FELRA & UFCW Health & Welfare Plan

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

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES
OF THE FELRA AND UFCW VEBA FUND
VIA VIDEO CONFERENCE
MARCH 11, 2022

The following Trustees were present:

Union Trustees	**Employer Trustees**
M. Federici – Secretary	J. Paradis – Chairman
Y. Anwar	D. Dosenbach
J. Chorpenning	M. Goble

Also present were:

N. Eid – Confidio
J. Hack – UFCW Local 27
J. Harrison – UFCW Local 27
N. Hill – UFCW Local 27
T. Hipkins – UFCW Local 27
D. Jensen – Associated Administrators, LLC
M. Kreps – Groom Law Group
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
M. Wilson – UFCW Local 400
T. Wyszomirski – The Segal Company
A. Yu – Investment Performance Services

I. CALL TO ORDER

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

II. TRUSTEE APPOINTMENT

Mr. Jensen reported that he had received correspondence from UFCW Local 400 removing Alan Hanson as a Union Trustee effective February 2, 2022 and appointing Yolanda Anwar as a Union Trustee effective the same date.

III. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on December 15, 2021, the Appeals Committee meeting held on January 11, 2022 and the Scholarship Committee Meeting held on December 15, 2021, 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 December 15, 2021, the Appeals Committee meeting held on January 11, 2022, and the Scholarship Committee Meeting held on December 15, 2021 are approved, as presented.**

IV. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report – ERISA Account – February 28, 2022

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2022 through February 28, 2022. Such report indicated a beginning market value of $16,223,331, earnings of negative $303,666, receipts of $20,289,700, and disbursements of $23,084,487, producing an ending market value of $13,124,878 as of February 28, 2022.

2. Summary of Activity Report – Non-ERISA Account – February 28, 2022

Mr. Jensen presented the PNC Summary of Activity report for the Non-ERISA account for the period January 1, 2022 through February 28, 2022. Such report indicated a beginning market value of $6,775,489, receipts of $14,712,435, and disbursements of $20,882,432, producing an ending market value of $605,492 as of February 28, 2022.

3. Reserves

Mr. Jensen noted that as of January 31, 2022, the FELRA VEBA Fund had $22,342,138 in reserves, representing 2.07 months of reserves, compared to 2.05 months as of December 31, 2021. The average expense for the four quarters ending September 30, 2021 was $10,802,423.

B. Investment Performance Services

The Trustees welcomed Mr. Chris McDonough, and Ms. Angela Yu of Investment Performance Services ("IPS") to the meeting.

1. Master Consulting Report – December 31, 2021

Mr. McDonough reviewed the Master Consulting Report for the period ending December 31, 2021. Such report indicated a beginning market value of $19,876,305, a negative net cash flow of $3,778,603, and a net investment change of $125,473, resulting in an ending market value of $16,223,175. The year-to-date performance through December 31, 2021 was 3.7%, gross of fees.

2. Preliminary Performance Update – January 31, 2022

Mr. McDonough reviewed the Preliminary Performance Report for the period ending January 31, 2022. Such report indicated a beginning market value of $16,223,175, negative net cash flow of $166,321, and a negative net investment change of $221,642, resulting in an ending market value of $15,835,212. The year-to-date performance was negative 1.4%, gross of fees.

3. Asset Allocation Review

Mr. McDonough reviewed IPS's Asset Allocation report reflecting various possible asset allocation strategies and stated IPS's recommendation that the Trustees update the Fund's asset allocation to increase by 5% the target allocation to Short Duration High Yield and exclude the Fund's cash position from the asset allocation targets. Mr. McDonough reported that IPS recommends a 10% real estate asset allocation target and recommends rehiring ARA Core Property Fund, LP as a Real Estate investment manager. He stated that due to the timing and size of contributions to the Fund and withdrawals for cash needs, certain of the Fund's current allocations may vary widely from the Investment Policy targets. Mr. McDonough explained that the inclusion of cash in the asset allocation has an impact on the structuring of investments in other asset classes. He stated the VEBA Fund assets, including cash, are approximately $15 million with cash representing 40.8% of the current policy. By excluding the Fund's cash position, assets considered for investment purposes would be lowered to approximately $9 million. Mr. McDonough said this represents a more accurate picture of current investment allocations. He stated that IPS would present the Fund's cash position as a footnote on the asset allocation report.

After discussion, and on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED, to adopt asset allocation Portfolio B, as described above, as recommended by IPS.**

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

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

The Trustees welcomed Mr. Thomas Wyszomirski of the Segal Company ("Segal") and Ms. Nancy Eid of Confidio to the meeting.

