



Secure. Affordable. Modern. Health Care.

Kroger Houston division wants to provide secure and affordable health care benefits for the life of your contract. As a reminder, your health care benefits over the last few years have been anything but stable. Despite the company's required contributions and additional money deposited to the South-Central Health Fund, your benefits were cut in May 2019. Our health care proposal brings stability, security, and predictability to your benefits.

Our proposal below is for all associates in the Houston Clerks/Meat contracts hired before January 1, 2021; associates hired on or after January 1, 2021 would be eligible for different benefits. Here are some facts about our health care proposal.

*Weekly contributions include Medical, RX, Dental, and Vision

Associate Contributions Weekly*	Proposed Company-Administered Plan			Current South-Central Fund Plans	
Associate	\$9 (\$1 increase each year of the contract)			Plans A, B, C	\$5-6
Associate + Spouse	\$38 (\$3 increase each year of the contract)			Plan A only (Plan B, C – no spouses)	\$28.08-\$48.62
Associate + Children	\$15 (\$1 increase each year of the contract)			Plans A, B, C	\$10-\$12
Associate + Family	\$45 (\$3 increase each year of the contract)			Plan A only (Plan B, C – no spouses)	\$33.08-\$54.62
Plan Design (In-Network Costs)					
Preventive Coverage	100%			100%	
Coinsurance - Company	80%			Plan A 80% / Plan B 75% / Plan C 70%	
Coinsurance - Associate	20%			Plan A 20% / Plan B 25% / Plan C 30%	
Annual Deductible Single/Family	\$450/\$900 (\$100/\$200 increase each year of the contract)			Plan A & B \$350/\$700 Plan C \$450/\$900	
Out-of-Pocket Max Single/Family	\$7,900/\$15,800			(Plan A & B) Network Medical Only \$4,000/\$8,000 ACA OOPM \$7,900/\$15,800 (Plan C) Network Medical Only \$4,500/\$9,000 ACA OOPM \$7,900/\$15,800	
Annual/Lifetime Max Benefit	Unlimited			Unlimited	
Eligibility	1/1/21	1/1/22	1/1/23	Is complicated and depends on date of hire	
Full-Time	30+ hrs/wk	30+ hrs/wk	30+ hrs/wk	<ul style="list-style-type: none"> • New hires are only eligible for Plan C when they qualify for benefits. • Associates must have a minimum of three years of service and minimum hours before becoming eligible for Plan B 	
Part-Time	24 hrs/wk	27 hrs/wk	27 hrs/wk		
Dependent (Children) Coverage	30+ hrs/wk	30+ hrs/wk	30+ hrs/wk		
Spouse Coverage	34+ hrs/wk	36+ hrs/wk	36+ hrs/wk		
Measurement/Stability Periods	12 months/12 months				

*Does not include Lake Charles Clerks/Meat contracts

Kroger Co Health and Welfare Proposal

To

UFCW Local 455 Retail Clerks & Meat Clerks

July 8, 2020

ARTICLE 17
HEALTH AND WELFARE

~~Section 17.01 The Employer shall contribute to the established South Central United Food and Commercial Workers Union and Employers Health and Welfare Trust Fund for all hours paid, not to exceed forty (40) hours per week, after thirty (30) calendar days of employment. Effective April 1, 2016 (March hours) the employer will begin making contributions on part-time fuel clerks. Such contributions shall be used to provide Health and Welfare benefits, for all enrolled Bargaining Unit Employees, and effective January 1, 2017 for part time fuel clerks, subject to and in strict accordance with the terms of Section 17.02 ("Funding Policy").~~

The terms of the prior collective bargaining agreement regarding health and welfare benefits in effect as of January 1, 2020 will remain in effect through December 31, 2020, except as modified herein.

Effective on and after January 1, 2021, all health and welfare benefits provided for under this Agreement shall be provided through a single-employer group health plan or plans sponsored by the Employer, referred to hereafter as the "K Plan" and as described in further detail below. As a result, the Employer shall not have any obligation to make contributions to any multiemployer health and welfare fund, including but not limited to the South Central United Food and Commercial Workers Union and Employers Health and Welfare Trust Fund, for any hours worked on or after January 1, 2021.

A. Contributions to Fund Benefits:

Effective on and after January 1, 2021, the Employer will provide the health and welfare benefits described below through the K Plan, subject to the employee premium cost-sharing and other terms and conditions described below.

