FELRA & UFCW Health & Welfare Plan

A Plan of the Food Employers Labor Relations Association
and United Food and Commercial Workers
VEBA Fund

911 Ridgebrook Road
Sparks, Maryland 21152-9451
Telephone: (410) 683-6500
(800) 638-2972
www.associated-admin.com

A Program of the
FELRA and UFCW
VEBA Fund

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 FELRA AND UFCW VEBA FUND
VIA VIDEO CONFERENCE
SEPTEMBER 15, 2022

The following Trustees were present:

Union Trustees
M. Federici – Secretary
J. Chorpenning
J. Nazario
M. Wilson

Employer Trustees
J. Paradis – Chairman
D. Dosenbach
M. Goble

Also present were:

Y. Anwar – UFCW Local 400
N. Eid – Confidio
J. Hack – UFCW Local 27
J. Harrison – UFCW Local 27
C. Heppner – The Segal Company
N. Hill – UFCW Local 27
T. Hipkins – UFCW Local 27
D. Jensen – Associated Administrators, LLC
M. Jordan – Payer Matric
M. Kreps – Groom Law Group
B. Maiorano – Associated Administrators, LLC
M. Mauro – Payer Matrix
C. McDonough – Investment Performance Services
B. McKiver – UFCW Local 400
R. McKnight – Associated Administrators, LLC
C. Murphy – Associated Administrators, LLC
S. Sanchez – Slevin & Hart, P.C.
A. Sims – Associated Administrators, LLC
B. Slevin – Slevin & Hart, P.C.
L. Walsh – Associated Administrators, LLC
R. Wildt – UFCW Local 27

I. CALL TO ORDER

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

A. Trustee Appointment

Mr. Jensen reported that he had received correspondence from UFCW Local 400 removing Yolanda Anwar as a Union Trustee effective July 6, 2022 and appointing Michael Wilson as a Union Trustee effective the same date.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on June 10, 2022, and the Appeals Committee meetings held on May 17, 2022 and June 29, 2022, all of 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 June 10, 2022, and the Appeals Committee meetings held on May 17, 2022 and June 29, 2022, are approved, as presented.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report – ERISA Account – July 31, 2022

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2022 through July 31, 2022. Such report indicated a beginning market value of $16,223,331, earnings of negative $638,992, receipts of $72,740,844, and disbursements of $80,450,101, producing an ending market value of $7,875,152 as of July 31, 2022.

2. Summary of Activity Report – Non-ERISA Account – July 31, 2022

Mr. Jensen presented the PNC Summary of Activity report for the Non-ERISA account for the period January 1, 2022 through July 31, 2022. Such report indicated a beginning market value of $6,775,489, receipts of $68,181,990, and disbursements of $74,294,504, producing an ending market value of $662,976 as of July 31, 2022.

3. Reserves

Mr. Jensen noted that as of July 31, 2022, the FELRA VEBA Fund had $13,774,209 in reserves, representing 1.28 months of reserves, compared to 1.51 months as of June 30, 2022. The average expense for the four quarters ending March 31, 2022 was $10,790,012. Ms. Sims reported that the new contribution rates were being paid correctly by the participating employers, beginning with contributions made in August for work performed in July. The Trustees discussed the current level of reserves for this plan and requested that a special meeting be held on October 20th, 2022 at 1.30 p.m. to review the cash flow and determine next steps. Segal will prepare a cash flow analysis for review.

B. Investment Performance Services

The Trustees welcomed Mr. Chris McDonough of Investment Performance Services ("IPS") to the meeting.

1. Master Consulting Report – June 30, 2022

Mr. McDonough reviewed the Master Consulting Report for the period ending June 30, 2022. Such report indicated a beginning market value of $16,223,175, a negative net cash flow of $6,603,470, and a net investment change of $861,821, resulting in an ending market value of $8,757,884. The year-to-date performance through June 30, 2022 was negative 7.6%, gross of fees.

2. Preliminary Performance Update – July 31, 2022

Mr. McDonough reviewed the Preliminary Performance Report for the period ending July 31, 2022. Such report indicated a beginning market value of $8,757,884, negative net cash flow of $2,500,000, and a negative net investment change of $212,124, resulting in an ending market value of $6,470,009. The year-to-date performance was negative 4.5%, gross of fees.

