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 MARCH 27, 2019 LANDOVER, MARYLAND

The following Trustees were present:

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

EMPLOYER TRUSTEES
M. Bull – Secretary
J. Paradis, via conference call
H. Sebhat

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP, via conference call
A. Cochran – Associated Administrators, LLC
M. Deveney – Cheiron
P. Hardcastle – Cheiron
R. Sichel – Investment Performance Services, LLC

I. CALL TO ORDER

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

II. TRUSTEE APPOINTMENT

Ms. Cochran reported receipt of a letter dated December 21, 2018 from Thomas Corcoran, USA Country Head and CFO of Tata Global Beverages, requesting to replace Ms. Lynell Johnson with Ms. Hanna Sebhat as an Employer Trustee effective immediately. Ms. Cochran reported that a letter was sent to participating employers on February 5, 2019 regarding the replacement of Lynell Johnson as an Employer Trustee. Ms. Cochran said no responses were received regarding the nomination. Ms. Cochran confirmed that she notified the broker to add Ms. Sebhat to the Fiduciary and Cyber Liability policies along with the Fidelity Bond.

III. MINUTES

The Trustees read the minutes of the last regular meeting held on December 20, 2018. 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, 2018 are approved as presented.**

IV. FINANCIAL REPORT

A. Custodian Bank – PNC Bank, NA

Ms. Cochran noted a copy of the PNC Summary of Activity report for the period January 1, 2018 through December 31, 2018 as contained in the meeting booklet.

B. Investment Performance Services

The Trustees welcomed Mr. Rich Sichel of Investment Performance Services (IPS) to the meeting.

1. **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, 2018 to December 31, 2018 was 0.3% gross of fees.

2. **Asset Allocation**

Mr. Sichel reviewed the Fund's asset allocation as of December 31, 2018: U.S. Equities 23.2%, U.S. Small/Mid Cap 8.9%, International Equities 10.3%, Fixed Income Core 1.7%, Fixed Income High Yield 7.2%, Real Estate 25.3%, Hedge Fund of Funds 2.4%, Opportunistic Investments 5.9%, Global Tactical Asset Allocation 5.8%, Private Equity 3.5% and cash 5.8%.

3. **Quarterly Performance Report**

Mr. Sichel presented the preliminary quarterly performance report for the period ended December 31, 2018. He noted the assets held by the investment managers on December 31, 2018 were as follows: Rothschild – LCV held $10,600,605; Hardman Johnston Asset Management held $12,245,375; Northern Trust $12,349,752; Atlanta Capital held $13,417,986; Hardman Johnston International Equity held $6,932,664; Acadian held $8,666,136; C.S. McKee held $2,608,631; Penn Core held $10,842,574; PRISA III held $28,830,907; American Core Realty Fund held $9,624,547; Lighthouse Investment Partners/Mesirow held $3,700,218; Corbin ERISA Opportunity Fund held $8,910,974; BlackRock Financial Management held $8,760,802; Hamilton Lane $5,301,793; and the cash account held $8,776,926. Mr. Sichel reviewed the summary of investment results for the period ended December 31, 2018, including trailing quarter, trailing year-to-date, and trailing one, three and five-year periods.

a. Hedge Fund of Funds (HFOF) Asset Allocation – Mesirow

Mr. Sichel said that at the last meeting, the Trustees terminated Mesirow in accordance with IPS' recommendation. He directed the Trustees to the asset allocation chart in the meeting booklet, which listed two scenarios for the funding of the proceeds from the Mesirow termination redemption request.

Mr. Sichel reviewed the scenarios and discussed the expected risk and return of the current target asset allocation to the Fund's actual allocation. He said IPS recommended Scenario 2, portfolio D, which would increase the Opportunistic Fund asset allocation from 5.0% to 7.5%.

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

> **RESOLVED, to accept the recommendation of IPS to adopt Scenario 2, portfolio D, increasing the Opportunistic Fund asset allocation from 5.0% to 7.5%.**

b. Cash Rebalancing Recommendation

Mr. Sichel noted that the current cash allocation is on the high end of the targeted policy range of the Investment Policy Statement. In order to rebalance assets closer to the policy targets, he said IPS recommended the following transfers from the cash account: 1) $1,000,000 to Atlanta Capital, 2) $1,000,000 to C.S. McKee, 3) $500,000 to Rothschild LCV, 4) $500,000 to Hardman Johnston LCC and 5) $500,000 to Northern Trust Company.

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

> **RESOLVED, to accept the recommendation of IPS to transfer from the cash account, 1) $1,000,000 to Atlanta Capital, 2) $1,000,000 to CS McKee, 3) $500,000 to Rothschild LCV, 4) $500,000 to Hardman Johnston LCC and 5) $500,000 to Northern Trust Company.**

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

V. <u>ACTUARY REPORT</u>

The Trustees welcomed Mr. Peter Hardcastle and Mr. Matt Deveney of Cheiron to the meeting. Mr. Hardcastle distributed his report titled "2018 Valuation Results."

Mr. Hardcastle reviewed the Valuation results report and provided a historical review of the assets and liabilities, minimum funding, participant counts, and annual cash flows. He discussed the 2018 actuarial valuation results including a summary of key results and Plan year experience. Mr. Hardcastle said that the Plan is certified in critical and declining status for the 2019 Plan year.

The Trustees thanked Mr. Hardcastle and Mr. Deveney for their report and they were excused from the meeting.

VI. COUNSEL REPORT

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

VII. ADMINISTRATIVE MANAGER'S REPORT

Ms. Cochran presented the Administrative Manager's Report for the fourth quarter 2018. Such report indicated contribution income of $974,862, miscellaneous income of $453,199, interest and dividend income of $327,455 and withdrawal liability payments of $165,919, producing a total income of $1,921,435. Expenses included $4,984,183 of pension benefit expense and $566,510 of operating expense, producing a total expense of $5,550,693 for the quarter. This resulted in a net deficit of $3,629,258 for the quarter. Ms. Cochran noted that contributions were made on behalf of 305 active Plan participants and that there were no contribution delinquencies to report.

Ms. Cochran 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 contained in the Administrative Manager's fourth quarter 2018 report are approved for payment as presented.**

VIII. INVOICES

Ms. Cochran presented a list of invoices dated March 27, 2019. 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 invoices on the list dated March 27, 2019 are approved for payment as presented.

IX. OTHER FUND BUSINESS

A. Cyber Liability Policy

Ms. Cochran reported interim action that the Trustees approved the renewal of cyber liability insurance with Beazley for the period March 12, 2019 through March 12, 2020. Ms. Cochran said that proposals for cyber liability insurance had been provided by the Meltzer Group from carriers Beazley and Coalition. A summary of the proposals was distributed to the Trustees on March 6, 2019. Ms. Cochran noted the annual premium of $1,550 which is pro-rated based on participant count between the Legal, Pension and Welfare Funds.

B. Forms 1099MISC and 1099R

Ms. Cochran said that the Forms 1099MISC and 1099R were mailed on January 22, 2019.

X. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected June 13, 2019 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