Warehouse Employees Union Local No. 730
Pension Trust Fund

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE WAREHOUSE EMPLOYEES UNION LOCAL NO. 730 PENSION TRUST FUND JANUARY 25, 2013 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
R. Brooks – Chairman
R. Johnson
A. Smith
T. Richardson - Alternate

EMPLOYER TRUSTEES
L. Johnson
J. Paradis

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
A. Cochran – Associated Administrators, LLC
M. DeLancey – Dickstein Shapiro, LLP
P. Hardcastle - Cheiron
M. Herwig – PNC Bank, NA
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.

Trustee Paradis reported that Trustee Bull had given him his proxy for matters before the Board at today's meeting.

II. TRUSTEE RESIGNATION AND APPOINTMENT

Mr. Tierney reported receipt of an undated letter on November 20, 2012 from Trustee Joseph Navin announcing his resignation effective immediately. Trustee Paradis said that under the provisions of the Trust Agreement, the remaining Employer Trustees were responsible for appointing a Trustee to replace Mr. Navin. As a result, Trustees Paradis and Bull have appointed Ms. Lynell Johnson from Eight O'clock Coffee to replace Mr. Navin as an Employer Trustee effective immediately.

The Trustees welcomed Ms. Johnson and directed the Administrative Manager to have her added to the Fiduciary Liability Insurance policy, replacing Mr. Navin, and to provide the standard new trustee materials such as, but not limited to, the Trust Agreement, Plan Document, Summary Plan Description and Trustee Expense Policy.

III. MINUTES

The Trustees read the minutes of the last regular meeting held on September 6, 2012.

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 6, 2012 were approved as presented.**

IV. 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. Custodian Bank – PNC Bank, NA

Mr. Herwig distributed copies of the Summary of Activity report for the period January 1, 2012 through December 31, 2012. Such report indicated a beginning market value of $146,019,131, receipts of $6,819,134, gains of $17,434,985, and disbursements of $20,204,924, producing an ending market value of $150,068,326.

B. Investment Consultant – Investment Performance Services, LLC

1. Master Consulting Report

a. Investment Performance

Mr. Sichel reviewed the overall performance of the Fund's investment managers noting that the investment performance of the total portfolio for the period January 1, 2012 to September 30, 2012 was 10.6%, gross of fees. He also provided preliminary results for the January 1, 2012 to December 31, 2012 period noting a total portfolio return of 12.7%, gross of fees.

b. Asset Allocation

Mr. Sichel reviewed the Fund's asset allocation as of December 31, 2012: U.S. Equities 38.2%, International Equities 9.1%, Fixed Income Core 8.8%, Fixed Income High Yield 9.6%, Real Estate 16.0%, Hedge Fund of Funds (HFOF) 8.1%, Global Tactical Asset Allocation (GTAA) 10.1%, and cash 0.1%. He noted that all allocations were within the targeted range.

c. Investment Manager – Performance Review

Mr. Sichel presented the individual investment manager performance reviews. This section of the report also identifies investments and situations that do not comply with the specific parameters of the Fund's Investment Policy Statement.

i. Multi-Employer Property Trust (MEPT) – Real Estate

Mr. Sichel reviewed the performance of MEPT over the past twelve months, in which the total return of 5.7% lagged the NCREIF ODCE benchmark of 10.8%. He said this was due to MEPT's significant property write downs in the third and fourth quarters of 2012, along with its low leverage and high cash position. Mr. Sichel said MEPT is no longer in IPS' recommended list and suggested the Trustees consider an alternative real estate manager, such as American Realty

Advisors, which is currently an investment manager for the Welfare Fund. He said the Trustees need to consider the quarterly liquidity of MEPT and the ability of any new real estate manager to take new money. MEPT holds $9,321,159 as of December 31, 2012. The Trustees requested that Mr. Sichel prepare and provide an IPS manager search of the potential replacement real estate managers and recommend a plan for moving the money from MEPT to the new selected manager in the most prudent method. The recommendation should recognize the Fund's need for cash to pay monthly benefits, currently drawn from the domestic equity managers, and the need to have the assets moved into the new real estate manager's portfolio in a timely manner, ensuring the Fund remains in compliance with the asset allocation. Mr. Sichel was directed to work with the Administrative Manager to have his report and recommendation sent to the Trustees for an electronic poll for approval as soon as possible. The Trustees did not want this important matter to be delayed waiting until the next regularly scheduled meeting.

ii. <u>Meridian and Ivy Clarus – Hedge Fund of Funds</u>

Mr. Sichel provided an update on the redemptions from Meridian and Ivy Clarus. The Meridian Special Investments SPC had a market value of $733,028 as of December 31, 2012. The Meridian Segregated Portfolio held $40,952 as of December 31, 2012.