~~The Employer shall contribute to the Fund in the following amount provided that the Trustees of the Plan provide benefits and manage the Plan in accordance with their fiduciary responsibility and in accordance with the provisions of this Article:~~

<u>Date</u>	<u>Amount</u>
April 1, 2016 (March hours)	\$3.00 per hour

~~Provided the Trustees have enacted modifications to the Plan consistent with the provisions contained at the end of this section (A. contributions to Fund Benefits), the Employer further agrees to the following increases to its contribution rates to the Fund:~~

1. ~~Effective the first of the month following adoption by the Trustees of a package of plan amendments conforming with the provisions detailed herein, the Employer will make a lump sum payment equal to \$3,500,000, in the aggregate for all bargaining units of the employer covered under the South Central Funding Group effective for the employees of this Agreement. Effective March 1, 2017, provided hours are worked by employees covered by this agreement, the employer will make a second \$3,500,000 lump sum payment in the aggregate for all bargaining units of the employer covered under the South Central Funding Group. In addition, should the fund reserves fall below \$2,000,000 prior to February 28, 2017, the Employer agrees to accelerate one-half of the next month's contribution payment to bring the cash flow above \$2,000,000.~~
2. ~~Effective April 1, 2016 (March hours), the Employer's contribution rate will be increased to \$3.00 per hour.~~
3. ~~Effective April 1, 2017 (March hours), the Employer's contribution rate will be increased to \$3.05 per hour.~~
4. ~~Effective April 1, 2019 (March hours), the Employer's contribution rate will be increased to \$3.10 per hour.~~
 - a. ~~In addition to the above rate increases, the Trustees (based on the advice of the Plan Consultants), no later than March 31, 2019, shall determine the Plan's current reserve status and if such reserves are projected to be at 4 months or above as of March 13, 2020, the Employer and the employees will receive contribution holidays in an amount necessary to achieve a reserve level on March 31, 2020 no greater than 4 months of reserves.~~

~~Effective January 1, 2017, the premium for Plan A spouse and family coverage in the Funding Group is increased as follows:~~

Employees hired after September 30, 2010:

	<u>Without Working Spouse</u>	<u>With Working Spouse</u>
Employee Only	\$6.00	
Employee & Spouse	\$6.00 + \$23.08	\$14.00 + \$34.62
Employee & Children	\$12.00	
Employee & Family	\$12.00 + \$23.08	\$20.00 + \$34.62

Employees hired on or before September 30, 2010:

	<u>Without Working Spouse</u>	<u>With Working Spouse</u>
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Employee Only	\$5.00	
Employee & Spouse	\$5.00 + 23.08	\$10.00 + \$34.62
Employee & Children	\$10.00	
Employee & Family	\$10.00 + \$23.08	\$15.00 + \$34.62

~~Spouse Contribution = \$100 per month or \$23.08 per week.~~

~~Working Spouse = \$150 per month or \$34.62 per week~~

Effective January 1, 2021, employees shall be required to make premium contributions for coverage under the K Plan, as follows:

	Plan One
Weekly Contributions - initial amount effective January 1, 2021, incremental increases each January 1 thereafter	Includes medical, Rx, dental and vision
Employee	\$9.00 + \$1.00
Employee + Spouse	\$38.00 + \$3.00
Employee + Child(ren)	\$15.00 + \$1.00
Employee + Spouse + Child(ren)	\$45.00 + \$3.00

	Plan Two
Weekly Contributions - initial amount effective January 1, 2021, incremental increases each January 1 thereafter	Includes medical, Rx, dental and vision
Employee	\$9.00 + \$1.00
Employee + Spouse	\$38.00 + \$3.00
Employee + Child(ren)	\$15.00 + \$1.00
Employee + Spouse + Child(ren)	\$45.00 + \$3.00

On or after January 1, 2021, the Kroger Co will collect the employee contributions and the contributions will remain with Kroger.

The Employer will offer coverage under the K Plan to eligible employees based on date of hire and other eligibility rules as outlined below and pursuant to the terms and conditions of the plan document for the K Plan. Plan One plan of benefits is for employees hired before January 1, 2021. Plan Two plan of benefits is for employees hired on or after January 1, 2021. The attached benefit grid (titled "HW4") provides additional details on the plan of benefits under the K Plan. Any terms and conditions of coverage under the K Plan that are not provided for herein will be provided under the plan document for the K Plan, and the plan document for the K Plan, as amended by the Employer from time to time in its discretion, shall control with respect to terms and conditions of coverage that are not described herein. The Employer has the right to implement and apply changes to the K Plan to the employees covered by this Agreement, so long as such changes are applied to all other participants in the K Plan and do not conflict with the express terms and conditions of coverage and eligibility that are described in this Agreement.

