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 MARCH 21, 2014 ANNAPOLIS, MARYLAND

The following Trustees were present:

UNION TRUSTEES
M. Federici - Chairman
M. Eubank
M. Harris
T. Hipkins

EMPLOYER TRUSTEES
S. Loeffler – Secretary
M. Christle
D. Gwin
M. Mortensen

Also present were:

C. Allebach – Group Vision Services
H. Bazemore – Anthem
J. Berry – Conifer Health Solutions
H. Burton – Morgan, Lewis & Bockius, LLP
J. Chorpenning – UFCW Local 27
B. Garstecki – Bond Beebe
M. Herwig – PNC Bank
W. Jensen – Associated Administrators, LLC
S. Krasnoff - CareFirst
H. Manley – UFCW Local 27
J. Pedone – CareFirst
L. Phillips – Kaiser Permanente
J. Sears – Associated Administrators, LLC
B. Slevin – Slevin & Hart, P.C
J. Slivosky – UFCW Local 400
C. Wiszynski – UFCW Local 400

I. CALL TO ORDER

A quorum being present, the meeting was called to order.

II. MINUTES

The Trustees reviewed the minutes of the appeals meetings of December 18, 2013 and February 13, 2014, which were pre-circulated.

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

> **RESOLVED that the minutes of the appeals committee meetings of December 18, 2013 and February 13, 2014 were approved as presented.**

III. FINANCIAL REPORT

The Trustees welcomed Mr. Michael Herwig of PNC Bank to the meeting.

Mr. Herwig distributed the PNC Summary of Activity report for the period January 1, 2013 to December 31, 2013. Such report indicated a beginning market value of $15,593,818, receipts of $38,654,936, disbursements of $41,259,078, and earnings of $153,861, producing an ending market value of $13,143,537 as of December 31, 2013.

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

IV. AUDITOR'S REPORT

The Trustees welcomed Mr. Brian Garstecki of Bond Beebe to the meeting.

1. 2012 Audited Financial Statements

Mr. Garstecki reviewed the audited financial statements for the year ending December 31, 2012. He said Bond Beebe gave an unqualified opinion, which is the highest level of opinion they can offer.

Mr. Garstecki said that net assets available for benefits decreased from $20,179,382 as of January 1, 2012 to $18,891,993 as of December 31, 2012. He reviewed the notes to the financial statements. He said the Form 5500 was filed on October 15, 2013.

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

RESOLVED to accept the Auditor's Report.

2. Engagement Letter – 2013 Audit

Mr. Garstecki provided an engagement letter for the audit for the plan year ending December 31, 2013, which had been reviewed by co-Counsel. The fee for the 2013 audit and filing of the Form 5500 would remain unchanged from 2012, with a cost not to exceed $46,500.

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

RESOLVED to approve the Bond Beebe engagement letter for the 2013 audit for a fee not to exceed $46,800.

Trustees Loeffler and Federici executed the agreement on behalf of the Board.

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

V. FUND CONSULTANT – REQUEST FOR PROPOSALS

Mr. Sears said that Requests for Proposals were received from The Segal Company and Horizon Actuarial Services. BHA had declined to bid. The proposals were forwarded to the Chairman and Secretary for review, who were authorized by the Board of Trustees to act on the selection of the consultant. The proposal from The Segal Company had been selected for consulting services to the Fund. The Segal Company annual retainer was $64,000 for 2014 and 2015.

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

RESOLVED to approve The Segal Company as the Fund Consultant.

Fund co-Counsel was directed to negotiate an acceptable contract between the Fund and The Segal Company.

VI. ATTORNEY'S REPORT

A. Cost Sharing Agreement with the FELRA Funds

Mr. Slevin presented an updated cost-sharing agreement.

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

> **RESOLVED to sign the updated cost-sharing agreement with the FELRA Funds.**

B. ACA – Extension of Employer Penalty

Mr. Slevin discussed the extension of the effective date of the ACA employer penalty.

C. ACA – Waiting Periods

Mr. Slevin discussed the ACA's rules regarding waiting periods and the letter to participating employers.

D. Employer Delinquency – Perkins Management

Mr. Slevin discussed the delinquency of Perkins Management.

E. Summary of Material Modification – Forum and Statute of Limitation

Mr. Slevin presented a Summary of Material Modification regarding forum, statute of limitations, and same sex marriages.

F. Anthem – Richmond/Tidewater Contract

Mr. Slevin discussed the Anthem contract for the Richmond/Tidewater Program.

H. Afram Litigation

Mr. Slevin discussed the lawsuit brought against the Fund by a medical provider.

VII. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2013 Report

Mr. Sears presented the administrative manager's report for the fourth quarter 2013, which had been pre-circulated to the Trustees. Such report indicated total income of $9,457,446 for the quarter. Total expenses were $12,603,035, producing a deficit of

$3,145,589 for the quarter. Mr. Sears noted that contributions and were made on behalf of 7,086 plan participants. Mr. Sears noted the Kroger had exercised a $1.5 million contribution holiday in the quarter.

