

March 16, 2023

Ms. Rena Wong
President, UFCW Local 663

Sent via email: rwong@ufcw663.org

Dear Rena,

Re: Response to Union Statements relating to H&W Withdrawal Argument as written in the Company's Letter dated 03/08/2023:

1. **UNION STATEMENT:** The Union redirect proposal was structured to be equitable to all Employers. Withdrawn Employers redirected H&W contributions are not being contributed to the MRMC Pension Fund. Withdrawn employers redirect contributions are available per the Union proposal to be distributed to their employees based on negotiations with Local 663. The Union's proposal is to redirect contributions to a one-time employee bonus.

EMPLOYER RESPONSE:

Lunds & Byerlys strongly disagrees with your statement, because your proposal is not equitable for Group 1 and Group 2 employers.

Below are the facts that support our position, which have also previously been shared with you and the Union's Bargaining Committee:

- *Our Company invested nearly \$58 million dollars into the MRMC Pension Fund to secure the pension retirement benefits. This was a prepayment on benefits earned in the past and to be paid in the future. None of the Group 1 employers made this prepayment.*
- *The Union's proposal seeks to reduce Group 1 employers' monetary obligation to secure the pension retirement benefits by taking money that is supposed to go to the MRMC Health & Welfare Plan and move those funds to the MRMC Pension Fund. Our Company did not seek such financial assistance, nor did it receive such financial assistance.*
- *Even though our Company invested nearly \$58 million dollars to secure the MRMC pension retirement benefit, you are still asking us to participate in your proposal to direct money away from the MRMC Health & Welfare Plan. Past Health & Welfare benefit contributions were intended for Health & Welfare benefits.*
- *Your proposal creates unnecessary risk to the MRMC Health & Welfare Plan and will very likely prevent us from modernizing the benefit plan to improve the benefits for our employees.*

2. **UNION STATEMENT:** If Lunds and Byerlys objects to taking their pro rata portion of the H&W redirect and is so concerned about the financial state of the H&W Fund, they have the option to leave their share of the redirect in the MRMC H&W Fund.

EMPLOYER RESPONSE:

Lunds & Byerlys strongly disagrees with your statement as it further exacerbates inequity among employers more than you have already proposed.

Below are the facts that support our position, which I have also previously shared with you and the Union's Bargaining Committee:

- *In a Taft Hartley multi-employer benefit plan such as the MRMC Health & Welfare Plan, in which all plan participants receive the same benefit, the only fair and equitable arrangement is for all participating employers to pay the same amount on behalf of its employees.*
- *Your statement makes no sense and is contrary to what you state your intent is, which is to be equitable across employers. Our Company will never be agreeable to subsidize the MRMC Health & Welfare benefits for another employer.*

- *UFCW 663 has held back the industry and our Company from modernizing and improving the benefits under the MRMC Health & Welfare Plan and your proposal will only continue to hold us back from doing what we believe is right for our employees.*

3. **UNION STATEMENT:** If Lunds and Byerlys is truly concerned about the pension security of their current employees and their retired employees, who have earned benefits in the MRMC Pension Fund, you would not be objecting to the redirect of H&W contributions by Employers still contributing to the MRMC Pension Fund to satisfy the ongoing PPA Rehabilitation Plan.

EMPLOYER RESPONSE:

Lunds & Byerlys strongly disagrees with your statement.

The below bullet points are the facts that support our position, which I have also previously shared with you and the Union's Bargaining Committee:

- *Again, our Company invested nearly \$58 million dollars into the MRMC Pension Fund to secure the pension retirement benefits. This was a prepayment on benefits earned in the past and to be paid in the future. None of the Group 1 employers made this prepayment.*
- *The PPA Rehabilitation Plan does not call for money being taken away from the MRMC Health & Welfare Plan to be moved to the MRMC Pension Fund.*
- *The rehabilitation plan specifically calls for Group 1 employers to increase their pension contributions by 14.4% each year for the next 10 years, which our Company believes should happen because these employers have not prefunded the pension retirement benefits like Lunds & Byerlys has.*
- *What you are proposing be done is to reduce the Group 1 employers' cost increase relative to their pension contributions, so it is capped at 6.0% in the first two years of the Rehabilitation Plan, and you intend to do this at the expense of our employees and your members' health and welfare plan.*

