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
JULY 23, 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:

Y. Anwar - UFCW Local 400
L. DuVall - Associated Administrators, LLC
N. Eid - Confidio
J. Hack - UFCW Local 27
J. Harrison - UFCW Local 27
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. Ridore - Safeway
S. Sanchez - Slevin & Hart, P.C.
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.

A. Appointment of Trustee

Mr. Jensen reported that he had been advised by UFCW Local 27 that Mr. Eric Masten was removed as a Trustee effective immediately and replaced by Mr. Javiel Nazario. The Trustees welcomed Mr. Nazario to the meeting.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on April 16, 2020, and the Appeals Committee meetings of May 7, 2020 and June 5, 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 April 16, 2020 and the Appeals Committee Meetings of May 7, 2020 and June 5, 2020 are approved, as presented.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report – ERISA Account – June 30, 2020

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2020 through June 30, 2020. Such report indicated a beginning market value of $35,649,725, earnings of $426,134, receipts of $64,702,495, and disbursements of $69,309,305, producing an ending market value of $31,469,049 as of June 30, 2020.

2. Summary of Activity Report – Non-ERISA Account DDA– June 30, 2020

Mr. Jensen presented the PNC Summary of Activity report for the Non-ERISA account for the period January 1, 2020 through June 30, 2020. Such report indicated a beginning market value of $1,023,038, no earnings, receipts of $63,325,079, and disbursements of $63,417,474, producing an ending market value of $930,643 as of June 30, 2020.

Mr. Jensen noted that as of June 30, 2020, the FELRA Welfare Fund had $37,840,146, representing 3.36 months of reserves compared to 3.39 months as of May 31, 2020. The average expense for the four quarters ending March 31, 2020 was $11,271,690.

B. Investment Performance Services

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

1. Master Consulting Report – March 31, 2020

Mr. Sichel reviewed the Master Consulting Report for the period ending March 31, 2020. Such report indicated a beginning market value of $35,637,252, a negative net cash flow of $5,188,490, and a negative net investment change of $1,026,394, resulting in an ending market value of $29,422,368. The year-to-date performance through March 31, 2020 was negative 3.2% gross of fees.

2. Preliminary Performance Update – May 31, 2020

Mr. Sichel reviewed the Preliminary Performance Report for the period ending May 31, 2020. Such report indicated a beginning market value of $35,637,252, negative net cash flow of $3,405,635, and a net investment change of $250,406, resulting in an ending market value of $32,482,023. The year-to-date performance through May 31, 2020 was negative 0.1% gross of fees.

Mr. Sichel reminded the Trustees that the Fund had authorized a full redemption of the American Realty ("ARA") portfolio as of June 30, 2020. He noted that due to the withdrawal queue, the manager has distributed only a portion of the portfolio ($534,000 of the $6.3 million combined value) so far.

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

IV. ATTORNEY'S REPORT

A. Purdue Pharma L.P. Bankruptcy

Ms. Sanchez reviewed Slevin & Hart's memorandum dated July 13, 2020 regarding the Purdue Pharma L.P. Bankruptcy.

B. Summaries of Material Modification

Ms. Sanchez reported on the summaries of material modifications reflecting the Plan changes recently approved by the Trustees.

C. Guidance under CARES Act and FFCRA

Ms. Sanchez reviewed Slevin & Hart's memorandum dated April 23, 2020 regarding agency guidance issued under the CARES Act and the FFCRA. Ms. Sanchez also reported on additional agency guidance issued on June 23, 2020 relating to these two laws.

D. DOL and IRS Guidance Regarding Extension of Deadlines

Ms. Sanchez reported on DOL and IRS guidance relating to the extension of certain deadlines applicable to participants and the Fund. The Fund office will include a notice regarding the deadline extensions with any COBRA election notice or adverse benefit determination sent during the period to which the extension applies.

E. Employer Group Waiver Plan ("EGWP") – Medicare Late Enrollment ("LEP")

Mr. Slevin reported on the implementation process regarding the EGWP previously approved by the Trustees. He also reported on late enrollment penalty rules under Medicare Part D. Ms. Duvall reported that the Fund office estimates that any such late enrollment penalties potentially applicable to Fund participants would be less than $60 per year. After discussion,

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

> **RESOLVED, that for the 2021 Plan Year, the Fund will pay the cost of any Medicare late enrollment penalties applicable to participants covered under the EGWP and will reevaluate this matter for the 2022 Plan Year.**

F. COBRA Notices

Ms. Sanchez reviewed Slevin & Hart's May 13, 2020 memorandum regarding the DOL's updated model COBRA notices.

G. Prescription Drug Class Action Notices

Ms. Sanchez reported on the prescription drug class action settlement notices received by the Fund.

H. Confidio Data Breach

Ms. Sanchez reported on a data breach experienced by Confidio impacting data held by Confidio relating to certain Fund participants.

I. Kaiser Data Breach

Ms. Sanchez reported on a data breach experienced by Kaiser impacting data held by Kaiser relating to certain Fund participants.

J. Fiduciary Policy and Fidelity Bond

Ms. Sanchez reported on the Fund's fiduciary insurance policy renewal and fidelity bond renewal.

K. Subrogation

Mr. Jensen stated that Slevin & Hart reported subrogation recoveries of $29,379.74 with $5,875.95 payable to Slevin & Hart for the first quarter 2020.