3. Asset Allocation

Mr. McDonough reported that, at the last meeting, the Trustees hired of ARA Core Property Fund, LP as the Fund's real estate investment manager with a commitment of $900,000. He stated that, due to the current level of Fund reserves, IPS recommends that the Fund cancel its investment with ARA at this time. After discussion, and

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

> **RESOLVED, to revoke the Fund's previously made investment commitment to ARA Core Property Fund, LP.**

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

C. Auditor's Report

The Trustees welcomed Mr. Joseph Herishen of Calibre to the meeting.

1. Financial Statements – December 31, 2021

Mr. Herishen presented the Financial Statements for the period ended December 31, 2021. He stated that the auditor's opinion was an unmodified opinion and the financial statements were in conformity with the generally accepted accounting principles.

Mr. Herishen reported that the total assets as of December 31, 2021 were $43,526,904 and the total liabilities were $451,001, producing net assets available for benefits of $43,075,903. Mr. Herishen reviewed the notes of the Financial Statements, Schedule of Assets Held for Investment Purposes, Schedule of Employer Contributions, and Schedule of Administrative Expenses.

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

> **RESOLVED, to accept the Auditor's 2021 Financial Statements as presented.**

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

IV. CONSULTANT'S REPORT

A. The Segal Company

The Trustees welcomed Mr. Chris Heppner of The Segal Company to the meeting.

1. Conifer Renewal

Mr. Heppner presented Conifer's proposed renewal rates for the period January 1, 2023 through December 31, 2025.

Mr. Heppner reported that Segal is in the process of negotiating with Conifer to obtain more favorable proposed renewal rates.

2. Superior Vision Renewal

Mr. Heppner reported that between meetings, Chairman and Secretary approved the renewal of Superior Vision at a 0% increase effective August 1, 2022 through July 31, 2025.

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

B. <u>Confidio</u>

The Trustees welcomed Ms. Nancy Eid of Confidio to the meeting.

1. Managed Pharmacy Report

Ms. Eid presented Confidio's Pharmacy Benefit Manager – Best and Final Offer report dated September 2022. She reported that, at the June 10, 2022 Board meeting, the Trustees the approved soliciting best and final offers from Express Scripts, Optum Rx and Navitus. Ms. Eid provided a summary of the total aggregate cost reduction/ savings offered by each candidate for the three year term, noting the savings from Express Scripts were $29.1 million (26%), savings from OptumRX were $29.6 million (26.5%), and savings from Navitus were $26.5 million (26.8%). In addition, Express Scripts offered an early implementation of the new rates, valued at $1.6 million for the time period October 1, 2022 through December 21, 2022. These pricing improvements resulted in a considerable decrease to the Fund's gross costs for the combined Commercial and EGWP lines of business over the three year contract term. Ms. Eid reported that, between meetings and pursuant to the delegation made at the prior Board meeting, Chairman and Secretary approved awarding the business to Express Scripts for the term October 1, 2022 through December 31, 2025.

Ms. Eid reviewed the COVID-19 Test Kit Year-to-Date Utilization and Plan Cost section of her report. She stated the gross plan costs through August 31, 2022 were $606,433. She noted the average cost per unit was $11.30 and 5,694 participants have filled claims for test kits.

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

C. <u>Payer Matrix</u>

The Trustees welcomed Mr. Michael Jordan and Mr. Mark Mauro of Payer Matrix to the meeting.

Mr. Jordan provided an overview of the company, Payer Matrix, LLC, and its specialty medication management program. He stated that the company is a U.S. based Specialty Drug Containment Company that partners with commercial plans, Taft Hartley Funds and Third Party Administrators to address and assess the financial risk and growing liability related to specialty drug costs. The goal of Payer Matrix is to successfully procure alternative funding for high cost drugs, thus reducing the cost to the Plan by utilizing manufacturer assistance programs. Mr. Mauro reported that specialty prescriptions can be complex for the participant, costly to the Fund and require high-touch care. He stated Payer Matrix works with over 475 self-funded plan sponsors and has generated over $120 million in net plan savings. Mr. Jordan said that Payer Matrix has a high level of involvement with the participant to aide in securing preferential pricing throughout the prescribed regimen. He noted that Payer Matrix's business model coordinates with patients, prescribers, and providers to find the best funding and sourcing options for specialty drugs.

The Trustees thanked Mr. Jordan and Mr. Mauro and they were excused from the meeting.

The Trustees discussed the Payer Matrix proposal and authorized releasing Fund specialty drug data to Payer Matrix, subject to the appropriate Business Associate Agreement being executed, in order for Payer Matrix to perform an analysis of expected Fund savings. In addition, the Trustees requested that co-counsel review the program and Nancy Eid provide an analysis of the Payer Matrix product and how it would work in coordination with ESI.

