March 11, 2021

Board of Trustees of the
FELRA and UFCW Pension Fund

Re: Administrative Services Contract Renewal

Trustees and Co-Counsel:

The contract between Associated and the FELRA and UFCW Pension Fund will expire March 31, 2021. We hope the Trustees will consider favorably our request for a new two-year agreement. We know that the next two years will be far from “business as usual” in terms of the work required by the Fund.

Services Recap

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

- Worked with the Fund actuary, consultant, and accounting firms providing data.
- Participated in pension professionals working group sessions.
- Worked with Fund professionals to meet compliance requirements.
- Responded to numerous pension data requests from the DOL.
- Responded to many severance data requests from the DOL involving SuperFresh (over several months).
- Annual RIF processing.
- Provided pension and/or severance benefit estimates as requested by the participant.
- Responded to subpoenas/requests for participant information from attorneys in collaboration with Fund Counsel.
- QDRO review and processing.
- Pre-retirement and post-retirement survivor benefits processing.

- Assisting participants with the application process, calculation of benefits and on-going administration of monthly benefits.
- Assisting participants with processing of any severance benefits payable, proactively providing application information upon notification from employer of termination of employment.
- Provided pension verification letters as requested.
- Researched pre-86 deferred vested participant employment history and prepared an estimated benefit amount for each participant.
- Inspected credit granted for A&S and/or Military Service and made adjustments as necessary.
- Tracking of retiree eligibility for Medicare-Supplemental benefits and coordination with Kaiser to facilitate enrollment.
- Coordinated with Kaiser the transfer of coverage for spouses of part-time retirees to the Medicare Advantage Plan.

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.

- **Pension Protection Act of 2006 (PPA)/ Multiemployer Pension Reform Act of 2014 (MPRA)**

  The PPA and MPRA contain requirements for reporting which must be provided for participants, beneficiaries, unions, and participating employers. The Acts also require coordination with the Fund actuary, auditor and Counsel for the actuarial certification and distributions of the Annual Funding Notice, Notice of Critical Status and Multiemployer Plan Summary Report. Associated has consistently produced and mailed these notices and filed with the appropriate reporting entities, including the Department of Labor, EBSA, PBGC, the unions and the participating employers.

- **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.)

- **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.

- **Government Agency Interaction**
  Associated does not charge an hourly rate for the increasing interaction with the Department of Labor, Internal Revenue Service, and the Pension Benefit Guaranty Corporation. Such interaction has increased significantly. We are pleased to explain the Fund's exemplary procedures to these agencies.

  Department of Labor ("DOL")
  The DOL continues to send correspondence to deferred vested participants, encouraging participants to respond to the DOL. In turn, the DOL requires responses from the Fund office. Most of these participants have already received a prior estimate, yet they are not close to retirement age.

  In addition, we continue to support the Pension Fund regarding the ongoing DOL investigation.

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 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 rates effective April 1, 2021 for ongoing work. We propose a two-year contract term. Please see Attachment A for a full outline of the proposed rates through March 31, 2023.

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

Sincerely,

Laura R. Walsh

Laura Walsh
CEO
Associated Administrators, LLC

FELRA AND UFCW PENSION FUND

ATTACHMENT A

ADMINISTRATIVE FEES

April 1, 2021 – March 31, 2022	$5.35 PPPM
April 1, 2022 – March 31, 2023	$5.51 PPPM

Participants are defined for billing purposes as “active” (frozen or unretired), deferred vested, or receiving a pension.

Where participants are eligible for two monthly pensions on the basis of a FELRA Pension and a pension from the former MAP Fund, two administrative fees shall be invoiced. (Defined in software as Sequence 1, Sequence 2.)

These fees are guaranteed for the proposed two-year period. Rates for any new regulatory changes and implementation of new vendors will also be billed at the hourly rates listed below.

In addition to the administrative services, our monthly fee includes printing of enrollment and all necessary Plan forms, as well as routine printing and mailing costs, document storage, administrative managers’ travel expenses to and from quarterly meetings and regular and 800 number phone line costs. Costs of mass mailings are not included in the monthly fee.

The following are additional services not included in the above monthly fee:

- Costs of participating in litigation on behalf of the Fund;
- Fees necessitated by new regulations or mandated compliance initiatives;
- Fund meeting expenses;
- Independent audits of the Fund;
- Bonding of the Trustees and Administrator;
- Fees for legal services rendered for or on behalf of the Fund or the Trustees;
- Printed forms or booklets describing the Fund;
- Mass mailings and overnight express/priority mail postage;
- Fund implemented vendor changes;
- Investment Management Fees;
- Bank Fees.

April 1, 2021 through March 31, 2023 Hourly Rates for New Regulatory Changes and Implementation of New Vendors:

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