ASSOCIATED ADMINISTRATORS

March 11, 2021

Board of Trustees of the
FELRA and UFCW VEBA Fund

Re: Administrative Services Contract Renewal

Trustees and Co-Counsel:

The contract between Associated and the FELRA and UFCW VEBA Fund expires March 31, 2021. We hope the Trustees will consider favorably our request for a new three-year agreement.

Services Recap

Brief recap of some of the services provided by Associated over the last three years:

- Implemented and processed multiple benefit changes.
- Calculated MOBs and COBRA rates.
- Calculated PCORI fees.
- Filed Medicare Part D disclosure with CMS.
- Performed RDS reconciliations.
- Worked with the Fund actuary, consultant, and accounting firms providing data.
- Implemented change from Carewise and Health Dialog to Conifer.
- Implemented SAVEON, PCM, UM programs.
- Implemented EGWP (a complex implementation spanning eight months).
- Implemented COVID-19 changes to A&S benefits and medical claims (very quickly), testing coverage, and prescription coverage, as well as changes to COBRA letters and forms.
- Performed Dependent Spouse Audit.
- Kept up our accurate, friendly, and efficient service, despite the serious challenges of the COVID virus.
- Maintained our exceptional dedication to the participants during this trying time.
- Participated in Union shop steward educational seminars.
- Dentegra Dental Implementation in process.
- Worked with Fund professionals to meet compliance requirements.

Associated works hard to control its operating costs, but most are increasing. Associated's expenses track higher than the CPI for many reasons, but chiefly because we are dependent on IT and computer services to a greater degree than is represented in the CPI. Our expenses go up every year, as described below, but we do not depend solely on increases in our rates to compensate. We work hard to control our costs internally, including frequent re-negotiations with our vendors, such as Basys.

- **Employee Benefits**
  Associated's bargaining unit employees are in Plan X and Plan XX of the FELRA and UFCW Health and Welfare Fund so we have experienced the same rate increases as the other participating employers. Our unit employees are covered in the companion UFCW Unions and Participating Employers Pension Fund. Those contribution rates will increase 9% every year for the next four years.

  Our non-union (management and other exempt) medical benefits through UHC increased by 9% in September 2020.

- **Business Insurance**
  The cost of Associated's business insurance policy increased 11% between 2019 and 2020.

- **Postage**
  Associated pays all regular postage on behalf of the Fund, excluding mass mailings. The United States Postal Service implemented a rate hike in 2019 of 10% for first class mail. Another increase was implemented January 2021.

- **Regulatory Changes**
  Over the last several years, regulations continue to affect benefits administration. Associated has increased its workforce, training, and systems to abide by these regulations. Heavy additional regulatory efforts are expected to impact administration during the term of this contract.

- **Class Actions**
  Associated continues to work to ensure the Fund participates to its fullest extent and receives settlement checks whenever possible. (Associated even files unclaimed property claims with the State to benefit the Fund.)

- **HIPAA and HITECH Act**
  This Act requires breach reporting regarding protected health information. Associated conducts ongoing in–house training of all our employees on the requirements of the Act and continually works to protect the Fund's data and security. This includes rotating in new software packages to protect against malware and other intrusions.

- **Information Technology Developments**
  Associated's highest cost increases and deliberate reinvestment have been in Information Technology. We paid over $800,000 in 2019. System enhancements allow us to better serve our clients and participants, and to maintain proper computer security. We utilize industry proven software to monitor network performance and to further block malware and phishing attacks on our ports, machines and applications. Our servers, desktops, and laptops are updated on a regular basis from software vendors to include critical and security patches. Four servers were replaced at a cost of $140,000 in 2020 and $150,000 was spent on Basys software upgrades.

Associated has assigned two Account Executives and two Account Managers with over 40 combined years of health and pension fund administration experience to work on the FELRA Funds. Supporting the account team is a staff of over 128 employees working on the FELRA Funds. They are dedicated to providing superior service. Our experienced staff and our IT investments allow us to efficiently manage the Fund through many complicated plan design changes.

Here is a quick snapshot of processing in 2019 and 2020: 648,747 medical claims, 2,817 accident and sickness claims, 910 appeals, 1,966 pension applications, 3,465 pension/1,180 severance estimates, 530 severance applications, 230,433 incoming calls, and 496,070 pieces of Communications mailings. We anticipate that the FELRA Funds will continue to experience large service demands.

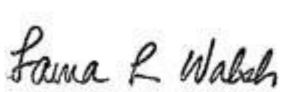
New Online Enrollment Capability

Associated purchased an excellent (and expensive) online enrollment software package and related equipment. While our participants prefer Participant Services representatives to computers, we believe this user-friendly online enrollment system will be welcomed by our participants and we are excited to roll it out.

We are proposing new rates effective April 1, 2021 for ongoing work. We propose a three-year contract term with 3% annual rate increases. Please see Attachment A for a full outline of the proposed rates through March 31, 2024.

Associated Administrators, LLC appreciates the opportunity to serve the Fund and welcomes all questions concerning our proposal.

Sincerely,



Laura Walsh
CEO
Associated Administrators, LLC

FELRA AND UFCW VEBA FUND

ATTACHMENT A

	Current Fee PPPM	04/01/2021 03/31/2022 PPPM	04/01/2022 03/31/2023 PPPM	04/01/2023 03/31/2024 PPPM
VEBA Fund				
Reg. Admin	$14.23	$14.66	$15.10	$15.55
Retirees	$6.80	$7.00	$7.21	$7.43
Claims*	$14.58	$15.02	$15.47	$15.93
RAP/Stipend	$2.74	$2.82	$2.91	$2.99
Severance Fund	$3.50	$3.61	$3.71	$3.82
Legal Fund	$1.58	$1.63	$1.68	$1.73

April 1, 2021 through March 31, 2024 Hourly Rates for New Regulatory Changes and Implementation of New Vendors:

$100/Hour - IT/Management
$ 60/Hour - Supervisor
$ 30/Hour - Regular Employees

*Associated does not charge a claims fee for Kaiser active or retiree participants.