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
DECEMBER 14, 2020

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
R. McKnight - Associated Administrators, LLC
C. Murphy - Associated Administrators, LLC
S. Sanchez - Slevin & Hart, P.C.
A. Sims - Associated Administrators, LLC
R. Sichel - Investment Performance Services
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 October 22, 2020, and the Appeals Committee meetings of October 14, 2020 and November 4, 2020, 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 October 22, 2020 and the Appeals Committee Meetings of October 14, 2020 and November 4, 2020 are approved, as presented.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report – ERISA Account – October 31, 2020

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2020 through October 31, 2020. Such report indicated a beginning market value of $35,649,725, earnings of $780,162, receipts of $105,779,831, and disbursements of $109,780,287, producing an ending market value of $32,429,431 as of October 31, 2020.

2. Summary of Activity Report – Non-ERISA Account DDA – October 31, 2020

Mr. Jensen presented the PNC Summary of Activity report for the Non-ERISA account for the period January 1, 2020 through October 31, 2020. Such report indicated a beginning market value of $1,023,038, no earnings, receipts of $112,497,823, and disbursements of $105,823,098, producing an ending market value of $7,697,763 as of October 31, 2020.

3. Reserves

Mr. Jensen noted that as of October 31, 2020, the FELRA VEBA Fund had $39,392,135 in reserves, representing 3.57 months of reserves, compared to 3.67 months as of September 30, 2020. The average expense for the four quarters ending September 30, 2020 was $11,042,892.

The Trustees discussed the Giant and Safeway memoranda of agreement with Locals 27 and 400, calling for the Maintenance of Benefits ("MOB") reserve target to be moved from three months to two months, and for the Employers to receive a contribution credit on December 1, 2020 in the amount necessary to draw down the Fund reserves to the two-month reserve level. After discussion, the Trustees tabled this matter to be discussed at a special Board meeting scheduled for December 21, 2020 at 10 a.m. via video conference.

B. Investment Performance Services

The Trustees welcomed Mr. Rich Sichel of Investment Performance Services to the meeting.

1. Master Consulting Report – September 30, 2020

Mr. Sichel reviewed the Master Consulting Report for the period ending September 30, 2020. Such report indicated a beginning market value of $31,468,152, a net cash flow of $8,319,285, and a net investment change of $495,229, resulting in an ending market value of $40,282,665. The year-to-date performance through September 30, 2020 was 1.4%, gross of fees.

2. Preliminary Performance Update – October 31, 2020

Mr. Sichel reviewed the Preliminary Performance Report for the period ending October 31, 2020. Such report indicated a beginning market value of $40,282,665, negative net cash flow of $7,712,966, and a net investment change of negative $140,450, resulting in an ending market value of $32,429,249. The year-to-date performance through October 31, 2020 was 2.3%, gross of fees.

3. Cyber Liability Insurance Coverage – Proposed Amendment

Mr. Sichel said that IPS is proposing that the Fund amend its Investment Policy Statement to generally require investment managers to have cybersecurity insurance. He said that cyberattacks are a growing threat in today's environment and one that IPS takes seriously. Mr. Sichel said that IPS provided a proposed Investment Policy amendment regarding cybersecurity insurance coverage to Fund counsel for review.

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

IV. CONSULTANT'S REPORT

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

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

1. Dentegra Insurance Company ("Dentegra")

Mr. Timm reported on Dentegra's best and final offer to the Fund. He noted that Dentegra was not able to reduce its rates, but did add two years to its initial proposal. He said that Year 4 included a rate increase cap of 6% and Year 5 included a rate increase cap of 3%. Mr. Timm noted that the Chairman and Secretary agreed to hire Dentegra between meetings.

2. Plan XX and Plan XXX Part Time Cost Per Enrolled Dependent Child

Mr. Timm presented the proposed Plan XX and Plan XXX part time full cost dependent child rates for the 2021 Plan Year per enrolled dependent child. The proposed rates are:

Plan	Per Child Rate			Three or More Children Rate		
	Medical	**Rx**	**Total**	**Medical**	**Rx**	**Total**
Plan XX	**$101.26**	**$30.27**	**$131.53**	**$303.78**	**$90.81**	**$394.59**
Plan XXX	**$107.19**	**$31.53**	**$138.72**	**$321.57**	**$94.59**	**$416.16**

Mr. Jensen reported that the rates had been approved by Chairman and Secretary between meetings and that the Participating Employers were notified in writing of the new rates to be effective January 1, 2021.

