UFCW UNIONS AND PARTICIPATING EMPLOYERS HEALTH AND WELFARE FUND

BOARD OF TRUSTEES SPECIAL MEETING

JANUARY 9, 2015

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

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AGENDA

SPECIAL MEETING

JANUARY 9, 2015

I. CALL TO ORDER

II. SHOPPERS MOA PROVISIONS (pg. 1 – 2)
- A. PRE-MEDICARE RETIREE BENEFITS 1-1-16
- B. POST MEDICARE RETIREE OPTIONS

III. KROGER PRE-MEDICARE SUPPLEMENTAL BENEFITS UPDATE (pg. 3 – 6)

IV. CONSULTANT'S REPORT (pg. 7 – 15)
- A. MOB RATES
- B. CATAMARAN PROPOSED RENEWAL

V. OTHER FUND BUSINESS
- A. REQUEST FOR PROPOSAL FOR THIRD PARTY ADMINISTRATOR

VI. NEXT MEETING DATE AND LOCATION
- A. FRIDAY- MARCH 27, 2015 – 9:00 a.m.

VII. ADJOURNMENT

SHOPPERS MOA PROVISIONS

M. Retirees under age 65 (existing and future) will be ineligible for medical benefits under the UFCW Unions and Participating Employers Health and Welfare Plan ("Welfare Plan") effective the later of: (i) January 1, 2016; or (ii) 60 days after notice of the elimination of coverage is provided, to the extent required by law (such notice to be provided as soon as reasonably practicable). The parties expect that these retirees will be eligible to enroll, beginning in November 2015, for coverage provided under the Affordable Care Act exchanges effective January 1, 2016. Effective January 1, 2016 (or the effective date of the retiree's loss of medical coverage under the Welfare Plan, if later) Company will fund a $450 per month pre-65 Supplemental Social Security benefit payable to each such retiree under the UFCW Unions and Participating Employer Pension Plan ("Pension Plan"), with a spousal death benefit equal to $300 per month, payable until the first of the month immediately preceding or coincident with the retiree's or deceased retiree's 65th birthday. To fund this Social Security Supplement benefit and spousal death benefit, the Company will contribute to the Pension Plan, at least thirty days in advance of the date each monthly payment to the retirees and/or surviving spouses are due, $450 per month per applicable retiree, and $300 per month per applicable surviving spouse, plus a reasonable administrative charge as determined by the Pension Fund's Board of Trustees. It is the bargaining parties' intent that the Social Security Supplemental benefit and the spousal death benefit under the Pension Plan will be an ancillary benefits not subject to ERISA §204(g), and the Company's contribution obligation hereunder (and the Pension Plan's obligation to provide such Social Security Supplemental benefits and spousal death benefits) shall continue only for the duration of this Agreement unless continuation is required by law or negotiated as part of future or renewal agreements.

N. If the ACA is repealed, the Social Security Supplemental benefit and spousal death benefit under the Pension Plan, as described in Section M of this Agreement, will terminate, and retirees and surviving spouses that had been receiving, or were eligible to receive, such Social Security Supplemental benefit or spousal death benefit shall become eligible for a monthly benefit under the Welfare Plan, equal to $600 per month for applicable retirees and $350 per month for applicable surviving spouses, and the Company will commence contributions of $600 per month per covered early retiree and $350 per month per covered surviving spouse, plus a reasonable administrative charge as determined by the Welfare Fund's Board

of Trustees, at least thirty days in advance of the date each monthly payment to the retirees and/or surviving spouses are due, continuing through the month of the retiree's (or deceased retiree's) 65th birthday. . Post 65 retirees will pay $20/single, $40/spouse, and $60/family coverage, per month effective January 1, 2016.

P. Employer and Union agree to meet and discuss retiree medical (post 65) subsidy options.

KROGER PRE-MEDICARE SUPPLEMENTAL BENEFITS UPDATE

Bill Jensen

From: Bill Jensen
Sent: Tuesday, December 30, 2014 1:13 PM
To: Mark Federici; Steve' 'Loeffler
Cc: Sarah E. Sanchez (ses@slevinhart.com); Burton, Harry W. (hburton@morganlewis.com); Barry S. Slevin (BSS@slevinhart.com); Jeff Ianniello; Colleen Murphy
Subject: Roanoke Retiree conference call summary-draft version

Mark and Steve,

Below is the draft of the summary of the Roanoke pre-Medicare retiree discussion held earlier today. Sarah revised my initial draft. Please revise as needed.