~~As a condition of receiving the contributions provided above, the Trustees of the Plan will establish a Plan(s) of benefits consistent with the provisions herein, which can be supported by the contributions provided herein. The Bargaining Parties recommend that Trustees of the South Central Fund adopt said plan of benefits. Consistent with this provision, not later than the first of the month following April 16, 2016, to be effective July 1, 2016 or January 1, 2017, the Trustees are directed to make the modifications to the Plan (which can include adjustments to the Plan(s) of benefits, eligibility rules and/or employee co-premium rates) of sufficient amount that when taking into account the contingent contribution increases detailed above will ensure that on April 1, 2020 that the Plan will have a reserve equal to three (3) months reserves and to further ensure that on or after January 1, 2019, the Plan will not drop below two months reserves.~~

~~With respect to the July 1, 2016 or January 1, 2017 modifications contemplated in this provision, the Union Trustees will be allowed to take the laboring oar to make recommendations to the Trustees of the Fund with respect to benefit eligibility, benefit modifications, plan design and/or employee co-premium rates consistent with the objectives of this provision provided that such recommendations may not reduce the rate of employee co-premiums or delay the effective date of their implementation. The Employer Trustees, consistent with their fiduciary duties, shall support the recommendations of the Union Trustees.~~

~~If the Union Trustees fail to tender a timely motion no later than 60 days, or Consent Resolution, to enact changes consistent with this provision or the Union trustees motion to enact changes is inadequate according to the plan's actuarial consultant to achieve the target discussed herein and as a result the Trustees deadlock motions on adjustments necessary to bring the Plan back in to compliance with this provision, then the deadlocked motions shall be submitted for resolution to arbitration in accordance with the trust's deadlock procedures. The arbitrator shall be considered a fiduciary and such arbitrator's authority shall be limited to casting a vote for or against any pending deadlocked motion.~~

Eligibility

~~The Administrator will, on an annual basis, obtain all data necessary to enroll or re-enroll employees and their dependents as participants eligible for coverage under the Plan. To remain enrolled as a participant eligible for plan coverage, each employee who is currently enrolled, or who initially enrolls during the term of the Collective Bargaining Agreement, must re-enroll prior to the start of each succeeding plan year. Employees must make a positive election to enroll in the Plan. Enrollment is for the entire plan of benefits (except that Life Insurance and AD & D shall be provided to all eligible employees) for the Plan and an employee's failure to make a positive enrollment into the Plan shall result in such employee being ineligible for all benefits of the Plan for the remainder of the calendar year or until there has been a qualifying life event, as defined by the Trustees, whichever occurs first.~~

~~The Employer may, upon reasonable notice and at its own expense, audit the Fund's enrollment data and claims records once each plan year. The Employer may arrange to have the audit conducted by a recognized auditing firm that it shall select.~~

~~Independent of the foregoing audits, the Fund will audit its enrollment and claims records at least once each plan year to ensure that no employees of the Employer, or the dependents of such employees, are participating in plan coverage for which they are not eligible.~~

~~Employees shall become eligible for benefits upon meeting the requirements of the plan.~~

~~All employees must continue to meet all eligibility requirements of the Plan as a condition of continued eligibility.~~

~~The Trustees shall establish a separate accounting of income and expenses for the "Funding group" of the Fund who agree in their Collective Bargaining Agreements to the same provisions as provided herein, unless otherwise approved by the Trustees. Only those Employers who adopt these provisions may share in the pool of income and expenses established herein. The Trustees are expressly prohibited from using the contributions of these employers for the payment of benefits to the employees of other employers.~~

Effective January 1, 2021, the Employer will, on an annual basis, obtain all data necessary to enroll or re-enroll employees and their dependents as participants eligible for coverage under the K Plan. To remain enrolled as a participant eligible for K Plan coverage, each employee who is currently enrolled, or who initially enrolls during the term of the Collective Bargaining Agreement, must re-enroll prior to the start of each succeeding Plan Year, which is the calendar year as of January 1, 2021. Employees must make an affirmative election to enroll in the K Plan during each annual open enrollment period. Enrollment is for the entire plan of benefits (except that Life Insurance, AD&D, and short-term disability will be provided to all eligible employees) under the K Plan and an employee's failure to affirmatively elect to enroll in the K Plan will result in such employee being ineligible for all benefits under the K Plan until the next Plan Year or until there has been a qualifying life event, whichever occurs first. The definition of a "qualifying life event" is provided under the Employer's Code Section 125 plan document or the plan document for the K Plan.

The hour bank will be terminated on December 31, 2020. Any unused hours will be forfeited.