V. <u>ATTORNEY'S REPORT</u>

A. <u>Transparency in Coverage Final Rule and Consolidated Appropriations Act</u>

Ms. Sanchez reported on the Transparency in Coverage Final Rule and the Consolidated Appropriations Act.

B. <u>Department of Labor ("DOL") Cybersecurity Best Practices</u>

Ms. Sanchez reported on the DOL's guidance related to cybersecurity best practices. After discussion,

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

RESOLVED, to issue an RFP for cybersecurity consulting services.

C. <u>Amendment to the Delinquency Policy</u>

Ms. Sanchez presented a proposed amendment to the Fund's Delinquency Policy.

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

RESOLVED to approve the amendment to the Delinquency Policy as presented.

D. Conifer Data Breach

Ms. Sanchez reported on Conifer's data breach.

E. Pharmacy Benefit Manager Contract

Ms. Sanchez reported on the Fund's contract with ESI.

F. Internal Revenue Service ("IRS") Audit of Form 941 and Form 945

Ms. Sanchez reported on the IRS review of the Fund's 2020 Forms 941 and 945.

G. Employer Group Waiver Program ("EGWP") Renewal

Mr. Sanchez reported on the Fund's EGWP renewal.

H. Summary Plan Description ("SPD") Restatements

Ms. Sanchez reported on the Fund's SPD restatements.

I. Class Actions

Ms. Sanchez reported on the prescription drug class action relating to Ranaxby and the bankruptcy class action relating to Mallinckrodt.

J. Amendment to Confidio Agreement

Ms. Sanchez reported on the amendment to the Fund's agreement with Confidio.

K. ARA Core Property

Ms. Sanchez reported on the ARA investment management agreement.

L. Subrogation Report

Mr. Jensen stated that Slevin & Hart had reported subrogation recoveries of $37,322, with $9,330 payable to Slevin & Hart for the second quarter 2022.

VI. ADMINISTRATIVE MANAGER'S REPORT

Second Quarter 2022 – Combined Fund Recap

Mr. Jensen presented the Administrative Manager's Report for the Second Quarter 2022. For the combined VEBA Fund, Active and Retiree Plans, total income was $29,832,653 and expenses totaled

$34,409,674, producing a net deficit of $4,577,021 for the second quarter 2022. Mr. Jensen noted that contributions were made on behalf of 15,181 active Plan participants.

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated September 15, 2022. It was noted there was one addition to the list.

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

> **RESOLVED that the invoices on the lists dated September 15, 2022 for the Active Plan and Retiree Plan, including the addition, are approved for payment.**

VIII. OTHER FUND BUSINESS

A. COVID-19 Related Claims Processing

Mr. Jensen provided a summary of COVID-19 medical claims experience for the period January 1, 2022 through August 31, 2022. He noted that 6,953, tests were paid at a cost of $909,000. Treatment was provided to 1,776 plan participants at a cost of $638,000.

B. 2023 Kaiser Permanente Medicare Advantage Renewal

Mr. Jensen presented the Kaiser Permanente 2023 Medicare Advantage renewal proposal for the period January 1, 2023 to December 31, 2023. He noted there was no increase to the fees over the 2022 Plan Year. The proposed 2023 rates are $246.36 per participant per month and $142.00 per participant per month for the Part Time Spouse Only coverage. After review,

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

> **RESOLVED to approve the Kaiser Permanente Medicare Advantage Plan 2023 rates, effective January 1, 2023.**

C. Patient-Centered Outreach Institute ("PCORI")

Mr. Jensen reported the fees owed for PCORI were paid by July 31, 2022 in the amount of $51,436.44 on behalf of 18,436 participants.

D. Miscellaneous Correspondence

1. EGWP Rebate

Mr. Jensen reported first quarter EGWP rebate was received in the amount of $128,336

2. Litigation Settlements

Mr. Jensen reported the Fund received litigation settlements from Enoxaparin for the amount of $1,221, Loestrin for the amount of $17,453, Seaworld Entertainment for the amount of $1,449, and Terex for the amount of $338.

IX. ADOPTION OF COMMITTEE RECOMMENDATIONS

After review of the recommendations made by the Severance and Legal Committees during their meetings,

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

> **RESOLVED, that the recommendations made by the Severance and Legal Committees are adopted.**

X. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees noted that the next regular meeting is scheduled on the following date:

Monday, December 12, 2022

The meeting will be held via video conference.

XI. ADJOURNMENT

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

Respectfully submitted,

Mark Federici, Secretary

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