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

> **RESOLVED, to ratify the actions taken between Board meetings to adopt the Plan XX and Plan XXX part time full cost dependent rates effective January 1, 2021.**

3. COVID-19 Vaccines

Mr. Timm and Ms. Eid reported on the status of vaccine distribution in the United States. Mr. Timm advised that Segal recommends that the Fund cover the COVID-19 vaccine under both the Plan's medical benefit and its prescription drug benefit

B. <u>Confidio</u>

Ms. Eid presented a report titled "Managed Pharmacy Report" dated December 2020.

1. Managed Pharmacy Report

Ms. Eid provided an Executive Summary noting that the Fund is experiencing an overall negative drug trends: Non-specialty plan costs are trending at -6% and specialty costs are trending at 14%, resulting in a combined total trend of -0.1%. She noted that the cost management programs implemented in June and July are driving significant savings. Results from program inception through October 31, 2020 indicate cumulative savings of $1,773,639 or 51% of the annualized target. Ms. Eid further reported that the Employer Group Waiver Plan (EGWP) implementation for retirees is near completion, with 2,020 retirees enrolled with Centers for Medicare and Medicaid Service ("CMS). Four participants have declined coverage. The EGWP will be effective as of January 1, 2021. Ms. Eid reviewed the remainder of the report with the Trustees.

2. Pharmacy Report Addendum – COVID-19 Update

Ms. Eid reviewed the "Pharmacy Report Addendum COVID-19 Update" dated December 13, 2020. She reported that the Food and Drug Administration granted emergency use authorization for COVID-19 vaccines ("vaccines"). The vaccines started shipping on December 13, 2020. Initial doses are being distributed to states based on population. Once there are sufficient amounts of vaccines available, distribution will be based on provider size and reach, capability to store the vaccines, the ability to meet reporting requirements, and estimated number of doses each facility is able to administer. Pharmacies may register to receive the vaccines through local jurisdictions. She stated that initially the Federal government will pay for the cost of the vaccines. The Fund will pay administrative costs of $20.00, plus a fee of $2.50 for each shot administered. Recipients of the vaccines will have a zero co-pay for up to two doses. Once the government funding is depleted, the Fund will be required to pay for the costs of both the vaccines and administration. Non-grandfathered plans such as the Fund must add the vaccine to the preventive drug list at zero co-pay.

3. Truvada Medication

Ms. Eid stated that Truvada, an HIV drug, is now available as a generic (emtricitabine/tenofovir) and, as such, the generics, rather than the brand drug, would be included on the ACA preventive services list, covered at 100%.

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

V. ATTORNEY'S REPORT

A. Dentegra Insurance Company ("Dentegra")

Ms. Sanchez reported on the Dentegra proposal reviewed by Mr. Timm. After discussion,.

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

> **RESOLVED, to ratify the Chairman and Secretary's decision to hire Dentegra; and**
>
> **FURTHER RESOLVED, to select April 1, 2021 as the effective date for the transition to Dentegra.**

The Trustees directed the Fund office to send a termination notice to GDS.

B. Addendum with Express Scripts, Inc. ("ESI")

Ms. Sanchez reported on the EGWP Addendum to the Fund's Pharmacy Benefit Management Agreement with ESI.

C. Summary of Material Modification ("SMM") – Cologuard Cancer Screening Test

Ms. Sanchez reported on the SMM regarding the Trustees' decision to cover the Cologuard cancer screening test in accordance with the coverage guidelines used by CMS.

D. Preventive Services List

Ms. Sanchez reported on the coverage of Over-the-Counter drugs as a preventive service.

E. Business Associate Agreements ("BAAs")

Ms. Sanchez reported that the BAAs between the Fund and UFCW Locals 27 and 400 were executed between meetings.

F. Summary Plan Descriptions ("SPD")

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

G. Form 990 - Return of Organization Exempt from Income Tax

Ms. Sanchez reported on the Form 990 prepared by Calibre CPA Group.

H. Group Dental Service ("GDS") Contract

Ms. Sanchez reported on the contract with GDS.

I. Subrogation Report

Mr. Jensen stated that Slevin & Hart had reported subrogation recoveries of $462,953.07 with $92,590.61 payable to Slevin & Hart for the third quarter 2020.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Third Quarter 2020 – Combined Fund Recap

Mr. Jensen presented the Administrative Manager's Report for the Third Quarter 2020. For the combined VEBA Fund, Active and Retiree Plans, total income was $32,560,459. Expenses totaled $31,921,985, producing a net surplus of $638,474 for the Third Quarter 2020. Mr. Jensen noted that contributions were made on behalf of 15,476 active Plan participants.