Plan One Coverage Eligibility – Employees Hired Before January 1, 2021

Plan One Coverage Initial Eligibility – On or after January 1, 2021 Using a 52-week measurement period (as outlined in the measurement/stability period description below) or as otherwise required under the Affordable Care Act, employees hired before

January 1, 2021 , must work an average of twenty four (24) hours a week for employee-only coverage, a minimum of thirty (30) hours a week for employee and dependent child(ren) coverage, and a minimum of thirty four (34) hours a week to become eligible for employee and spouse coverage or spouse and dependent child(ren) coverage.

Plan One Coverage Continuing Eligibility – On or after January 1, 2022 Using a 52-week measurement period (as outlined in the measurement/stability period description below or as otherwise required under the Affordable Care Act), employees hired before January 1, 2021 must work an average of twenty seven (27) hours a week for employee-only coverage, a minimum of thirty (30) hours a week for employee and dependent child(ren) coverage, and a minimum of thirty six (36) hours a week to become eligible for employee and spouse or spouse and dependent child(ren) coverage.

Plan One eligibility occurs the first (1st) day of the calendar year. In no event can an employee not become initially eligible if hired with the expectation of working 30 hours or more in a week, and such employees will be eligible on the (1st) day of the month following sixty (60) days of employment.

Plan Two Eligibility for K Plan – Employees Hired on or After January 1, 2021

Plan Two Coverage Initial and Continuing Eligibility – On or after January 1, 2021: Using a 52-week measurement period (as outlined in the measurement/stability period description below) or as otherwise required under the Affordable Care Act, employees **hired on or after January 1, 2021** must work an average of twenty seven (27) hours a week for employee-only coverage, a minimum of thirty (30) hours a week for employee and dependent child(ren) coverage, and a minimum of thirty six (36) hours a week to become eligible for employee and spouse coverage or spouse and dependent child(ren) coverage.

Plan Two eligibility occurs the first (1st) day of the calendar year. In no event can an employee not become initially eligible for Plan Two coverage if hired with the expectation of working 30 hours or more in a week, and such employees will be eligible on the (1st) day of the month following sixty (60) days of employment.

Eligibility shall be continued under the following conditions:

In case of illness or non-compensable injury, while on an approved leave of absence, up to six (6) months of eligibility following the month in which the illness or injury occurred will be recognized.

The Employer agrees to extend eligibility for qualifying employees on an approved Family and Medical Leave of absence, not to exceed twelve (12) weeks pursuant to the provisions of the Family and Medical Leave Act.

- a) The Employer agrees to extend coverage for eligible employees until the end of the month following cessation of active employment, including but not limited to termination of employment. This obligation shall not be required when employees are discharged for dishonesty, drinking, or drunkenness on the job or resigns to go into business for themselves.
- b) Employees on approved medical, sick or disability-related leave of absence are required to make weekly contributions to maintain eligibility.

Employee contributions that have been discontinued as provided above will be resumed on the first day of the month following a return to work on the Employer's active payroll after illness or injury

Measurement/Stability Period effective January 1, 2021

Average hours for Plan One and Plan Two coverage eligibility effective on and after January 1, 2021 shall be determined over a twelve (12) month measurement period (measured over 52 or 53 weekly payroll periods, as necessary for compliance with the Affordable Care Act's employer shared responsibility rules) that will result in a twelve (12) month stability period during which time the employee shall be considered an "eligible employee." There shall be a twelve (12) month initial measurement period for new hires who are not reasonably anticipated to work on average at least thirty (30) hours per week, followed by a twelve (12) month initial stability period for such new hires that will end at the beginning of the next standard twelve (12) month stability period. There shall also be a twelve (12) month standard measurement period for all ongoing employees, which shall be the calendar year, followed by a twelve (12) month standard stability period based on employee hours during the standard measurement period. An administrative period may be applied between the end of a measurement period and the start of a stability period as long as the administrative period is in compliance with the Affordable Care Act's employer shared responsibility rules.

If a newly-hired employee is reasonably anticipated to work on average at least thirty (30) hours per week, such employee shall be considered a known full-time employee for purposes of health care and shall become eligible for Plan Two coverage on the first day of the month following sixty (60) days of employment and such date shall hereinafter be referred to as the employee's initial eligibility date. Subject to the above requirements, such coverage will remain in effect until such employee reaches the first standard twelve (12) month stability period, at which time coverage will be determined in accordance with the average hour requirements calculated over the previous twelve (12) month standard measurement period. If the Company promotes an employee to a known full-time position, for purposes of health care, prior to the end of an initial or standard measurement period, such employee shall become eligible for Plan Two coverage no later than the earlier of the (1) the 1st day of the month following sixty (60) days from the date of promotion or (2) the first day of the initial or standard stability period and such date shall hereinafter be referred to as the employee's initial eligibility date. Such coverage shall remain in effect until such employee reaches the first standard twelve (12) month stability period, at which time coverage will be determined in

accordance with the average hour requirements calculated over the previous twelve (12) month standard measurement period.