Thank you.

Bill

Via a teleconference meeting on December 30, 2014, the Committee of Mark Federici and Steve Loeffler met regarding the pre-Medicare retiree supplemental policy offering under the UFCW Unions and Participating Employers Health and Welfare Fund. Such call was joined by Sarah Sanchez of Slevin & Hart, Jeanene Motsco of Colonial, Rob Dooley of Maury Donnelly and Parr, Chris Heppner and Mitch Bramstaedt of Segal, Colleen Murphy, Jeff Ianniello and Bill Jensen of Associated.

The Committee reviewed potential increased revised pricing by Colonial for its supplemental hospital indemnity policy that would apply if the supplemental coverage was optional for retirees and the Fund charged retiree or dependent copayments of $25 single, $50 for one plus one, and $75 for more than two covered participants. Colonial advised that, if the supplemental coverage was automatic for the pre-Medicare retirees with 100% of the cost being covered by the Fund, the rates would not change from Colonial's previous quote and would be guaranteed for two years, whereas election-based coverage with retiree co-premiums would result in a higher overall premium and a one year guarantee.

Mr. Loeffler asked how much additional expense would be incurred if the fund covered 100% of the cost of the program. Mr. Heppner estimated the additional cost to the Fund for providing the program at no cost to the eligible retirees and eligible dependents would be an estimated $5,400 per month, for a total cost to the Fund of $13,000 per month. He said that there was over $950,000 in reserves available as of December 2014, and the reserve draw down was estimated to be approximately $320,000 in December and January, prior to moving the pre-Medicare retirees to the Marketplace exchanges effective February 1, 2015.

After discussion, the committee voted approval of payment of 100% of the cost of: (1) the supplemental program, including the Colonial hospital and accident policies for the pre-Medicare retirees and eligible pre-Medicare dependents; (2) dental and optical coverage for the retiree only; and (3) the cost of operating the program, out of the reserves applicable to the Fund's Kroger Roanoke Plan. No copayments would be charged to retirees or their eligible dependents. The Trustees also agreed to review the Colonial rates again at a future date based on experience.

Mr. Jensen agreed to circulate the revised pre-Medicare retiree correspondence to Fund co-counsel, prior to being distributed to the pre-Medicare retirees and the pre-Medicare dependents.

After the representatives from Colonial were excused from the conference call, Trustee Loeffler asked Ms. Sanchez to assist with the preparation of an agenda concerning the pension matters for the January 9, 2015 special meeting of the UFCW Unions and Participating Employers Pension Fund, and further advised that the management Trustees wanted to discuss at the companion Health Fund meeting the solicitation of bids for third party administration services currently provided by Associated Administrators.

The teleconference call was then adjourned.

Subsequent to the call, Ms. Sanchez reviewed the termination provisions of the model Colonial hospital indemnity policy and accidental injury policy and confirmed that, under both model policies, the Fund may cancel either policy at any time. Once the final policies are received from Colonial, counsel will confirm that they contain the same termination language.
Bill Jensen

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United Food and Commercial Workers (UFCW) and Participating Employers Health and Welfare Fund
Kroger Non-Medicare Retiree Budgets
Colonial Life Pricing

