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, 2021

The following Trustees were present:

Union Trustees
M. Federici – Secretary
J. Chorpenning
A. Hanson
J. Nazario

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

Also present were:

W. Antoshak – Associated Administrators, LLC
Y. Anwar – UFCW Local 400
L. DuVall – Associated Administrators, LLC
N. Eid – Confidio
J. Hack – UFCW Local 27
J. Harrison – UFCW Local 27
J. Herishen – Calibre CPA Group, PLLC
T. Hipkins – UFCW Local 27
C. Hoffmann – UFCW Local 400
N. Jacobs – UFCW Local 400
D. Jensen – Associated Administrators, LLC
M. Kreps – Groom Law Group
C. McDonough – Investment Performance Services
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.
J. Timm – The Segal Company
L. Walsh – Associated Administrators, LLC
M. Wilson – UFCW Local 400

I. CALL TO ORDER

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

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on December 14, 2020, the special meeting held on December 21, 2020, and the Appeals Committee meetings of January 7, 2021 and February 8, 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 14, 2020, the special meeting held on December 21, 2020, and the Appeals Committee Meetings of January 7, 2021 and February 8, 2021 are approved, as presented.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report – ERISA Account – January 31, 2021

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2021 through January 31, 2021. Such report indicated a beginning market value of $32,607,051, earnings of $28,509, receipts of $9,931,818, and disbursements of $10,606,410, producing an ending market value of $31,960,968 as of January 31, 2021.

2. Summary of Activity Report – Non-ERISA Account DDA – January 31, 2021

Mr. Jensen presented the PNC Summary of Activity report for the Non-ERISA account for the period January 1, 2021 through January 31, 2021. Such report indicated a beginning market value of $7,130,603, no earnings, receipts of $3,963,477, and disbursements of $9,926,120, producing an ending market value of $1,167,960 as of January 31, 2021.

3. Reserves

Mr. Jensen noted that as of January 31, 2021, the FELRA VEBA Fund had $32,232,460 in reserves, representing 3.03 months of reserves, compared to 3.62 months as of December 31, 2020. The average expense for the four quarters ending September 30, 2020 was $10,628,710.75.

Mr. Jensen explained that Safeway did not apply its approved contribution credit to its January contribution, as expected, and instead applied the credit to its February contributions. In preparation for the anticipated February expenses, $5,000,000 was transferred from investments to PNC cash to cover the lack of employer contributions. He noted that applying these changes reduces the Fund's reserve to 2.19 months, which is close to the 2.0 month reserves target.

B. <u>Investment Performance Services</u>

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

1. Master Consulting Report – December 31, 2020

Mr. McDonough reviewed the Master Consulting Report for the period ending December 31, 2020. Such report indicated a beginning market value of $40,282,665, a net cash flow of negative $8,594,502, and a net investment change of $918,802, resulting in an ending market value of $32,606,966. The year-to-date performance through December 31, 2020 was 5.0%, gross of fees.

2. Preliminary Performance Update – January 31, 2021

Mr. McDonough reviewed the Preliminary Performance Report for the period ending January 31, 2021. Such report indicated a beginning market value of $32,606,966, negative net cash flow of $1,420,242, and a net investment change of $28,486, resulting in an ending market value of $31,215,209. The year-to-date performance through January 31, 2021 was 0.1%, gross of fees.

3. Segall Bryant & Hamill – Assignment of Ownership to CI Financial Corporation

Mr. McDonough reported that on January 25, 2021, CI Financial Corporation entered into an agreement to acquire 100% of the business of Segall Bryant & Hamill, LLC ("SBH"). He stated that this transaction, which will result in the assignment of the investment advisory agreement with the Fund, requires investor consent. He stated that the acquisition of SBH will not affect the Fund's relationship with the manager, where the Fund's investments are held, the nature of the investment services provided by the manager, or the terms of the Fund's investment advisory agreement with the manager.

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

RESOLVED, to consent to the assignment of the Fund's investment advisory agreement with Segall Bryant & Hamill, LLC to CI Financial Corporation, as recommended by IPS.

4. Cybersecurity Liability Insurance – Amendment

Mr. Jensen noted that at the December 14, 2020 Board meeting, IPS proposed that the Fund amend its Investment Policy Statement to generally require investment managers to have cybersecurity insurance. The Amendment was reviewed by Fund counsel between Board meetings.