Mr. Sichel reported that the Ivy Clarus Associates II investment was fully redeemed.

IPS will continue to monitor Meridian for the final redemptions.

2. <u>Quarterly Performance Report</u>

Mr. Sichel presented the preliminary quarterly performance report for the period ended December 31, 2012. He noted the assets held by the investment managers on March 31, 2012 were as follows: Rothschild – LCV held $12,292,064, Westfield Capital Management held $12,317,913, Johnston Asset Management held $14,351,120, Atlanta Capital held $18,312,346, Johnston International Equity held $6,190,107, Acadian held $7,444,278, C.S. McKee held $13,233,148, Penn Core held $14,444,096, PRISA III held $14,669,327, Multi-Employer Property Trust held $9,321,159, Mesirow Advanced Strategies held $11,409,891, Meridian Special Investments held $733,028, BlackRock Financial Management held $15,116,207, the cash account held $192,689 and the Meridian Segregated portfolio held $40,952. Mr. Sichel reviewed the summary of investment results for the period ended December 31, 2012, including trailing quarter, trailing year-to-date, and trailing one, three and five year periods.

3. Investment Consulting Contract Renewal

In accordance with Trustee approval at the September 6, 2012 meeting, Trustees Brooks and Paradis executed the IPS investment consultant contract for the period October 2012 through October 2015.

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

V. ACTUARY REPORT

The Trustees welcomed Mr. Peter Hardcastle of Cheiron to the meeting.

Mr. Tierney reported that the Trustees had approved a new Withdrawal Liability Policy, prepared with the assistance of Mr. Hardcastle and Fund Counsel, via an electronic poll in December 2012.

Mr. Hardcastle informed that Trustees that his firm had calculated the withdrawal liability amounts for Jessup Logistics and McKesson, at $1,838,375 and $7,275,224, respectively. Mr. Tierney reported that demand letters had been sent to both withdrawn employers in December, 2012. He said that the Fund Office had recently received a request for additional information from a law firm representing Jessup Logistics, which was reviewed by Fund Counsel. Fund Counsel is working with Cheiron to respond. To date, there has been no response from McKesson. Mr. Hardcastle then reported that his firm had calculated the withdrawal liability estimate for Giant, at $80,694,574. Mr. Tierney reported that Giant had paid for the withdrawal liability estimate, in accordance with Fund policy.

Mr. Hardcastle noted that his firm had supplied the Administrative Manager with the pension rate factors for 2013.

Finally, Mr. Hardcastle reported that he was continuing to work with the appointed subcommittee on any changes to the Rehabilitation Plan, but there was nothing additional to report at this time.

The Trustees thanked Mr. Hardcastle for his report and he was excused from the remainder of the meeting.

VI. COUNSEL REPORT

A. Washington Food and Supply – Memorandum of Agreement (MOA)

Fund Co-Counsel reviewed the MOA reached by the Employer and Union and found it to be acceptable. On MOTION made and seconded, the Trustees voted unanimous approval of the following:

> **RESOLVED to approve the MOA between Washington Food and Supply, Inc. and the Union for the period November 1, 2012 through October 31, 2015, in which the Employer adopted the contribution rates for the Preferred Rehabilitation Plan.**

The Trustees directed the Administrative Manager to notify the Employer that the MOA was accepted, noting the implied adoption of the Preferred Rehabilitation Plan.

B. Policy Interpretation – Post-Retirement Employment

At the last meeting, this subject was tabled as the Employer Trustees wanted to investigate further whether or not H&M Bay, Inc. would be considered a competitor. Trustee Paradis said that after further review, this company was not considered a competitor of the Fund's participating employers. As a result, the retiree working for this company would not have his pension suspended.