	Name Insured		Employee	One Parent Family		Two Parent	Total
	(Retiree)	(Spouse)	Plus Spouse	(Retiree)	(Spouse)	Family	Per Month
Estimated Enrollment	49	44	52	3	2	4	**154**
Expenses							
Group Medical Bridge for MD Pricing	$26.32	$26.32	$56.48	$36.92	$36.92	$67.08	
Group Accident for MD Pricing	$11.91	$11.91	$17.71	$21.15	$21.15	$26.95	
Dental Premium	$25.25	$0.00	$25.25	$25.25	$0.00	$25.25	
Vision Premium	$4.46	$0.00	$4.46	$4.46	$0.00	$4.46	
Admin Expense Associated	$5.80	$0.00	$5.80	$5.80	$0.00	$5.80	
Miscellaneous Fund Expenses	$12.00	$0.00	$12.00	$12.00	$0.00	$12.00	
Total Expenses	**$85.74**	**$38.23**	**$121.70**	**$105.58**	**$58.07**	**$141.54**	**$13,211**
Proposed Contributions	**$25.00**	**$25.00**	**$50.00**	**$50.00**	**$50.00**	**$75.00**	**$5,475**
Net Cost per Month	**$60.74**	**$13.23**	**$71.70**	**$55.58**	**$8.07**	**$66.54**	**$7,736**

Deductions per year: 12 | These rates were prepared on 11/6/2014 and are valid for 90 days.

Group Medical Bridge for MD *Discounted Composite - Employee Only*

Applicable to Policy Forms GMB1.0-P & GMB1.0-C

- Hospital Confinement: $3000, Health Screening: $50

ISSUE AGE	NAMED INSURED	EMPLOYEE & SPOUSE	ONE-PARENT FAMILY	TWO-PARENT FAMILY
17-99	$26.32	$56.48	$36.92	$67.08

Group Accident for MD

Applicable to policy forms GACC1.0-P & GACC1.0-C

- Off-Job Accident Coverage

Plan 2

ISSUE AGE	NAMED INSURED	EMPLOYEE & SPOUSE	ONE-PARENT FAMILY	TWO-PARENT FAMILY
17-99	$11.91	$17.71	$21.15	$26.95

Important Notice

Insurance coverage has exclusions and limitations that may affect benefits payable. For a complete description of benefits, limitations and exclusions, please refer to an outline of coverage, sample policy/certificate, proposal description or see your Colonial Life benefits counselor. Coverage type, benefits and rates vary by state. Coverage may not be available in all states. Rates provided are illustrative and your actual premium may be different depending on your particular situation and plan choices.

Colonial Life products are underwritten by Colonial Life & Accident Insurance Company, for which Colonial Life is the marketing brand.

Jeanene Motsco | jeanene.motsco@coloniallife.com | (410) 960-1877

CONSULTANT'S REPORT

Segal Consulting

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MEMORANDUM

Via E-Mail

To: Board of Trustees
UFCW Unions and Participating Employers Health and Welfare Fund

From: Chris Heppner
Mitch Bramstaedt

Date: December 30, 2014

Re: **UFCW Unions and Participating Employers Health and Welfare Fund**
Shoppers MOB Employer Contribution Rates Effective January 1, 2015

We have developed the Shoppers' MOB employer contribution rates Effective January 1, 2015, based on budget projections, which reflect changes adopted in the Memorandum of Agreement. The projected rates are as follows:

Monthly MOB Employer Contribution Rate Effective January 1, 2015	
Plan	**Rate**
Plan JSS2	$1,488.72
Plan Y – Full Time	$839.88
Plan Y – Part Time Individual	$347.41
Plan Y – Part Time Family	$966.52
Plan Y20 – Full Time	$505.91
Plan Y20 – Part Time	$240.86
Plan Y30 – Full Time	$467.95
Plan Y30 – Part Time	$225.93
Plan Y40	$31.26

The changes to the plans offered, which are included in the development of the above rates, are as follows:

1) **Medical Plan Design Effective February 1, 2015**

- Elimination of the base/major medical plan design.
- Implementation of a $75 emergency room co-pay (waived if admitted).
- Amend the coverage of benefits to prevent duplication of benefits.
- Set the Plan Y20 deductible at $500 and the out-of-pocket maximum at $5,000.

2) **Eligibility**

- If an employee elected coverage under Plan Y20 prior to November 1, 2014, the employee is eligible to elect Plan Y coverage.