In applying the eligibility rules of this provision, if there is a gap between the end of the initial stability period and the start of the standard stability period, the employee shall continue to be eligible for coverage during the gap period based on the employee's eligibility during the initial stability period. In the case of an overlap of the initial stability period and the first standard stability period the employee shall be eligible for the highest level of coverage the employee would qualify for during the overlap period.

Section 17.02 ~~Funding Policy~~ Treatment of Reserves in South Central H&W Fund

~~This Funding Policy shall become activated and of full force and effect on April 1, 2016. The contributions provided for herein are with the parties' understanding and agreement that the Trustees to the South Central Health and Welfare Fund will maintain the Plan in a fully funded and reserved status and will provide benefits in accordance with the provisions of this Article.~~

~~There are two purposes of this Funding Policy:-~~

- ~~A. Fully reserved status of the South Central Health and Welfare Fund~~
- ~~B. Claims Payment Standards of the South Central Fund.~~

A. Fully Reserved Status

~~It is agreed that the target for fully reserved status shall be defined as reserves equal to a minimum of three (3.0) months of Health and Welfare expenses. In October of each year, the Fund Consultant will give a projection for the coming plan year as well as a projection of the remaining term of the Agreement.~~

~~The Consultant will provide the current status of the reserves at each quarterly meeting as well as a projection through the end of the current plan year.~~

~~It is understood and agreed that any projection showing reserves below two (2.0) months will cause the financial condition to be monitored closely by the Trustees and the Professionals of the plan. A projection showing reserves below two (2.0) months for two consecutive quarters, on or after January 1, 2019, will cause action to be taken by the Trustees to bring the level on reserves back to the desired level of three (3.0) months. Such actions may include a combination of benefit adjustments, eligibility changes and/or employee contribution rate increases.~~

If the reserves in the South Central United Food and Commercial Workers Union and Employers Health and Welfare Trust Fund (the "Fund") as of September 30, 2020 are greater than \$17.0 (seventeen) million dollars, the Employer shall not be required to

make contributions for paid hours in October 2020 (for which contributions would otherwise be due to the Fund in November 2020).

B. ~~Claims Payment Standard~~

~~The Plan Administrator is responsible for payment of claims on a timely basis.~~

~~Payment schedules should comply with any vendor contractual obligations in order to maintain the appropriate discounts provided by the vendor.~~

~~The Plan Administrator will make reports to the Trustees on compliance with these standards. Trustees are responsible for monitoring compliance of these standards and taking corrective action, as appropriate.~~

Section 17.03 ~~Cost Control Measures~~

~~The Trustees are directed to search for and adopt cost control measures that will aid the Fund in managing costs within the contributions provided by the employer and employees herein. The parties agree K Plan may to develop and extend to bargaining unit participants medical and prescription management programs that targets high-risk participants with chronic diseases such as diabetes, asthma, and cardiovascular disease. Incentives to drive participation in the program are understood to be a key element to enhance quality health care.~~

There is recognition that incentives may take various forms and will likely evolve and change over time base on program experience with a goal of maximizing program effectiveness. The initial focus will be a thorough educational campaign in connection with program roll out. Such education will be reinforced by the K Plan, the Union, and the Employer.

Section 17.04 ~~National Health Care Reform~~

~~The Employer and the Union agree to meet and discuss, at the request of either party, the effects of the Patient Protection and Affordable Care Act (PPACA) and Federal regulations or any other legislation that may impact the Employer's provision of health and welfare benefits during the term of this Agreement, and to make modifications to this Agreement on this Health and Welfare article and to make modifications as necessary and appropriate~~

Section 17.05 ~~Texas Occupational Injury and Disease Benefit Plan~~

The parties agree to meet once per quarter to continue discussions brought forth in bargaining regarding the Kroger Texas Occupational Injury and Disease Benefit Plan. Prior to any updating of the Plan, the Employer will give the Union the opportunity to submit recommendations for consideration.

~~The meetings will be Co-Chaired by the Manager of Operations for the Southwest Division and the President of UFCW Local 455 and/or his designate. It is understood that the parties may include other representatives as deemed necessary.~~

~~Section 17.06~~

~~Contribution to the trust fund shall be continued under the following conditions effective 1-1-08 for participants of Plan A: In the case of a compensable injury while on an approved leave of absence, six (6) months contributions for full time (three (3) months contributions for part time) following the month in which the compensable injury occurs.~~