Warehouse Employees Union Local No. 730
Pension Trust Fund

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DRAFT

**MINUTES OF THE MEETING OF THE
BOARD OF TRUSTEES OF THE
WAREHOUSE EMPLOYEES UNION LOCAL NO. 730
PENSION
MARCH 14, 2014
LANDOVER, MARYLAND**

The following Trustees were present:

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

EMPLOYER TRUSTEES
M. Bull - Secretary
L. Johnson
J. Paradis

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
A. Cochran – Associated Administrators, LLC
L. DuVall – Associated Administrators, LLC
P. Hardcastle - Cheiron
M. Herwig – PNC Bank, NA
R. Sichel – Investment Performance Services, LLC

I. CALL TO ORDER

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

II. MINUTES

The Trustees read the minutes of the last regular meeting held on December 20, 2013.

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 December 20, 2013 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. Custodian Bank – PNC Bank, NA

Mr. Herwig distributed copies of the Summary of Activity report for the period January 1, 2013 through December 31, 2013. Such report indicated a beginning market value of $150,068,326, receipts of $5,969,140, gains of $28,441,195, and disbursements of $18,699,819, producing an ending market value of $165,778,842.

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, 2013 to December 31, 2013 was 20.0%, gross of fees.

b. Asset Allocation

Mr. Sichel reviewed the Fund's asset allocation as of December 31, 2013: U.S. Equities 44.3%, International Equities 9.2%, Fixed Income Core 7.2%, Fixed Income High Yield 8.6%, Real Estate 12.1%, Hedge Fund of Funds (HFOF) 7.8%, Global Tactical Asset Allocation (GTAA) 10.5%, and cash 2.0%. He noted once the asset allocation recommendation of IPS approved at the December 2013 meeting takes place the asset allocations will rebalance closer to the targets.

2. Investment Manager – Performance Review

Mr. Sichel presented the individual investment manager performance reviews. He stated that 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.

Mr. Sichel said Acadian's Commingled Fund portfolio performance did not meet expectations in 2013, ranking in the 97th percentile of their peer universe. He said the below average performance was due to the significant amount of volatility in emerging markets, however he expects the performance to improve. The Trustees directed Mr. Sichel to review the manager's performance through the month of April 2014 and if not improved to provide recommendations of other managers to interview.

3. Quarterly Performance Report

Mr. Sichel presented the preliminary quarterly performance report for the period ended December 31, 2013. He noted the assets held by the investment managers on December 31, 2013 were as follows: Rothschild – LCV held $15,859,075; Westfield Capital Management held $16,127,297; Johnston Asset Management held $17,744,243; Atlanta Capital held $23,727,661; Johnston International Equity held $7,166,119; Acadian held $8,111,204; C.S. McKee held $10,746,318; Penn Core held $14,259,206; PRISA III held $17,235,294; American Core Realty Fund held $2,898,923; Multi-Employer Property Trust held $12,526,823; Meridian Special Investments held $436,959; BlackRock Financial Management held $17,340,226; the cash account held $297,891, and the Meridian Segregated portfolio held $36,517. Mr. Sichel reviewed the summary of investment results for the period ended

December 31, 2013, including trailing quarter, trailing year-to-date, and trailing one, three and five year periods.

4. **Commission Recapture – ConvergEx Group (ConvergEx)**

Mr. Sichel reviewed a letter contained in his meeting report from the Fund's commission recapture provider ConvergEx regarding the company's recent regulatory investigations. He said the investigation focused on certain global trading and transition orders as well as misconduct of certain former employees. Mr. Sichel said that the Fund was not affected as ConverEx only provides commission recapture services which are not related to the investigation and he does not recommend a replacement of the provider.

5. **Trustee Discussion – WalMart**

The Trustees asked Mr. Sichel if any of the current Fund managers have investments in WalMart. The Trustees expressed their concern of Fund investment managers investing in certain companies that are competitors of the participating employers of the Fund. Mr. Sichel stated certain investment styles do not allow the investor to dictate the investment, such as a commingled fund, however other styles have flexibility. He confirmed a current manager C.S. McKee has an investment with WalMart. The Trustees directed Mr. Sichel to draft a letter that would advise managers of prohibited investments and to also draft an updated investment policy with guidelines. Mr. Sichel said he would prepare those documents and provide to Fund Counsel for review.

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

IV. ACTUARY REPORT

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

A. Rehabilitation Plan

Mr. Hardcastle said that the Fund is required to update the Rehabilitation Plan on an annual basis. He stated that a draft updated Rehabilitation Plan was distributed to Fund Counsel and is currently under review. Mr. Hardcastle said once the updated Rehabilitation Plan has been reviewed the Trustees will need to adopt the new document.