4. **UNION STATEMENT:** Lunds and Byerlys stated concerns about the redirect reducing the MRMC H&W Fund's reserves are disingenuous and are contradicted by proposals made by Lunds and Byerlys and other Employers to reduce net reserves to six months and not agree to pay breakeven contribution rates during the term of the CBA. These Employer proposals are a direct raid on the H&W Fund's assets, in which the anticipated savings go directly to the Employers' bottom line profit.

EMPLOYER RESPONSE:

Lunds & Byerlys strongly disagrees with your statement as it simply is not true.

Below are the facts that support our position:

- *On March 1, 2023, a phone conversation was held among me, Matt Montan (L&B), Scott Larson (UFCW 663), and yourself, which you initiated so you could understand our Company's position with respect to Health & Welfare.*
- *I very clearly communicated to you that Lunds & Byerlys was agreeable to pay breakeven contribution rates for the MRMC Health & Welfare Plan as I further explained that doing so was simply **"the responsible thing to do."***
- *I further communicated to you that Lunds & Byerlys did not and will never support a proposal that effectively would do as you stated above.*
- *You ended this phone conversation making statements to the effect of thanking me for providing the additional context to the Company's Health & Welfare position. You also stated that you understood the Company's position, which you repeated more than once in this phone call with your final statement being and I quote, **"I am not just saying that, I really do understand the Company's position."***

5. **UNION STATEMENT:** Lunds and Byerlys assertion that the MRMC would have to purchase stop-loss insurance as a result of the redirect is hypothetical and based on conjecture.

EMPLOYER RESPONSE:

Lunds & Byerlys strongly disagrees with your statement.

Below are the facts that support our position:

- Fred Miller (L&B) has 15 years of experience serving as a management trustee for the MRMC H&W Plan.
- The Plan discontinued carrying stop-loss insurance as of July 1, 2021 when the months of reserves were approximately what they are today.
- It would only be logical that if the months of reserves today are similar to what they were when stop loss insurance was discontinued, the reserves necessary for it to be reasonably safe not to carry stop loss insurance would be what the plan has today, and not significantly less.
- The Union's proposal calls for a reduction by roughly **two (2) months reserves**.
- Should the Union act on only one aspect of plan modernization that you've been on record supporting, the elimination of grace weeks, plan reserves will be reduced by roughly one (1) additional month, **ultimately reducing total reserves by roughly three (3) months**.

All of your statements in this document leaves our Company to wonder the following:

1. Have you fully consulted with the necessary fund experts to fully understand the impact your proposal of redirecting funds from MRMC H&W Plan would have on the benefit plan your members rely on?
2. Are you, in fact, committed to plan modernization and improving the benefits that your members receive through the MRMC H&W Plan?
3. If you are committed to plan modernization, how do you intend to fund such improvements knowing your proposal will not just substantially reduce plan reserves, but is also highly likely to burden the MRMC H&W Plan with new, annually recurring expenses that we estimate to be between \$500,000-\$1,000,000 for stop loss insurance?

We are asking now for the third time, if you could please respond to our information request dated February 14, 2023 as well as respond to our latest questions incorporated into this response, we would be most appreciative as it would fill in many gaps we have with your proposal and how it could stand to serve our employees and your members, other employers, as well as the Union itself.

Regards,



Casey Enevoldsen
Vice President, Employee Experience
Lunds & Byerlys

cc: Scott Larson, Metro Director and Vice President of UFCW Local 663
Lunds & Byerlys-Management Bargaining Committee
Lunds & Byerlys-Union Bargaining Committee
Lane Harstad, Senior Mediator at Federal Mediation and Conciliation Services