3) Y30 Plan Design Effective January 1, 2015

- Employees hired on or after January 1, 2015, averaging 28 or more hours of service per week shall be eligible for medical and ancillary benefits.
- All non-medical benefits shall have the same waiting periods and benefits as Plan Y20.
- All medical benefits shall have the maximum waiting period allowed by law.
- Medical benefits shall have a deductible of $500, out-of-pocket maximum of $5,000 and coinsurance of 70%/30%.

4) Y40 Plan Design Effective January 1, 2015

- Employees hired on or after January 1, 2015, averaging less than 28 hours of service per week shall be eligible for all ancillary benefits only.
- All non-medical benefits shall have the same waiting periods and benefits as Plan Y20.

5) Prescription Drug Program

- Effective April 1, 2015, the new Catamaran pricing contract will be implemented.

6) Maximum-Out-of-Pocket Limits

- Medical and prescription drug out-of-pocket limits as provided in our letter dated December 4, 2014.

7) Dependent Audit

- Savings resulting from a dependent eligibility audit effective January 1, 2015.

If you have any questions, please do not hesitate to ask.

The projections in this report are estimates of future costs and are based on information available to Segal Consulting at the time the projections were made. Segal Consulting has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases. Unless otherwise noted, these projections do not include any cost or savings impact resulting from the new health care reform legislation or other recently passed state or federal regulations.

Projection of retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.

mwb/jp:rm

cc: Bill Jensen
Barry Slevin, Esq.
Harry Burton, Esq.
Josh Timm
John Priester

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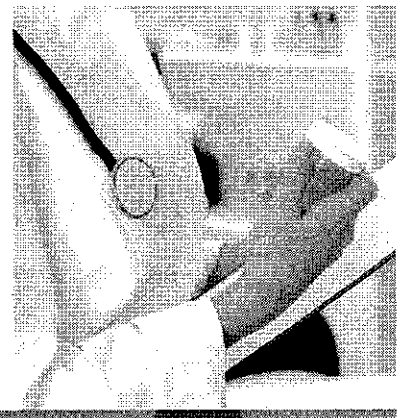

PHARMACY BENEFIT MANAGER PRICING COMPARISON

Renewal Proposal Financial Evaluation

December 2014

UFCW Unions and Participating Employers Health and Welfare Fund

Segal Consulting

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Overview

- As a follow up from the November 6, 2014 letter, *Proposed Renewal from Catamaran,* Segal Consulting (Segal), engaged in renewal negotiations on behalf of UFCW Unions and Participating Employers Health and Welfare Fund (the Fund) and its pharmacy benefit manager (PBM), Catamaran (formerly National Medical Health Card Systems, Inc. (NMHCRx)).
- The Fund's current pricing arrangement with Catamaran is on a transparent, or "pass through", basis.
  - Generally, transparent/pass-through pricing terms are minimum guarantees, meaning that any pharmacy discount or manufacturer rebate negotiated and achieved by the PBM above the minimum guarantees, are passed through to the plan sponsor. The only revenue generated by a PBM would be an administrative fee, fees charged for clinical programs, and revenue derived from prescriptions dispensed by the PBM-owned pharmacies.
  - In the current transparent arrangement, the Fund shares a portion of rebates with Catamaran (92% with minimum guarantees to the Fund and 8% retained by Catamaran). The rest of the contract terms are on a pass through basis.
- For the renewal, Catamaran provided both pass through and hybrid traditional pricing proposals for the Fund's consideration.
  - Generally, traditional pricing arrangements have fixed pricing terms, meaning that the PBM will retain any spread on the discount or rebates negotiated with network pharmacies and manufacturers in exchange for nominal or no administrative fees to the plan sponsor.
  - Catamaran provided hybrid traditional proposals. The rebate portion is on a pass-through basis, where the Fund will receive 100% of rebates with minimum guarantees, while the rest of the terms on are on a traditional basis.