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

RESOLVED, to approve the proposed cyber insurance Amendment to the Fund's Investment Policy Statement, as presented.

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

IV. CONSULTANTS' REPORTS

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

A. The Segal Company

1. Coronavirus Disease 2019 (COVID-19) – Market Update

Mr. Timm presented an update on COVID-19 and its impact on welfare funds. He noted that the disease caused significant disruptions to the healthcare delivery system. He cited two major ways that health plan claims have been impacted: (1) direct costs for testing and treating of the disease, the cost of which is typically between 1% and 5% of annual medical expenses and can vary based on the demographics of the group, such as age and location and (2) indirect savings from reduced utilization of non-essential services, including the temporary suspension of many healthcare services, such as routine office visits, chiropractic therapy, physical therapy, and elective surgeries. He noted that deferral of these services may increase Fund expenses in the future, but to date there has been no significant increase in expenses.

Mr. Timm reviewed the Fund's experience with COVID-19 claims. He said that the reduction in claims was most prevalent in the first half of 2020. Mr. Timm stated that the cost of testing and treatment for COVID-19 has been modest, which resulted in noticeable and significant declines in claims during March through May of 2020. He stated that claims for the period March 1, 2020 through May 31, 2020 represent an 18% decrease compared to the period March 1, 2019 through February 29, 2020. He reported that the Fund's per capita large claims have increased 29.1% due to COVID-19. However, in spite of the large claims experience and the additional costs of testing and treatment for COVID-19, the Fund's estimated incurred claims are down 6.4% on a per capita basis year over year through January 31, 2021 and down 7.9% on an aggregate basis.

Mr. Timm reported that the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed on March 27, 2020, requiring employer-sponsored group health plans to provide coverage of COVID-19 testing at no cost-share, which included copays, deductibles and coinsurance. However, cost-sharing was still applicable for the treatment of COVID-19. He stated that three vaccines have been approved. He noted that as a non-grandfathered plan under the Affordable Care Act, the Fund is responsible for covering the administration fee for COVID vaccinations at no cost to Plan participants and beneficiaries.

2. COBRA Subsidy

Mr. Timm discussed the provision of the American Rescue Plan Act of 2021 that provides a 100% COBRA subsidy from April 1 through September 30, 2021 for persons involuntarily termed from employment or experiencing a reduction in work hours that resulted in a COBRA qualifying event. He stated that further guidance and a revised COBRA model notice would be forthcoming from government agencies.

3. Dentegra

Mr. Timm reported that the transition to Dentegra for Dental services is continuing to move forward.

4. **Extension of Deadlines**

Mr. Slevin and Mr. Timm discussed new DOL guidance relating to the extension of deadlines (e.g. COBRA, claims and appeals) due to COVID. Mr. Timm stated that Segal expects to share more information on the matter in a week or so.

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

> **RESOLVED, to delegate authority to Chairman and Secretary to make any decisions regarding a change to the current COVID-related deadline extensions in place under the Plan.**

B. <u>Confidio</u>

Ms. Eid presented a report titled "Managed Pharmacy Report March 2021."

1. Managed Pharmacy Report

Ms. Eid reviewed Confidio's Executive Summary - 2020 Key Performance Indicators. She noted that the Pharmacy Benefit Management ("PBM") Program indicated a per participant per month ("PPPM") drug trend of negative 0.6% for 2020. Ms. Eid stated that the Fund's three cost management programs are performing well, with cumulative savings for the period June 1, 2020 through February 1, 2021 of $2,876,654.00, or 83% of the estimated annualized goal.

Ms. Eid reviewed the key performance indicators, noting that the average membership declined from 20,196 in 2019 to 19,423 in 2020, representing a change of negative 3.8%, and the number of unique patients declined from 15,044 in 2019 to 14,158 in 2021, representing a change of negative 5.9%. The average member age for 2020 was 47. The Plan gross cost increased to $41,845,339 in 2020 compared to $40,761,617 in 2019. The Plan net cost declined in 2020 to $29,965,457 compared to $31,356,549 in 2019, a negative 4.4% difference. The Plan net cost PPPM declined to $128.57 in 2020 compared to $129.38 in 2019, a negative 0.6% difference.

