**Warehouse Employees Union Local No. 730
and Contributing Companies' Prepaid
Legal Services Fund**

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE WAREHOUSE EMPLOYEES UNION LOCAL NO. 730 & CONTRIBUTING COMPANIES' PREPAID LEGAL SERVICES FUND SEPTEMBER 6, 2012 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
R. Brooks

EMPLOYER TRUSTEES
M. Bull – Secretary
J. Navin
J. Paradis

Also present were:

A. Cochran – Associated Administrators, LLC
M. DeLancey – Dickstein Shapiro, LLP
M. Herwig – PNC Bank, NA
E. Odell – Calibre CPA Group, PLLC
S. Raeder – Calibre CPA Group, PLLC
D. Russell – Investment Performance Services, LLC
R. Tierney – Associated Administrators, LLC

I. CALL TO ORDER

Noting the lack of a quorum, as only one union trustee was present, the meeting was called to order.

II. MINUTES

The Trustees read the minutes of the last regular meeting held on June 8, 2012.

On MOTION made and seconded, the Trustees present voted unanimous approval of the following recommendation, subject to final approval by the Board when a quorum is present:

> **RECOMMENDED that the minutes of the last regular meeting held on June 8, 2012 be approved as presented.**

III. FINANCIAL REPORT

The Trustees welcomed Mr. Michael Herwig of PNC Bank, NA, and Mr. David Russell of Investment Performance Services (IPS) to the meeting.

A. PNC Bank, NA

Mr. Herwig distributed the Summary of Activity report from PNC Bank for the period January 1, 2012 through June 30, 2012. Such report indicated a beginning market value of $806,296, receipts of $86,641, disbursements of $73,591, and an investment return of $7,483, producing an ending market value of $826,829.

B. Investment Performance Services

1. Investment Performance Analysis

Mr. Russell reviewed his report entitled, "Investment Performance Analysis – June 30, 2012," beginning with IPS' market commentary. Mr. Russell noted the asset allocation as follows: 90.2% in domestic fixed income and 9.8% in cash and equivalents. The Atlanta Capital Bond Fund held $745,846 in investments. The PNC Prime Money Market held $80,983.

2. Investment Consulting Contract Renewal

Mr. Russell reviewed his letter dated July 9, 2012 regarding IPS' Investment Consulting Agreement with the Fund. He reiterated IPS' previously stated proposal of no increase in the annual fee of $2,500, with the same level of services provided, for a two-year period, October 1, 2012 through September 30, 2014.

After a discussion, the Trustees tabled the investment consulting contract renewal request for further consideration.

The Trustees thanked Mr. Herwig and Mr. Russell for their reports and they were excused from the meeting.

IV. AUDITOR REPORT

The Trustees welcomed Ms. Ellen Odell and Mr. Steve Raeder of Calibre CPA Group, PLLC to the meeting.

Ms. Odell reviewed the payroll audit status report, which was distributed to the Trustees. She noted completion of the payroll audits of C&S Wholesale for the period January 2009 to December 2011 and Washington Food & Supply for the period January 2009 to December 2011. The findings for C&S Wholesale included an underpayment of $459.20. The employer remitted payment in full, closing this audit. Findings for Washington Food & Supply included underpayments for omitting worked hours. The employer owed $28.23 and has paid the Fund, closing this audit.

Ms. Odell then provided an update on the payroll audits of Giant Warehouse and Giant Recycling (Giant). She noted the original period under audit was January 2009 to December 2011. While conducting this audit, two issues have arisen. The first was notification from the Trustees to evaluate the timeliness of contributions when an employee moves from Vacation Relief to Regular status. Calibre was asked to review a self-report from Giant indicating underpayments across the Legal, Pension and Welfare Funds of approximately $140,000, and compare it to actual payroll records to confirm the amount. Ms. Odell said her firm is working on this project but is currently waiting on additional information from Giant and the Administrative Manager. Mr. Tierney reported that the files from Associated Administrators would be available by the end of the week. Ms. Odell reported that a review of the 2009-2011 records indicated that the employer did properly make contributions on these employees during this period.