A. <u>The Segal Company</u>

1. Carefirst Renewal

Mr. Wyszomirski reviewed CareFirst's proposed Network Lease and Flex Link Lease renewal rates document dated March 2, 2022. He noted the revised five-year proposal contains reduced Flex Link and Net Lease rate increases of 1.7% for Year 1 of the renewal period (1/1/2022-12/31/2022), and that the total increase over the five-year period is 9.79% in aggregate.

After discussion, and on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED, to approve the five-year renewal of CareFirst at the rates presented.

2. Stop-Loss

Mr. Wyszomirski reviewed an illustrative stop-loss experience presentation to evaluate the cost versus benefit of various stop-loss insurance options for the Fund. He explained that in order to evaluate the cost versus benefit, Segal utilized the Fund's large claims over $500,000 and applied a 6% trend rate to determine the level of stop-loss reimbursements that would have occurred had the Fund elected either a $500,000 or $1,000,000 deductible. These stop loss reimbursements were then compared to the estimated stop loss premium (a range of premiums based on 85% to 115% of the median 2022 premiums for stop loss deductibles as reported in Segal's stop loss data base). Mr. Wyszomirski reported that Segal's projection illustrates that there may have been some years that Fund stop-loss coverage would have provided value, depending on the premium, but over several years, it would have cost the Fund more than it would have provided in coverage.

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

B. Confidio

1. Managed Pharmacy Report

Ms. Eid presented Confidio's Managed Pharmacy Report dated March 11, 2022. She presented the key performance indicators by population for 2021. She noted that the total Plan net cost per member per month decreased 4.1%, from $128.31 in 2020 to $123.09 in 2021, for the Active Plan but increased 5.7% from $252.09 in 2020 to $266.50 in 2021 for the Retiree Plan. Ms. Eid presented the utilization management program savings on the Active Plan of $2,134,048 for step therapy, prior authorization, and quantity level limits ("QLL"), as well as $1,994,061 for SaveOnSP and $719,347 for PCM. She noted that the Retiree Plan had a savings of $200,613 for step therapy, prior authorization, and quantity limits.

Ms. Eid reported that the Express Scripts Covid-19 Test Kit program for coverage of over-the-counter COVID-19 tests was implemented in January 2022. To date, 99% of the total 13,469 test kits that have been paid for by the Fund were received from a Participating Pharmacy. She stated that 2,255 Plan participants have received at least one kit and the total cost to the Fund for this program was $132,528 since January 2022. Ms. Eid noted that the utilization of this benefit is substantially higher compared to labor peer groups within Express Scripts' book of business.

Ms. Eid provided an overview of the 2022 Pharmacy Benefit Manager ("PBM") request for proposal project timelines, to procure and negotiate the best pricing for the Fund. She noted that the custom request for proposal development is in progress and that five PBMs will receive the RFP. The five PBMs to which the RFP will be sent are Express Scripts (incumbent), Navitus Health Solutions, OptumRx, IngenioRx, and BeneCard. She stated that Confidio will review of each company's quantitative and qualitative capabilities and score and rank them for the Trustees' review.

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

C. ATTORNEY'S REPORT

A. Interim Final Rule relating to Prescription Drug and Healthcare Spending Reporting

Ms. Sanchez reported on the interim final rule related to prescription drug and healthcare spending reporting requirements.

B. No Surprises Act - Complaint Procedure

Ms. Sanchez reported on the complaint procedure related to No Surprises Act claims. After discussion, the Trustees agreed to implement the Fund office's proposed changes to the procedure.

C. No Surprises Act –Independent Dispute Resolution ("IDR")

Ms. Sanchez reported on the IDR requirements under the No Surprises Act.

D. Continuity of Care Model Notice

Ms. Sanchez reported on the Continuity of Care provision of the No Surprises Act.

E. Machine Readable Files

Ms. Sanchez reported on the requirement relating to machine readable files under the Transparency in Coverage final rule.

F. COVID-19 Over-The-Counter ("OTC") Test Kits

Ms. Sanchez reported on agency guidance regarding coverage of over-the-counter ("OTC") Covid-19 tests.

G. Anti-Assignment Provision

Ms. Sanchez reported on Summary Plan Description provisions relating to assignment of benefits.

H. Carefirst BCBS Anti-Trust Class Action

Mr. Slevin reported on the BlueCross BlueShield Anti-Trust Class Action.

I. Department of Labor ("DOL") Cybersecurity Best Practices

Ms. Sanchez reported on the DOL guidance related to cybersecurity best practices.