Ms. Eid reviewed the actives vs. retirees 2020 key performance indicators. She noted that the active participant counts decreased by 4.1% and the net PPPM costs decreased by 2.1%. The retiree counts decreased by 1.6%, and the net cost PPPM increased by 3.9%.

She noted that the top three drivers of Plan costs were diabetes -- which accounted for 23% of all costs, trending up at 14.7% -- inflammatory conditions, which accounted for 16.6% of total costs, and cancer, which accounted for 11.7% of total costs due to increasing utilization and pricing of oral cancer medications.

Ms. Eid reviewed the Prescription Care Management ("PCM") Program activity and reported that there was a positive provider and participant response to the Program. She further mentioned new Transparency in Coverage Rules and the No Surprises Act. She noted that Confidio will take an active role in negotiating changes to the PBM contract amendments as needed, and will lobby the PBMs to absorb the majority of costs for compliance, or use Pharma dollars to offset their costs.

Ms. Eid reported that the Employer Group Waiver Program ("EGWP") implementation was successfully completed on December 31, 2020 and the EGWP Amendment to the Fund's existing Agreement with Express Scripts, Inc. ("ESI") was fully executed. She reported that ESI issued its first EGWP rebate check to the Fund. She said that Confidio and Associated Administrators will continue to track and manage ESI's compliance under the EGWP Amendment.

The Trustees thanked Mr. Timm and Ms. Eid for their reports and they were excused from the meeting.

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

A. <u>Transparency in Coverage Final Rules</u>

Ms. Sanchez reported on the Final Rule on Transparency in Coverage issued by HHS, DOL and Treasury on October 29, 2020.

B. <u>No Surprises Act</u>

Ms. Sanchez reported on the No Surprises Act enacted in 2021.

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

> **RESOLVED, to delegate authority to Chairman and Secretary to make any necessary decisions regarding implementation of the Transparency in Coverage Final Rule and the No Surprises Act.**

C. Consolidated Appropriations Act of 2021

Ms. Sanchez reported on the reporting and disclosure provisions of the Consolidated Appropriation Act of 2021.

D. Dentegra Insurance Company ("Dentegra")

Ms. Sanchez reported on the status of the Dentegra contract.

E. Temporary COBRA Subsidy

Ms. Sanchez reported on the subsidy of COBRA premiums under the American Rescue Plan Act of 2021.

F. COVID-19 Deadline Extensions

Ms. Sanchez reported on guidance relating to the COVID-related extension of deadlines.

G. EpiPen Class Action

Ms. Sanchez reported on the EpiPen class action filed on behalf of the Fund.

H. BlueCross BlueShield Class Action

Ms. Sanchez reported on a class action involving the Blue Cross Blue Shield Association.

I. EGWP Addendum

Ms. Sanchez reported that the EGWP contract Addendum with ESI had been fully executed.

J. Preventive Services List

Ms. Sanchez reported on the Fund's 2021 preventive services list.

K. Summary of Material Modification ("SMM")

Ms. Sanchez reported on SMMs being drafted.

L. Summary Plan Descriptions ("SPD")

Ms. Sanchez reported on the Fund's SPDs.

M. Conifer Breach

Ms. Sanchez reported on a potential data breach reported by Conifer.

N. Subrogation Report

Mr. Jensen stated that Slevin & Hart had reported subrogation recoveries of $58,504.84, with $11,700.97 payable to Slevin & Hart for the fourth quarter 2020.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2020 – Combined Fund Recap

Mr. Jensen presented the Administrative Manager's Report for the Fourth Quarter 2020. For the combined VEBA Fund, Active and Retiree Plans, total income was $25,024,389. Expenses totaled $32,849,392, producing a net deficit of $7,825,003 for the Fourth Quarter 2020. Mr. Jensen noted that contributions were made on behalf of 15,739 active Plan participants.

Mr. Jensen presented a snapshot of work performed by Associated Administrators during the Fourth Quarter 2020. The report reflected the processing of 307 accident and sickness claims, 96 appeals, 28,471 participant service calls, the production of 508 COBRA notices, the processing of 76,815 medical claims, and mailings to 28,528 Plan participants.

