves were above the four-month ceiling as outlined in the Shoppers CBA. Mr. Heppner noted that the amount of reserves above the four-month ceiling resulted in an amortized adjustment of $96,953 for July's calculation, $1,654 for June's calculation, and $13,942 for May's calculation. The total adjustment is $112,549 per month, payable over six months. After discussion,

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

> **RESOLVED to approve a contribution credit to Shoppers of $112,549 per month for contributions due in September, October, November, and December 2018 (for hours worked August through November).**

2. <u>Maintenance of Benefit (“MOB”) Rates</u>

Mr. Timm distributed and reviewed the “Calculation of Maintenance of Benefits (MOB) Rates” dated August 24, 2018, showing new rates calculated by Segal for the period August 1, 2018 through July 31, 2019. Such rates show a total composite reduction of 4.2%. After discussion,

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

> **RESOLVED to keep Health and Welfare MOB contribution rates unchanged.**

The Trustees asked Segal to present updated MOB rates at the December meeting, thanked the representatives of Segal for their report, and they were excused from the meeting.

B. <u>Confidio (previously Heritage Rx)</u>

The Trustees welcomed Mr. Thatcher Sloan, from Confidio to the meeting.

1. <u>Audit Proposal</u>

Mr. Sloan presented the Pharmacy Benefit Management Contract Retrospective Audit Proposal with Rebate Audit Addendum. Confidio proposed an audit of 24 months of paid claims data for financial, benefit plan, and program design elements. Confidio also proposed a rebate audit of one year of rebate payments due to the Fund. He noted that audits usually take three to six months to complete. Fees for the Audits are $45,000 for prescription claims and $15,000 for rebate, plus travel at cost. After discussion,

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

> **RESOLVED to approve Confidio’s proposal for a Pharmacy Benefit Management Contract Retrospective Audit with Rebate Audit Addendum.**

2. Consulting Services

Mr. Sloan reviewed the Pharmacy Consulting Proposal. He outlined the proposed services noting that Confidio will track and manage OptumRx's performance and compliance with contractual obligations ensuring consistency with industry best practices. The fee for this service will not exceed $26,000 annually; fees for ad hoc services would be quoted upon request. After discussion,

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

> **RESOLVED to approve Confidio's proposal for ongoing Pharmacy Consulting.**

The Trustees thanked Mr. Sloan for his reports and he was excused from the meeting.

V. ATTORNEY'S REPORT

A Express Scripts ("ESI") Audit

Ms. Sanchez reported on the ESI Audit.

B. Creditor Defendant Litigation

Ms. Sanchez reported on a lawsuit relating to a former participating employer in which the Fund was named as a creditor defendant.

C. Subrogation

Mr. Ianniello stated that Slevin & Hart reported subrogation recoveries of $13,670.49 for the first two quarters 2018.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. First Quarter 2018 Report

Mr. Ianniello presented the Administrative Manager's report for the first quarter 2018, which had been pre-circulated. Such report indicated total income of $8,509,464, and total expenses of $7,097,568, producing a surplus of $1,411,896. Mr. Ianniello noted that contributions were made on behalf of 3,474 Plan participants.

B. Second Quarter 2018 Report

Mr. Ianniello presented the Administrative Manager's report for the second quarter 2018, which had been pre-circulated. Such report indicated total income of $7,065,292, and total expenses of $6,629,248, producing a surplus of $436,044. Mr. Ianniello noted that contributions were made on behalf of 2,697 Plan participants. Mr. Ianniello reported that the first quarter participant total included one month of Kroger participants.

VII. Administrative Manager's Contract Renewal

Mr. Jensen stated that Associated Administrators' contract expired May 31, 2018. He presented a request for a three-year extension of the contract and reviewed 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, were excused from the meeting.

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

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

> **RESOLVED to approve a three-year contract renewal of the administrative services contract at a fee increase of 3% per year effective January 1, 2019, in addition to the proposed hourly rates for implementing new regulatory changes and new vendor implementations.**

VIII. INVOICES

The Trustees reviewed the list of invoices for the active and retiree plans dated August 30, 2018. It was noted that there were no additions, deletions or changes to the lists.

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 August 30, 2018 are approved for payment.**

IX. OTHER FUND BUSINESS

A. Kaiser Permanente Medicare Plan Offering for 2019

The Trustees welcomed Ms. Francesca Conner from Kaiser Permanente to the meeting. Ms. Conner presented a memo proposing the transition of the Kaiser Medicare Plus program to the KPMedicare Advantage program. After discussion

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

> **RESOLVED to approve the transition of Plan participants in the Kaiser Permanente Medicare Plus program to the KPMedicare Advantage plan.**

B. **Unclaimed Property**

Mr. Ianniello reported that Associated Administrators had filed claims with the State of Maryland on behalf of the Fund for Unclaimed Property, resulting in a recovery of $2,421.33.

C. Retiree Drug Subsidy ("RDS") Payment

Mr. Ianniello reported that a payment of $18,619.88 was received for RDS.

D. Education Budget

Mr. Ianniello said that the Fund had received a check for $22,500 from SuperValu for the 2018 educational budget.

X. NEXT MEETING DATES AND LOCATION

The Trustees noted that their next meeting date was scheduled for December 4, 2018 in the offices of UFCW Local 400 located in Landover, Maryland.

XI. ADJOURNMENT

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

Respectfully submitted,

Donna Gwin – Secretary

20670136v1