Overview (continued)

- The Fund first entered into its transparent contract with NMHCRx in 2006. Catamaran has since purchased NMHCRx and has a different pricing philosophy. Its hybrid traditional proposals offered in the renewal are the most financially advantageous compared to the transparent pass-through proposals.
- Proposals were also evaluated with and without: a 90-day retail benefit, and the retail chain, CVS Pharmacy.
- We assume an exclusive specialty drug program arrangement. The Fund's plan documents indicate members must use Catamaran's specialty pharmacy, BriovaRx; however, almost half of specialty claims are currently filled at retail. In comparing the Open and Exclusive specialty drug lists, the only difference between the pricing appears to be the dispensing fees. The discounts appear the same but the Open list includes a $2.00 per claim dispensing fee. Based on the utilization for the experience period, the difference is estimated at approximately $300 for the annual period.
- Overall, Catamaran's proposals yield about 14.4% to 15.3% savings for the hybrid pricing proposal, including CVS pharmacy in the network.
  - The range accounts for the Fund's current 30-day retail pricing arrangement in addition to a 90-day retail benefit whereby the current 90-day claims would qualify or be migrated to a 90-day retail pharmacy with improved pricing. The Fund does not offer a mail order benefit. A 90-day retail channel may be beneficial for members with maintenance medications.
  - Slightly more savings (approximately $53,600 - $56,300 annually) is possible if the Fund excludes CVS from the network; however, it may disrupt about 20% of the utilizers.
  - There is nominal financial difference in the Open and Exclusive specialty drug program pricing lists. The Fund should confirm its desired specialty drug program arrangement and ensure that utilization management rules apply to all specialty drug claims to ensure clinical appropriateness.

Executive Summary

- Segal's financial analysis estimates the three year plan savings from the analyzed period of October 1, 2013 through September 30, 2014 to be as follows:

Catamaran Pricing / Proposal	3-Year Savings: Dollar / Savings from Current Program	3-Year Savings: Percent / Savings from Current Program
Initial Proposals		
Hybrid / 30-Day Retail Pricing Only w/out CVS	$3,275,400	14.4%
Hybrid / w/90-Day Retail Pricing w/out CVS	$3,469,700	15.2%
Best and Final Proposals		
Hybrid / 30-Day Retail Pricing Only with CVS	$3,275,400	14.4%
Hybrid / w/90-Day Retail Pricing with CVS	$3,488,200	15.3%
Hybrid / 30-Day Retail Pricing Only w/out CVS	$3,444,300	15.1%
Hybrid / w/90-Day Retail Pricing w/out CVS	$3,648,900	16.0%

- From a Catamaran report, it was observed that CVS is the second most utilized pharmacy chain by prescription count. Below is a table illustrating the number of members utilizing CVS pharmacies from the analysis data:

	Count	Percentage
Members using CVS Pharmacies	859	19.71%
Members using non-CVS Retail	3,576	82.04%
Members using both CVS and non-CVS Retail	151	3.46%
Total Utilizing Members in Data Set	4,359	100.00%

- The difference between the with CVS and without CVS Best and Final proposals ranges from about $53,600 - $56,300 annually.
- The detailed three-year comparison of the current program to Catamaran's best and final proposals is illustrated on Slide 5.