V. CONSULTANT'S REPORT

A. Confidio

The Trustees welcomed Ms. Nancy Eid of Confidio to the meeting. Ms. Eid presented a report titled "Managed Pharmacy Report July 2020." She reported on the second quarter 2020 implementation of the Utilization Management ("UM") programs previously approved by the Fund. She stated that the implementations were well coordinated between Associated Administrators and Express Scripts, leading to minimal participant disruption and no participant complaints. She said that the SaveOn specialty pharmacy program and the Prescription Care Management ("PCM") alternative therapy program have been implemented.

Ms. Eid reported on the EGWP implementation process that will culminate in a January 1, 2021 effective date and that progress to date has been positive, without disruption or delays.

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

B. The Segal Company

The Trustees welcomed Mr. Josh Timm of The Segal Company ("Segal") to the meeting.

1. Affordable Care Act ("ACA") Preventive Services List for 2021

Mr. Timm presented the 2021 proposed Preventive Services list prepared by Segal.

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

RESOLVED, to approve the 2021 proposed Preventive Services list, as presented.

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

VI. ADMINISTRATIVE MANAGER'S REPORT

A. First Quarter 2020 – Combined Fund Recap

Mr. Jensen presented the Administrative Manager's Report for the First Quarter 2020. For the combined VEBA Fund, Active and Retiree Plans, total income was $32,917,809. Expenses totaled $33,286,441, producing a net deficit of $368,632 for the First Quarter 2020. Mr. Jensen noted that contributions were made on behalf of 15,645 active Plan participants.

Mr. Jensen presented a snapshot of work performed by Associated Administrators during the First Quarter 2020. The report reflected the processing of 370 accident and sickness claims, 114 appeals, 25,173 participant service calls, the production of 445 COBRA notices, the processing of 83,891 medical claims, and mailings to 65,288 Plan participants.

VII. INVOICES

The Trustees reviewed the lists of invoices for the Active Plan and Retiree Plan dated July 23, 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 July 23, 2020 for the Active Plan and Retiree Plan are approved for payment.

VIII. OTHER FUND BUSINESS

A. Group Dental Service ("GDS") – Renewal

Mr. Jensen reviewed a renewal proposal from GDS reflecting a three percent reduction in fees for the 2021 Plan year. He also reported that GDS is providing a fifty percent premium credit for the month of July 2020. After discussion,

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

RESOLVED, to approve the Group Dental Service rates for the 2021 Plan year, as presented.

B. Proposed COBRA Rates

Mr. Jensen presented proposed COBRA rates for the Trustees review. After discussion,

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

RESOLVED, to approve the COBRA rates, as presented, effective September 1, 2020.

C. Memorandum of Agreement ("MOA") Contribution Rate Increases

Mr. Jensen reported that notices of the newly negotiated contribution rates effective June 1, 2020 were sent to the participating employers on April 24, 2020.

D. COVID-19 Related Claims Processing – Status

Mr. Jensen provided a summary of COVID-19 medical claims experience for the period March 1, 2020 through June 30, 2020. He indicated that the Fund paid for 697 COVID-19 tests totaling $54,539.98. Seventy-four Plan participants and/or dependents sought treatment for COVID-19 totaling $411,394.97 in paid claims.

E. Safeway Payroll Audit – Status Update

Ms. DuVall reported that Calibre CPA Group, PLLC notified the Fund office that it completed the 2014-2017 payroll audit of Safeway and on July 8, 2020 submitted its findings to Safeway for review and response.

F. Dependent Spouse Eligibility Audit – Status Update

Mr. Jensen provided a status update on the dependent spouse eligibility audit currently underway by Associated Administrators on behalf of the Fund.

G. Participant Appeal

Mr. Jensen presented Appeal #A20/103-7043 for review by the Trustees, noting that it was referred to the full Board by the Appeals Committee. The participant is requesting payment of accident and sickness benefits commencing March 18, 2020.

The Trustees discussed the appeal and tabled it for further investigation.

H. Miscellaneous Correspondence

1. Express Scripts, Inc. ("ESI") Rebate

Mr. Jensen reported that the Fund received a rebate check from ESI for the fourth quarter 2019 in the amount of $1,532,950. He further reported that the Fund received a rebate check from ESI for the first quarter 2020 in the amount of $1,970,960.

2. Associated Administrators, LLC – Security Protections

Ms. Walsh reviewed Associated Administrators, LLC's security protections applicable to the Funds' data held by Associated.

3. Prescription Drug Class Action

Mr. Jensen reported that Associated had filed a claim on behalf of the Fund in connection with the prescription drug class action settlement involving Thalomid and Revlimid.

4. Fiduciary Insurance – Waiver of Recourse

Mr. Jensen reported that the fiduciary insurance had been renewed through Chubb for the period May 29, 2020 through May 29, 2021 and the Waiver of Recourse invoices had been sent to the Trustees on May 27, 2020. Mr. Jensen noted that all Trustees had remitted their recourse payments timely.

5. Segal Marco Advisors - Proxy Service

Mr. Jensen reported that the Fund notified Segal Marco Advisors that the Fund terminated its proxy voting service, as directed by the Board.

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 decided to hold their next regular meeting on October 22, 2020 via video conference immediately following the meetings of the FELRA and UFCW Pension Fund, the Mid-Atlantic UFCW and Participating Employers Pension Fund and the UFCW and FELRA Severance Fund.

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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