Mr. Jensen presented a snapshot of work performed by Associated Administrators during the Third Quarter 2020. The report reflected the processing of 321 accident and sickness claims, 97 appeals, 32,323 participant service calls, the production of 551 COBRA notices, the processing of 71,340 medical claims, and mailings to 33,786 Plan participants.

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated December 14, 2020. It was noted there were no additions, deletions or changes to the lists.

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

> **RESOLVED, that the invoices on the lists dated December 14, 2020 for the Active Plan and Retiree Plan are approved for payment.**

VIII. OTHER FUND BUSINESS

A. Memorandum of Agreement ("MOA") - Associated Administrators, LLC

Ms. Walsh presented the Associated Administrators, LLC MOA with UFCW Locals 400 and 27 for the period October 30, 2020 to October 29, 2024. The MOA calls for the Maintenance of Benefits ("MOB") reserve target to be moved from three months to two months and MOB rate increases to be capped at 8% in any given year. In addition, the MOA calls for an increase in weekly unit employee contributions by $1.00 for each group on the first of the month following the anniversary of the new contract effective date each year beginning in 2021 (November 1, 2021). She further noted that the ambulance service coverage was increased from $25.00 to $200.00 per claim effective the first of the month following ratification. After discussion,

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

> **RESOLVED, to accept the MOA between Associated Administrators and UFCW Locals 400 and 27 for the period October 30, 2020 to October 29, 2024.**

B. Dependent Spouse Audit – Status Update

Mr. Jensen reported that 360 Plan participants have not yet responded to the dependent spouse audit or have not provided the required information. Separate lists of those who have not responded were shared with Locals 400 and 27, after receipt of the executed Business Associate Agreements between the Fund and the Locals. Mr. Jensen said that Associated will continue its outreach procedures to obtain the required information to substantiate the eligibility status of dependent spouses.

Ms. Walsh stated that as of December 31, 2020, dependent spouses will be terminated for those participants who have not responded to the audit or who failed to provide the information requested by the Fund. A termination letter will be sent to the participants, along with appeal rights. Participants who provide the required information in the month of January 2021, will be granted coverage retroactive to January 1, 2021. If the required information is provided after January 31, 2021, the matter will be presented to the Appeals Committee for resolution.

C. Medicare Deductibles and Coinsurance Rates for 2021

Mr. Jensen presented for the Trustees' review the 2021 Centers for Medicare and Medicaid Services ("CMS") published changes to the Medicare Part A and B premiums, deductibles and coinsurance. After discussion, and

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

RESOLVED, to approve the Medicare deductibles and coinsurance rates for the Retiree Medicare Supplemental Benefit, on a non-precedent setting basis.

D. Scholarship Program – Recommendation from Committee

Mr. Jensen reported that the Scholarship Committee is discussing the possibility of liquidating the Scholarship Program assets and using the remaining assets to pay as many scholarships as possible prior to terminating the program.

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

RESOLVED, to delegate authority to Chair and Secretary of the VEBA Fund to make any decisions they deem appropriate regarding the future of the Scholarship Program after consideration of the recommendations of the Scholarship Committee.

E. COVID-19 Related Claims Processing – Status

Mr. Jensen provided a summary of COVID-19 medical claims experience for the period March 1, 2020 through November 30, 2020. He indicated that the Fund paid for 2,710 COVID-19 tests totaling $236,365.36. Two hundred seventy-four Plan participants and/or dependents sought treatment for COVID-19 resulting in 1,034 claims totaling $1,064,949.18. He further noted that there were 8,741 telehealth visits paid totaling $446,119.24: $13,028.43 were for COVID-19 and $433,090.81 were for a general diagnosis.

F. Safeway Payroll Audit – Status Update

Mr. Jensen reported that Calibre advised that the payroll audit of Safeway for the period 2014-2017 had not yet been finalized.

G. Miscellaneous Correspondence

1. Retiree Analysis for 2021

Mr. Jensen noted that the Retiree Analysis for 2021 was available for review on the Trustee Web Portal. Cheiron reported that due to implementation of the EGWP effective January 1, 2021, retiree co-pays would not require an increase in 2021.

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. 2021 MEETING DATES AND LOCATIONS

After discussion, the Trustees selected March 11, 2021, June 22, 2021, September 2, 2021, and December 15, 2021 as their meeting dates for 2021. The locations of the meetings will be determined based on the status of the COVID-19 pandemic.

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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