For the year ending December 31, 2013, the report indicates total income was $46,656,521. Total expenses were $50,803,499, producing a deficit of $4,146,978 for the year. Contributions were made on an average of 7,117 plan participants.

VIII. INVOICES

Mr. Sears presented a list of invoices dated March 21, 2014. He 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 list of invoices dated March 21, 2014 was approved for payment.**

IX. OTHER FUND BUSINESS

A. Cheiron – Engagement Letter for 2014 FASB ASC 965 Report

Mr. Sears reviewed Cheiron's engagement letter for the 2014 FASB ASC 965 report for the plan year ending December 31, 2013. Their proposal called for a fee of $18,300, a 3.1% increase over the 2012 service.

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

> **RESOLVED to accept Cheiron's proposal for the FASB ASC 965 reporting for the plan year ending December 31, 2013 for a fee of $18,300.**

B. Kroger Prescription Plan – 4th Quarter 2013 Rebate

Mr. Sears said a rebate of $1,228.81 was received from Kroger Prescription Plan for the fourth quarter 2013.

C. Payroll Audit - Kelco

Mr. Sears said a payroll audit of Kelco for the period January 2010 through December 2012 found no discrepancies.

D. Payroll Audit – Union Communications

Mr. Sears said a payroll audit of Union Communications for the period January 2010 through December 2013 found no discrepancies.

E. Miscellaneous Operating Expenses – Kroger Roanoke Plans

Mr. Sears discussed the Fund's billing of the miscellaneous operating expenses to the Kroger Roanoke plans. These expenses include such fees as the Auditor and Counsel. He explained that since the Kroger plans utilize a pass-through arrangement for claims, similar to the Richmond Tidewater Plan, a rate to cover these expenses would need to be developed. The Trustees agreed that this topic would be referred to The Segal Company for review.

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

> **RESOLVED to have The Segal Company review the invoicing for miscellaneous Fund expenses for the Kroger Roanoke Plans, and authorize the Fund Chairman and Secretary to make decisions regarding this topic.**

IX. VENDOR PRESENTATIONS

A. Anthem – Kroger Roanoke Preferred Provider Organization (PPO)

The Trustees welcomed Mr. Herb Bazemore of Anthem PPO to the meeting.

Mr. Bazemore reviewed a report dated March 21, 2014 analyzing claims data for the period January 1, 2013 through December 31, 2013. Such report showed billed charges of $26,989,726, and a paid amount of $11,642,178. Anthem's provider savings was 43%. Administrative fees of $566,298 were paid by the Fund. In-network utilization was 99.4%. There were an average of 2,337 participants and 3,836 total members enrolled during 2013. Mr. Bazemore noted that the current fee of $20.09 per participant per month was in effect until February 29, 2016.

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

B. <u>CareFirst – Preferred Provider Organization</u>

The Trustees welcomed Mr. Joe Pedone and Mr. Steve Krasnoff of CareFirst to the meeting.

Mr. Krasnoff reviewed a report dated March 21, 2014. In 2013, there were a total of 43,351 claims for an average of 2,587 eligible employees, compared to 42,987 claims and 2,777 employees in 2012. The total billed in 2013 was $35,758,271, a 5.74% increase over the $33,817,678 billed in 2012. In 2013, the total CareFirst administrative charge paid by the Fund was $216,870, a 5.07% decrease from the $228,540 paid in 2012. The aggregate cost in 2014 was $6.99 per participant per month.

The Trustees thanked Mr. Pedone and Mr. Krasnoff for their report and they were excused from the meeting.

C. <u>Kaiser Permanente – HMO Provider</u>

The Trustees welcomed Mr. Leonard Phillips of Kaiser Permanente to the meeting.

Mr. Phillips reviewed a report detailing the Fund's demographics for the period July 1, 2012 through June 30, 2013. There was an average of 74 subscribers during that period and 152 total members. He said that his firm was currently reviewing the renewal rates for the upcoming open enrollment period.

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

D. <u>Group Vision Services – Optical Provider</u>

The Trustees welcomed Mr. Craig Allebach of Group Vision Services to the meeting.

Mr. Allebach reviewed a report detailing the Fund's utilization for the period January 1, 2013 through December 31, 2013. In-network utilization was 98.3% during this period. A total of 1,722 eye exams were performed. He said the current rates would be in effect until December 31, 2014.

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

E. Conifer Health Solutions – Utilization Management Provider

The Trustees welcomed Mr. Justin Berry of Conifer Health Solutions to the meeting.

Mr. Berry reviewed a report detailing the Fund's claims for the period January 1, 2013 through December 31, 2013. There was an average of 4,902 participants during that period and 8,557 total members. Total claims paid during the period were $24,455,650. Inpatient claims accounted for 38% of total claims, up 15% from last year. He said there were 474 claimants with over $10,000 in claims during the year and these claimants generated $17,975,993 in paid claims.

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

XI. NEXT MEETING DATES AND LOCATIONS

The Trustees scheduled the following dates for the next meeting:

August 14, 2014 – Hanover, Maryland
November 13, 2014 – National Harbor, Maryland

XII. ADJOURNMENT

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

Respectfully submitted,
Steve Loeffler - Secretary