Ms. Odell said the second issue regarding the Giant payroll audit was found by Calibre during the normal course of the audit. They noted that Giant was truncating hours. Meaning, for example, when an employee worked 34.2 or 34.7 hours, the employer's computer program was rounding down in all cases and only reporting and contributing on 34 hours for that employee. Over the period of a three-year audit cycle, this amounts to findings of over $372,000 owed by Giant to the Legal, Pension, and Welfare Funds combined. The report was filed with the Fund Office this week. Mr. Tierney noted receipt and said that a copy of the audit and the demand for payment letter will be sent to Giant next week in accordance with the Fund's collection policy. Ms. Odell said that Giant has admitted to the practice of truncating hours through their computer system programming.

The Trustees then discussed expanding the Giant audit to look at the truncating of hours in years prior to 2009. They asked Counsel to review and report on the statute of limitations for collection of contributions owed to the Fund. They asked Calibre to consider options for conducting sample audits and extrapolating results, and to estimate for the Trustees, the cost of performing this additional work, once the statute of limitations is determined. Additionally, the Trustees considered the question of why the Fund's previous payroll auditor, Salter & Company, had not reported the truncating of hours by Giant as it seems to be an issue that should have been discovered in the course of normal payroll auditing. Mr. Tierney said that Salter & Company had conducted a payroll audit of Giant for the January 2005 to June 2008 period and reported no discrepancies. The Trustees recalled that Salter & Company had been terminated in part for conducting a payroll audit of McKesson and missing a key issue that resulted in McKesson owing the Legal, Pension and Welfare Funds over $350,000. The Trustees directed the Administrative Manager to work with Counsel on drafting a letter to Joe Herishen at Salter & Company asking for a response on the truncating of hours issue in the previous audit of Giant.

Ms. Odell reported that they are also currently working on the exit audit of Jessup Logistics. The truncating of hours issue is also present with this employer, as it purchased the facility from Giant and continued with the contribution policy in place, truncating hours reported to the Funds. This audit is not yet complete.

Trustee Paradis abstained from participation in the discussion regarding the payroll audits of Giant.

The Trustees thanked Ms. Odell and Mr. Raeder for their report and they were excused from the meeting.

V. COUNSEL REPORT

Mr. DeLancey reported that there were no legal items pending before the Board at this time.

VI. ADMINISTRATIVE MANAGER'S REPORT

Ms. Cochran presented the Administrative Manager's Report for the second quarter 2012. Such report showed employer contributions of $38,901, miscellaneous income of $0 and interest and dividend income of $4,628, producing a total income of $43,529 for the quarter. Benefit expenses were $31,360 and operating expenses were $10,569, producing a total expense of $41,929, resulting in a net surplus of $1,600 for the quarter. Ms. Cochran noted that contributions were made on behalf of 1,216 participants.

VII. INVOICES

Ms. Cochran presented a list of invoices dated September 6, 2012 for Trustee review. It was noted that there were no deletions or changes to the list.

On MOTION made and seconded, the Trustees present voted unanimous approval of the following recommendation, subject to final approval by the Board when a quorum is present:

> **RECOMMENDED that the list of invoices dated September 6, 2012 be approved for payment as presented.**

VIII. OTHER FUND BUSINESS

A. Fiduciary Liability Insurance Renewal and Waiver of Recourse Premiums

Ms. Cochran noted renewal of the Fiduciary Liability policy with CHUBB, through the broker, the McLaughlin Company. She said the annual premium was approved with no increase by the Trustees in an electronic poll conducted in August, 2012.

Ms. Cochran advised the Trustees that letters regarding their required payment of the Waiver of Recourse premium of $25 would be mailed to them in the upcoming weeks. Payment should be made directly to the broker, not the Fund Office.

B. Web Analytics

Ms. Cochran reported that during the period January 1, 2012 to May 31, 2012, 173 participants had visited the Fund's webpage on the Associated Administrators website.

C. *For Your Benefit* Newsletter

Ms. Cochran noted the April 2012 *For Your Benefit* newsletter was mailed to participants. The newsletter included an article regarding the benefits of preparing a will.

IX. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected December 14, 2012 as their next regular meeting at a location to be determined.

X. **ADJOURNMENT**

There being no additional business to come before the Trustees, the meeting was adjourned.

Respectfully submitted,

Michael Bull
Secretary