Three Year Gross Cost Comparison

	Current Achieved Terms w/ NMHCRx Guaranteed Rebates	Best and Final Proposed Terms			
		Catamaran			
Pricing Arrangement	**Pass through**	**Hybrid**	**Hybrid**	**Hybrid**	**Hybrid**
Network	**National Network w/ CVS**	**National Network w/ CVS**	**National Network w/ CVS**	**National Network w/out CVS**	**National Network w/out CVS**
	30-Day Retail	**30-Day Retail**	**w/90 Day Retail**	**30-Day Retail**	**w/90 Day Retail**
Total Projected Retail 30 Drug Costs	$15,789,900	$13,507,400	$13,507,400	$13,382,200	$13,382,200
Total Projected Retail 90 Drug Costs	$5,206,000	$4,478,800	$4,277,400	$4,423,600	$4,230,500
Total Projected Drug Cost (Non-Specialty)	$20,995,900	$17,986,200	$17,784,800	$17,805,800	$17,612,700
Total Projected Total Admin Fees	$156,000	$0	$0	$0	$0
Total Projected Gross Cost (Non-Specialty)	$21,151,900	$17,986,200	$17,784,800	$17,805,800	$17,612,700
Total Specialty Drug Costs (Exclusive) *	$3,375,000	$3,360,300	$3,360,300	$3,360,300	$3,360,300
Total Projected Member Cost	$1,418,900	$1,214,700	$1,207,500	$1,203,200	$1,196,100
Total Projected Cost to Plan (Non-Specialty)	$19,733,000	$16,771,500	$16,577,300	$16,602,600	$16,416,600
Total Projected Gross Plan Cost (Non-Specialty & Specialty*)	$23,108,000	$20,131,800	$19,937,600	$19,962,900	$19,776,900
Dollar Savings Over Current before Rebates	-	$2,976,200	$3,170,400	$3,145,100	$3,331,100
Percent Savings for Current Plan before Rebates	-	12.9%	13.7%	13.6%	14.4%
Rank before Rebates	-	**4**	**2**	**3**	**1**
Total Projected Retail 30 Rebates	$279,100	$564,200	$564,200	$564,200	$564,200
Total Projected Retail 90 Rebates	$60,300	$74,400	$93,000	$74,400	$93,000
Total Projected Rebates	$339,400	$638,600	$657,200	$638,600	$657,200
Total Projected Cost to Plan After Rebates	**$22,768,600**	**$19,493,200**	**$19,280,400**	**$19,324,300**	**$19,119,700**
Dollar Savings Over Current	-	$3,275,400	$3,488,200	$3,444,300	$3,648,900
Percent Change Over Current	-	14.4%	15.3%	15.1%	16.0%
Rank after Rebate	-	**4**	**2**	**3**	**1**

- * Specialty drug ingredient and dispensing fee totals were not projected. Included and/or repriced for baseline totals only.
- Over 10,700, or 18%, claims exceeded the 30-day retail thresholds (84+ day supplies). Segal confirmed with Catamaran that the Fund does not participate in a 90-day retail program despite the prevalence of claims. These claims are not subject to the 90-day retail pricing guarantees.
- The "w/90 Day Retail" columns assume all claims with 84+ day supplies qualify for 90-day retail pricing. Only select pharmacies participate in the 90-day retail network and the pricing assumes all claims qualify or will be migrated to participating pharmacies.

Assumptions

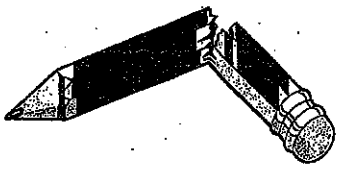
- The current, achieved pricing terms serve as the baseline, with the exception of rebates, which are estimated using the contract guaranteed terms.
- The specialty drug totals are based on the actual achieved total ingredient costs and dispensing fees during the experience period. Rebates are not factored. Specialty claims were repriced and trend was not utilized. If a discount was not listed on the proposed specialty drug list, the current achieved discount was utilized. The member cost totals were not adjusted for specialty; the specialty drug total is included in the plan costs.
- **Experience Period:** October 1, 2013 through September 30, 2014.
- **Non-Specialty Analysis**: The three year projected period starting March 1, 2015. Cost and Utilization exclude compound, over-the-counter (OTC), specialty drug products, and paper claims. Projected generic dispensing rate (GDR) increases are applied. Current guaranteed terms do not include guaranteed generic dispensing rates, clinical program costs, or implementation credit allowances, if applicable. Financial guarantees may be adjusted for caveats.

  Specialty drug claims are excluded from the projection analysis; however, the total costs include specialty drug products as specified in bullet two above.
- **Non-Specialty Drug Annual Trend Applied:** 3.0% Utilization, 8.0% Brand Cost, 2.0% Generic Cost.

Disclaimer

This financial analysis report is for the sole use of the Fund and its authorized representatives. Some material provided by the PBM(s) may be deemed proprietary and confidential to the PBM and may not be disclosed or shared with any third parties other than the authorized employees, directors, unless required by public disclosure laws or other legal requirements.

The projections in this presentation are estimates of future costs and are based on information available to Segal at the time the projections were made. Segal has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases. Unless otherwise noted, these projections do not include any costs or savings impact resulting from the new health care reform legislation or other recently passed state or Federal legislation.



MEETING NOTES