C. Fund Counsel Rate Increase Requests

The Trustees clarified past practice and agreed that any and all vendor requests for increases in fees, including Fund Co-Counsel, would be required to be presented to and approved by the full Board of Trustees. Mr. Burton and Mr. DeLancey were directed to submit any current requests for fee increases in writing, and the Trustees authorized the Chairman and Secretary to review and approve these requests.

Mr. DeLancey and Mr. Burton said there were no other legal matters pending before the Board of Trustees at this time.

VII. ADMINISTRATIVE MANAGER REPORT

Mr. Tierney presented the Administrative Manager Report for the third quarter 2012. Such report indicated contribution income of $858,906, miscellaneous income of $7,199, and interest and dividend income of $674,316, producing a total income of $1,540,341. Expenses included $4,361,245 of pension benefit expense and $253,056 of operating expense, producing a total expense of $4,614,301 for the quarter. This resulted in a net deficit of $3,073,960 for the quarter. Mr. Tierney noted that contributions were made on behalf of 471 active plan participants.

He noted there were no contribution delinquencies to report. Finally, he reviewed the pension applications which required Trustee approval.

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

> **RESOLVED that the pension applications as contained in the Administrative Manager's third quarter 2012 report were approved for payment.**

VIII. INVOICES

Mr. Tierney presented a list of invoices dated January 25, 2013. He noted that there were no additions, 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 January 25, 2013 was approved for payment as presented.**

IX. PARTICIPANT APPEAL

Appeal Number	***Issue***	***Board Decision***
P12/119-0789	***Pension Eligibility – Early Retirement***	***Denied***

X. OTHER FUND BUSINESS

A. Compliance – 408(b)(2)

Mr. Burton reported that the 408(b)(2) responses remain under review by his office.

B. Payroll Audit Status Update

Mr. Tierney reviewed the Payroll Audit Status Report as supplied by Calibre.

1. Jessup Logistics – Credit Request

Mr. Tierney reported that the payroll exit audit of Jessup Logistics resulted in underpayments and overpayments to the Fund. The Employer was notified and paid the total amount of underpayments, less the amount of the overpayments. He notified the employer that proper procedure required payment of the underpayments in full and a request for credit for the amount of overpayments.

Mr. Tierney then reviewed the credit request submitted by Jessup Logistics for the amount of overpayments discovered in the payroll audit, $651.19.

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

> **RESOLVED to approve the credit request in the amount of $651.19 from Jessup Logistics for overpayments discovered by Calibre in the payroll audit.**

2. Giant Vacation Relief Review

Mr. Tierney reported that Calibre had completed its review of the Giant Vacation Relief payroll records for the period 2001 to 2004, and found no reportable issues. However, Giant had failed to provide the payroll auditor with the payroll records for 2005, despite numerous requests. Trustee Paradis said he would attempt to discover why the 2005 payroll records were not provided to Calibre.

The Trustees tabled further action on this matter pending Trustees Paradis' inquiry.

3. Giant Warehouse and Recycling Random Audit

The Trustees advised the Administrative Manager that discussions regarding this payroll audit remain on-going with the bargaining parties, due to the question of truncating hours, and as such is tabled at this time. They said the demand for payment should not be sent to the Employer at this time.

C. Form 5500 – 2011 Plan Year

Mr. Tierney reported that Calibre had filed the Form 5500 for the 2011 plan year prior to the extended deadline.

D. Multi-Employer Summary Plan Information Report – 104(d) Notice

Mr. Tierney said that the required 104(d) Notice had been mailed to all required parties.

E. PBGC Filing – 2012 Plan Year

Mr. Tierney reported that the Fund paid $297 on October 12, 2012 as a part of the required comprehensive filing.

Mr. Tierney informed the Trustees that the newly passed "Moving Ahead for Progress in the 21st Century Act" would increase the annual PBGC premiums per participant from $9 in 2012 to $12 in 2013 and, beginning in 2014, the rate will be increased for inflation.

F. "*For Your Benefit*" Newsletter

Mr. Tierney said the October 2012 *For Your Benefit* newsletter was sent to participants.

XI. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected May 2, 2013 as their next regular meeting date immediately following the companion Legal Fund meeting at a location to be determined.

XII. ADJOURNMENT

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

Respectfully submitted,

Ritchie Brooks
Chairman