B. Administrative Services Contract Renewal

Mr. Walsh stated that Associated Administrators' contract will expire March 31, 2021. She reported that Associated's contract renewal letter was recently posted to the Trustee web portal for consideration. She stated that Associated had intended to make the letter available earlier but was delayed in order to re-examine the rate requests in light of the recently announced legislative changes, such as new transparency and disclosure rules, No Surprises Act, and COBRA subsidies. She offered to review the proposal with a subcommittee or any individual Trustee upon request and prior to April 1, 2021.

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

> **RESOLVED, to appoint a subcommittee of Trustees Federici, Chorpenning, Paradis and Dosenbach authority to decide Associated Administrators' contract renewal.**

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated March 11, 2021. It was noted there were no additions, deletions or changes to the lists.

Mr. Jensen presented an invoice in the amount of $10,610.00 for work performed by Associated Administrators in implementing EGWP for the FELRA Medicare Retirees effective January 1, 2021.

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

> **RESOLVED, that the invoices on the lists dated March 11, 2021 for the Active Plan and Retiree Plan are approved for payment.**
>
> **FURTHER RESOLVED, to approve payment of Associated's invoice for work performed in implementing EGWP.**

VIII. OTHER FUND BUSINESS

A. Cheiron – 2021 Retainer Fee

Mr. Jensen presented Cheiron's retainer fee request for 2021. He noted that Cheiron proposed a retainer fee of $44,700 ($3,725 per month), with the non-retainer fees ranging from $107 to $515 per hour for 2021.

The Trustees reviewed the engagement request by Cheiron. After discussion and, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED, to approve Cheiron's 2021 engagement proposal, as presented.

B. Maintenance of Benefit ("MOB") – Preliminary Calculation

The Trustees discussed the preliminary calculation of MOB rates by the Administrative Manager in light of the effect of COVID-19 and how best to address future projections.

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

RESOLVED, to appoint a subcommittee of Trustees Federici, Chorpenning, Paradis and Dosenbach to review the MOB projections and make a decision on the MOB rates to be effective June 1, 2021 between Board meetings.

C. Dependent Spouse Audit – Update

Ms. Walsh reported on completion of the dependent spousal audit. She stated that 181 spouses had been terminated as a result of the audit.

D. Scholarship Program Termination – Update

Ms. Walsh reported that nineteen scholarship applicants met the criteria outlined by the VEBA Fund Trustees at the last Board meeting. She said that Associated is ready to make the final scholarship award payments in July and August 2021. She noted that there is a contract addendum posted on the Trustee web portal for review, extending administrative services to August 31, 2021 at a reduced fee of $833 per month.

E. Dentegra Transition – Status

Mr. Jensen reported that the Dentegra implementation was moving forward.

F. COVID-19 Related Claims Processing – Status

Mr. Jensen provided a summary of COVID-19 medical claims experience for the period March 1, 2020 through January 31, 2021.

G. Safeway Payroll Audit – Status

Mr. Jensen reported that that Calibre CPA Group informed the Fund office that the payroll audit of Safeway for the period of 2014-2017 had been finalized with both sides agreeing that the amount owed to the Fund is $38,141.60. The Fund will send a request for payment to Safeway.

H. Giant Food Contribution Credit Request

Mr. Jensen noted that Giant Food requested a contribution credit in the amount of $18,056 for mistaken contributions remitted for dependent coverage on behalf of a Plan participant for the period September 2018 through December 2020. After discussion and,

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

> **RESOLVED, to approve the contribution credit request submitted by Giant Food in the amount of $18,056.**

Trustees Paradis and Goble abstained from the vote.

I. Miscellaneous Correspondence

1. ESI Rebate Checks

Mr. Jensen reported that the Fund had received a rebate check from ESI for the fourth quarter 2020 in the amount of $87,591.56. He further reported that the Fund had received a rebate check from ESI related to EGWP in the amount of $84,358.00.

2. Madoff Victim Fund

Mr. Jensen reported that the Fund had received a check in the $101,990.27 from the Madoff Victim Fund.

IX. ADOPTION OF COMMITTEE RECOMMENDATIONS

After review of the recommendations made by the Severance, Legal and Scholarship 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, Legal and Scholarship Committees are adopted.**

X. NEXT MEETING DATE AND LOCATION

The Trustees noted that the next meeting was scheduled for June 22, 2021 and will be held via video conference. It was further noted that the September 2, 2021 meeting had been changed to September 23, 2021 and will be held in the offices of UFCW Local 400, if COVID-19 restrictions are lifted to allow in-person meetings.

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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