J. Internal Revenue Service ("IRS") Audit of Form 941

Ms. Sanchez reported on the IRS audit of the 2020 Form 941.

K. Dentegra Contract

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

L. ESI Market Check Amendment

Ms. Sanchez reported on the ESI market check pricing contract amendment.

M. Calibre Audit Engagement Letter

Ms. Sanchez reported on the Calibre Audit Engagement Letter and side letter for the Plan Year 2021.

N. Summary Plan Description ("SPD)

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

O. Telehealth Extension Summary of Material Modification ("SMM")

Ms. Sanchez reported on the SMM relating to the extension of telehealth claims coverage.

P. SaveOn Summary of Material Modification

Ms. Sanchez reported on the SMM relating to the SaveOn Program through Express Scripts, Inc.

Q. Dentegra Summary of Material Modification

Ms. Sanchez reported on the SMM relating to the transition to Dentegra, the Fund's dental service provider.

R. Preventive Services List

Ms. Sanchez reported on the updated preventive services list.

S. Fiduciary Liability Policy

Ms. Sanchez reported on the fiduciary insurance policy.

T. Subrogation Report

Mr. Jensen stated that Slevin & Hart had reported subrogation recoveries of $95,629.47, with $23,937.37 payable to Slevin & Hart for the fourth quarter 2021.

D. **ADMINISTRATIVE MANAGER'S REPORT**

Fourth Quarter 2021 – Combined Fund Recap

Mr. Jensen presented the Administrative Manager's Report for the Fourth Quarter 2021. For the combined VEBA Fund, Active and Retiree Plans, total income was $30,629,881. Expenses totaled $32,224,345, producing a net deficit of $1,594,464 for the fourth quarter 2021. Mr. Jensen noted that contributions were made on behalf of 15,438 active Plan participants.

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated March 11, 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 March 11, 2022 for the Active Plan and Retiree Plan are approved for payment.**

VIII. OTHER FUND BUSINESS

A. Safeway Payroll Audit – Status Update

Mr. Jensen reported that Safeway had remitted payment in the amount of $38,141.60 for the payroll audit delinquency identified in the payroll audit conducted by Calibre.

B. COVID-19 Related Claims Processing

Mr. Jensen provided a summary of COVID-19 medical claims experience for the period January 1, 2021 through December 31, 2021. He noted that 11,062 tests were paid at a cost of $1,398,000. Treatment was provided to 2100 plan participants at a cost of $1,338,000.

C. COBRA Premium Subsidy

Mr. Jensen reported on the COBRA subsidy and noted that the Fund office had filed the Form 940 requesting the tax credit for the subsidized COBRA premiums for the third quarter in the amount of $23,010.10. He noted that the Internal Revenue Service notified the Fund that it is offsetting this amount against the balance levied by the IRS against the FELRA and UFCW Severance Fund.

D. Cheiron 2022 Engagement Letter

Mr. Jensen presented Cheiron's retainer fee request for 2022. He stated that Cheiron proposed a retainer fee of $58,200 ($4,850 per month), with the non-retainer fees ranging from $107 to $515 per hour.

After discussion, and on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED, to approve Cheiron's 2022 engagement proposal, as presented.**

E. Calibre Engagement Letter – Plan Year 2021

Mr. Jensen presented Calibre's engagement proposal and proposed side letter relating to the 2021 audit, along with Calibre's planning letters relating to the audit. Mr. Jensen stated that Calibre proposed a retainer fee not to exceed $85,000, with the non-retainer fees ranging from $90 to $350 per hour.

After discussion, and on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED, to approve Calibre's 2022 engagement proposal, as presented.**

F. Scholarship Termination

Mr. Jensen reported on the termination of the Scholarship program effective December 31, 2021.

G. Beacon Health Options – Payer Machine Readable Files

Ms. Sims reported on the requirement under the Consolidated Appropriations Act ("CAA") to make publically available machine readable files for In-Network claims data and Out of Network claims data. She reviewed Beacon's proposal to host and make publicly available machine readable files for the Fund's behavioral health claims for a fee of $3,000 annually.

After discussion, and on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED, to approve Beacon Health Options' proposal to host the machine readable files for the Fund for the annual fee of $3,000.**

H. Miscellaneous Correspondence

Mr. Jensen reported that the Fund had received a rebate from ESI for the third quarter 2021 in the amount of $362,876. He further reported that the Fund had received a rebate check from ESI related to third quarter 2021 EGWP in the amount of $318,249.

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 meetings are scheduled on the following dates:

Friday, June 10, 2022

Thursday, September 15, 2022

Monday, December 12, 2022

The meetings 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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