B. McKesson Withdrawal Liability Request

Ms. Cochran reported a letter received from former employer McKesson which expressed the employer's interest in pursuing a lump sum settlement of its remaining Withdrawal Liability obligation to the Fund. She said McKesson proposed a settlement of one lump sum payment in the amount of $5,800,000 in exchange for a full and complete release from the Fund. Ms. Cochran said the request was sent to Fund Counsel and Mr. Hardcastle for review. Fund Counsel recommended the Trustees deny the offer made by McKesson based on several observations made by Mr. Hardcastle which include 1) the offer would be more than a 10% discount, 2) the Fund would need to earn more than 10% on the $5.8 million dollar payment to compensate for the loss of the stream of payments, 3) McKesson appears to be a strong company that is likely to grow and 4) the amount offer would not impact the Pension Protection Act status. Ms. Cochran reported interim action and said the Trustees denied the lump sum proposal by an electronic mail vote. She stated a response letter was sent to McKesson rejecting the lump sum payment proposal.

Ms. Cochran stated that McKesson's attorney then sent an electronic mail expressing interest in continuing to pursue a lump sum resolution and asked to speak with the Trustees or a party that would be appropriate to have these discussions.

Ms. Cochran directed the Trustees to the meeting booklet which contained Mr. Hardcastle's observations regarding the lump sum settlement. Mr. Hardcastle reiterated his thoughts and stated he would recommend a settlement of no less than 8.5 million dollars. The Trustees directed Fund Counsel and the Actuary to contact

McKesson's attorney with a counter proposal of 9 million dollars as a lump sum settlement.

C. Fee Request

Mr. Hardcastle reviewed Cheiron's 2014 fee request letter for services, as contained in the meeting booklet. This represents a 1.78% increase in the fee for retainer services over the prior year.

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

> **RESOLVED to approve the 2014 retainer agreement with Cheiron at a fee of $18,320, with approved non-retainer services to be charged at their hourly rates, which range from $85 -$460 per hour.**

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

V. COUNSEL REPORT

A. United States v. Windsor

Mr. Burton said that the Trustees approved at the December 2013 Board meeting that same-sex couples who marry in a State that recognizes same-sex marriage, regardless of the state in which they reside, are entitled to applicable spousal Fund benefits. He reviewed the Fund's Plan documents and confirmed with the Administrative Manager that no updates are needed as a result of the updated language.

B. BlackRock Global Allocation

Mr. Burton reported that the review and negotiation of agreements for the transition to the BlackRock Global Allocation Collective Fund are complete and have been executed by Chairman and Secretary on behalf of the Board of Trustees.

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

VI. ADMINISTRATIVE MANAGER REPORT

Ms. Cochran presented the Administrative Manager Report for the fourth quarter 2013. Such report indicated contribution income of $845,863, miscellaneous income of $2,844, interest and dividend income of $495,980 and withdrawal liability payments of $551,792 producing a total income of $1,896,479. Expenses included $4,375,705 of pension benefit expense and $277,446 of operating expense, producing a total expense of $4,653,151 for the quarter. This resulted in a net deficit of $2,756,672 for the quarter. Ms. Cochran noted that contributions were made on behalf of 430 active Plan participants.

She stated that there were no contribution delinquencies to report. She reviewed the pension applications requiring 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 fourth quarter 2013 report were approved for payment as presented.**

VII. INVOICES

Ms. Cochran presented a list of invoices dated March 14, 2014. She 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 March 14, 2014 was approved for payment as presented.

VIII. PARTICIPANT APPEALS

Appeal Number	*Issue*	*Board Decision*
P14/100-1033	***Change in Benefit Option Election***	***Denied***

IX. OTHER FUND BUSINESS

A. Trustee Expense Policy

Ms. Cochran reiterated the motion approved at the December 20, 2013 meeting which approved an increase in the advance stipend amount from $1,500 to $2,500. She said the policy was updated and reviewed by Fund Counsel and will be presented for Trustee signatures.

B. Withdrawal Liability Payment – Jessup Logistics

Ms. Cochran reported that the final installment of withdrawal liability in the amount of $373,734.00 was received from the employer.

C. Pension Benefit Guaranty Corporation (PBGC)

Ms. Cochran said the PBGC is ending the twice-a-year requirement to calculate and pay premiums. She said under the new rule, large plans will make one payment. However, the date of that payment has not yet been finalized.

D. ***For Your Benefit* Newsletter**

Ms. Cochran stated that the Fund Office mailed the January 2014 *For Your Benefit* newsletter to participants.

X. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected June 5, 2014 as their next regular meeting date immediately following the companion Legal Fund meeting in Landover, Maryland.

XI. ADJOURNMENT

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

Respectfully submitted,

Michael Bull
Secretary