The Warehouse Employees Union Local No. 730
& 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 DECEMBER 15, 2011 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
M. McConville – Chairman	M. Bull – Secretary
R. Brooks	J. Navin
R. Jackson	J. Paradis
T. Richardson – Alternate	

Also present were:

C. Bott – Novak Francella
M. DeLancey – Dickstein Shapiro, LLP
L. Ecle – Novak Francella
T. Geiman – Novak Francella
J. Gomes – Calibre
S. Halberg – Calibre
M. Herwig – PNC Bank, NA
A. Hogan – Associated Administrators, LLC
P. Novak – Novak Francella
S. Raeder – Calibre
R. Sichel – Investment Performance Services, LLC
R. Tierney – Associated Administrators, LLC

I. CALL TO ORDER

A quorum being present, the meeting was called to order.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held September 20, 2011.

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

RESOLVED that the minutes of the last regular meeting held on September 20, 2011 were approved as presented.

III. FINANCIAL REPORT

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

A. PNC Bank, NA

Mr. Herwig distributed the Summary of Activity report for the period January 1, 2011 through October 31, 2011. Such report indicated a beginning market value of $756,254, receipts of $161,251, disbursements of $148,789, and an investment return of $14,726, producing an ending market value of $783,442.

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

B. Investment Performance Services

Mr. Sichel reviewed his report entitled, "Investment Performance Analysis – September 30, 2011," beginning with IPS' market commentary. Mr. Sichel noted the asset allocation as follows: 89.0% in domestic fixed income and 11.0% in cash and equivalents. The Atlanta Capital Bond Fund held $705,745 in investments. The PNC Prime Money Market held $87,658.

1. Atlanta Capital – U.S. Fixed Income Manager

Mr. Sichel noted that Atlanta Capital continues to perform below its benchmark. He reiterated his comments from recent meetings that low quality bonds continue to drive higher performance than high quality bonds. The manager's portfolio holds high quality bonds, resulting in below-the-benchmark performance. Mr.

Sichel said this is not uncommon in today's marketplace and IPS is not recommending a change, but will continue to monitor the performance for improvement.

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

IV. AUDIT SERVICES PROPOSALS AND PRESENTATIONS

Mr. Tierney reported that four firms had responded to the Request for Proposal to provide auditing services to the Fund: (1) Calibre, (2) Novak Francella, (3) Bond Beebe, and (4) Gorfine, Schiller & Gardyn. A summary of the proposals was sent electronically to the Trustees and Counsel for review and as a result, the Trustees selected Calibre and Novak Francella as finalists and requested that they be scheduled to make presentations at this meeting.

A. Calibre

The Trustees welcomed Mr. Steve Raeder, Mr. James Gomes, and Mr. Scott Halberg, of Calibre, to the meeting.

Mr. Raeder distributed an Executive Summary of their proposal and provided a description of the company. He noted their long term history of providing service to Taft-Hartley clients and reviewed a sample client list. Mr. Gomes then described Calibre's audit process and the level of expertise that Calibre brings with 31 Certified Public Accountants on staff, including Mr. Halperin who is their tax expert. Mr. Gomes also reviewed Calibre's payroll audit process, performed by a separate department at Calibre, headed by Ms. Ellen Odell.

Mr. Raeder said the proposed fee for the audit of the plan year ending December 31, 2011, and accompanying required filings, for the Legal Fund is $4,000. Calibre would also agree to cap their fee increase for the second year of the agreement at 3%. Payroll auditing would be charged at their hourly rates, ranging from $80 to $325, and capped at $4,000 per year. Payroll audit costs would be billed on a pro-rata basis to the Welfare, Pension, and Legal Funds.

The Trustees thanked Mr. Raeder, Mr. Gomes, and Mr. Halberg for their presentation and they were excused from the meeting.

B. **Novak Francella**

The Trustees welcomed Mr. Peter Novak, Mr. Tyler Geiman, Ms. Leah Ecle, and Ms. Christine Bott, of Novak Francella, to the meeting.

Mr. Novak distributed copies of their proposal and provided a description of the services provided by the company. He noted their long term history and reviewed a sample client list. He said the firm has opened an office in Columbia, Maryland to provide services in the greater Washington, DC area. This office is headed by Mr. Geiman.

Mr. Geiman then described Novak Francella's audit and payroll audit process.

Mr. Novak said the proposed fee for the audit of the plan year ending December 31, 2011, and accompanying required filings, for the Legal Fund is $7,000. Upon questioning, Mr. Geiman indicated that they were willing to consider alternative fees. Payroll auditing would be charged at their hourly rates, ranging from $79 to $130.

The Trustees thanked Mr. Novak, Mr. Geiman, Ms. Ecle and Ms. Bott for their presentation and they were excused from the meeting.

C. **Discussion**

The Trustees reviewed the Executive Summary of the proposals prepared by Mr. Tierney and noted the fee proposed by the current auditor, Salter & Company, for the plan year ending December 31, 2011 was $5,084. In addition to fees, they discussed in detail the histories of the two firms, their current client lists, and the results of the most recent peer review opinion of each firm.

Upon MOTION made and seconded, the Trustees voted unanimous approval of the following:

> **RESOLVED to engage Calibre (1) to perform the audit functions described in their proposal for the plan year ending December 31 2011 at a fee of $4,000; for the plan year ending December 31, 2012 at a fee of $4,000; for the plan year ending December 31, 2013 at a fee of $4,100; and (2) to perform payroll audit functions, charged at their hourly rates, capped at $4,000 per year, and shared with the Legal and Pension Funds.**

V. COUNSEL REPORT

A. Memoranda Of Understanding: McKesson and Washington Food

Mr. DeLancey indicated he had reviewed the Memoranda of Understanding (MOA) between the Union and two participating employers, McKesson Corporation and Washington Food and Supply Company and recommended the Trustees adopt the MOAs. Both agreements contain the new language which allows the current contribution rate to remain unchanged.

Upon MOTION made and seconded, the Trustees voted unanimous approval of the following:

> **RESOLVED to approve the Memoranda of Understanding between the Union and McKesson Corporation, for the period July 1, 2011 through June 30, 2012, and the Memoranda of Understanding between the Union and Washington Food and Supply Company for the period November 1, 2011 through October 31, 2012.**

B. Trust Agreement Amendment

Mr. DeLancey reviewed the Trust Agreement Amendment he prepared which reflected the changes regarding Trustee appointment, removal, voting, and term length approved at the June 2011 meeting. The Trustees reviewed the Amendment, which was executed by the Chairman and Secretary on behalf of the Board of Trustees.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Third Quarter 2011

Ms. Hogan presented the Administrative Manager's Report for the third quarter 2011. Such report showed employer contributions of $45,649, miscellaneous income of $2,437 and interest and dividend income of $4,794, producing a total income of $52,880 for the quarter. Benefit expenses were $22,874 and operating expenses were $20,240, producing a total expense of $43,114, resulting in a net surplus of $9,766 for the quarter. Ms. Hogan noted that contributions were made on behalf of 1,299 participants.

B. Giant Local 922 Delinquency

Ms. Hogan reported that the Collective Bargaining Agreement between Giant and Local 922 required an increase in the contribution rate from $0.05 to $0.07 per hour effective May 11, 2011. However, the employer paid the increased contribution rate for August 2011 hours. In accordance with the Fund's delinquency policy, a letter was sent by the Fund Office to the employer on November 29, 2011 concerning a delinquency for the period May 11, 2011 through July 31, 2011. The total amount of $404.28 was due to the Fund on December 6, 2011. Upon receipt of the letter, the employer's representative confirmed by electronic mail that a payment in the amount of $401.28 would be issued with the November contributions, on December 15, 2011.

Upon MOTION made and seconded, with Trustee Paradis abstaining, the Trustees voted approval of the following:

RESOLVED to accept the payment of $401.28 for Giant Local 922 as payment in full for the May 11, 2011 through July 31, 2011 delinquency.

C. <u>Administrative Services Contract Renewal</u>

Mr. Tierney reviewed his letter dated September 20, 2011 which notes that the administrative services contract between the Fund and Associated Administrators, LLC will expire on December 31, 2011 and provides detailed information in support of the request for a three-year renewal. The Trustees had tabled action on this request at the September 2011 meeting.

The Trustees excused Mr. Tierney and Ms. Hogan from the room.

***** EXECUTIVE SESSION *****

The Trustees welcomed Mr. Tierney and Ms. Hogan back to into the meeting.

Upon MOTION made and seconded, the Trustees voted unanimous approval of the following:

RESOLVED to approve an extension of the administrative services contract with Associated Administrators, LLC, for the period January 1, 2012 through December 31, 2014, with 3% annual fee increases.

Mr. Tierney thanked the Board of Trustees for the contract renewal and said a contractual amendment would be prepared and sent to co-Counsel for review.

VII. INVOICES

Ms. Hogan presented a list of invoices dated December 15, 2011 for Trustee review. It was noted that there were no deletions or changes to the list.

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

> **RESOLVED that the list of invoices dated December 15, 2011 was approved for payment as presented.**

VIII. OTHER FUND BUSINESS

A. Payroll Audit Status Report

Mr. Tierney reviewed the Auditor's report entitled, "Three Year Cycle Payroll Audit Status Report – As of December 6, 2011," as contained in the meeting booklet.

Mr. Tierney reported that the McKesson Corporation had paid the agreed upon payroll audit settlement amount of $340,000 however, the check was made payable to the Welfare Fund. It was deposited and he now required direction from the Board of Trustees on how to allocate the amounts to participants, as the settlement amount was for less than the full amount of the findings. He said that assigning the amounts based on a pro-rata allocation presented difficulties, especially on the Pension Fund, where amounts less than the required contribution rate would require special programming and would result in the participant receiving less than a full pension benefit credit for hours actually worked. This is due in part to the fact that the hourly contribution rate is made up of multiple components including benefit credit, funding improvement, and rehabilitation plan increases. He said a preliminary estimate of the programming costs required to perform this allocation would be $10,000.

The Trustees discussed the settlement, with Trustee Brooks noting that the agreement was reached between the Union and McKesson, with the understanding that no participant would be negatively affected. Upon questioning, Mr. Tierney responded that applying less than full contribution credits only had a negative effect on pension participants relying on those amounts for a pension benefit. Contribution credits to the Legal and Welfare Fund would not provide participants with any additional benefit, nor would a less than full contribution credit result in the loss of any benefit, as the contributions were for the period 2006 through 2010, where the use of those benefits was available for the affected participants.

The Trustees noted that if the Pension Fund received 100% of applicable payroll audit findings, the remaining allocation available to the Legal and Welfare Funds would be reduced, in total, by approximately $13,000. They then discussed the potential benefit impact on participants of a less than full pension allocation. Mr. Tierney confirmed that the estimated $10,000 in programming costs would not be required if the Pension Fund was assigned the full contribution amounts as the Legal and Welfare Fund contribution rates do not have the same multiple components as the Pension Fund.

Upon MOTION made and seconded, the Trustees voted unanimous approval of the following:

> **RESOLVED to allocate the McKesson payroll audit settlement amount in a manner such that no participant loses a benefit.**

B. *For Your Benefit* Newsletter

Ms. Hogan noted the October 2011 *For Your Benefit* newsletter was mailed to participants.

IX. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected April 13, 2012 as their next regular meeting in Landover, Maryland.

X. ADJOURNMENT

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

Respectfully submitted,

Michael Bull
Secretary