The 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 JUNE 8, 2012 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
R. Brooks – Chairman	M. Bull – Secretary
R. Johnson	J. Navin
A. Smith	J. Paradis

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
M. DeLancey – Dickstein Shapiro, LLP
J. Gomes – Calibre CPA Group, PLLC
P. Hardcastle - Cheiron
A. Hogan – Associated Administrators, LLC
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 read the minutes of the last regular meeting held on April 13, 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 April 13, 2012 were approved as presented.**

III. FINANCIAL REPORT

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

A. Custodian Bank – PNC Bank, NA

Mr. Tierney distributed copies of the Summary of Activity report from PNC Bank for the period January 1, 2012 through March 31, 2012. Such report indicated a beginning market value of $146,019,131, receipts of $1,634,152, gains of $11,051,655, and disbursements of $4,596,413, producing an ending market value of $154,108,525.

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 March 31, 2012 was 7.7%, gross of fees.

b. Asset Allocation

Mr. Sichel reviewed the Fund's asset allocation as of March 31, 2012: U.S. Equities 40.3%, International Equities 10.0%, Fixed Income Core 9.4%, Fixed Income High Yield 7.9%, Real Estate 14.2%, Hedge Fund of Funds (HFOF) 8.0%, Global Tactical Asset Allocation (GTAA) 9.6%, and cash 0.5%. He noted that all allocations were within the targeted range.

Mr. Sichel presented the addendum to the Investment Policy Statement reflecting the new asset allocation approved at the April 13, 2012 meeting, The Chairman and Secretary executed the Statement on behalf of the Board of Trustees.

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. **Johnston Asset Management (Johnston) – U.S. Stock Large Cap**

Mr. Sichel reported that Johnston's return is lagging the benchmark, due to the lack of "Apple" stock in their portfolio. "Apple" is in the index Fund and has affected returns enough to cause managers not holding this stock to trail the index benchmark. IPS conducted a due diligence meeting with Johnston representatives on May 4, 2012 and is not recommending the Trustees make any changes with this manager.

ii. **CS McKee – U.S. Fixed Income**

Mr. Sichel reported on the request of CS McKee to amend the investment policy to allow the following: "*U.S. Domestic Bank issued brokered Certificates of Deposit greater than 180 days to maturity that are rated at least A3 by Moody's or P3 by Standard and Poor's.*" IPS recommends approval of the manager's request.

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

RESOLVED, based on the recommendation of the investment consultant, to approve the modification to

the Investment Policy Statement as requested by investment manager, CS McKee, and stated above.

iii. **Meridian and Ivy Clarus – Hedge Fund of Funds**

Mr. Sichel provided an update on the redemptions from Meridian and Ivy Clarus. He said the Meridian Diversified ERISA Fund paid its final redemption, with the exception of a $244,139 audit hold-back. The audit hold-back should be distributed in July 2012. The Meridian Special Investments SPC had a market value of $867,864 as of March 31, 2012. The Meridian Segregated Portfolio held $47,450 as of March 31, 2012.

Mr. Sichel reported that Ivy Clarus Associates II investment held $292,267 as of March 31, 2012. On April 26, 2012, Ivy Asset Management reported that they have entered into a definite agreement to sell all remaining illiquid investments to a single counterparty. They expect portfolio sale transfers to be completed by the end of the third quarter 2012, although this is not guaranteed.

IPS will continue to monitor Meridian and Ivy Clarus for final redemptions.

2. Quarterly Performance Report

Mr. Sichel presented the quarterly performance report for the period ended March 31, 2012. He noted the assets held by the investment managers on March 31, 2012 were as follows: Rothschild – LCV held $13,222,983, Westfield Capital Management held $13,788,686, Johnston Asset Management held $15,865,518, Atlanta Capital held $19,163,426, Johnston International Equity held $7,538,406, Acadian held $7,812,982, C.S. McKee held $11,865,769, Penn Core held $12,219,755, PRISA III held $12839,601, Multi-Employer Property Trust held $9,046,757, Mesirow Advanced Strategies held $11,110,708, Meridian Special Investments held $867,864, Ivy Clarus Associates II held $292,267, BlackRock Financial Management held $14,819,722, the cash account held $798,937 and the

Meridian Segregated portfolio held $47,450. Mr. Sichel reviewed the summary of investment results for the period ended March 31, 2012, including trailing quarter, trailing year-to-date, and trailing one, three and five year periods.

3. Investment Consulting Contract Renewal

Mr. Sichel reviewed his memorandum to Mr. Tierney dated May 10, 2012 in which Investment Performance Services requested an increase in the annual fee from the current $65,000 to $72,500. The proposed new contract would be effective for the two-year period October 1, 2012 to September 30, 2014.

Upon questioning, Mr. Sichel reviewed the services currently provided to the Fund, under the Master Consulting Agreement and additional, upgraded services available from IPS and the fees for those services.

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

The Trustees discussed the contract renewal proposal from IPS and the additional levels of service available. They felt that the annual fee increase, of 12%, was higher than they were willing to agree to at this time. They also indicated that they did not feel it necessary to engage IPS as a master fiduciary, making investment decisions based on the Fund's Investment Policy Statement, but would like to see IPS provide information and recommendations for investment rebalancing and other changes more often than quarterly, preferably monthly, and to expedite manager searches. They directed the Administrative Manager to discuss the Trustees comments and concerns with Mr. Sichel and ask him to provide a modified contract renewal request at the next regularly scheduled meeting.

IV. ACTUARY REPORT

A. 2012 Actuarial Valuation – Preliminary Results

Mr. Hardcastle distributed a report entitled "Preliminary Results of January 1, 2012 Valuation". He reviewed the report which contained sections on historical trends, mortality and retirement assumptions, January 1, 2012 preliminary results, and impact on projected funded status.

Regarding the mortality assumption, Mr. Hardcastle said that new actuarial standards require a consideration of mortality improvement. He said the current table was based on anticipated mortality in 1983, but Cheiron believes it is still a reasonable assumption for this Plan. Cheiron proposes changing the assumption to a table with a generational projection, RP-2000 with Blue Color adjustment. In 2012 this table projections are close to the current 1983 table and as time passes mortality is projected to improve and retirees are expected to live longer. He reviewed a chart that illustrated the RP-2000 Blue Collar Male Mortality, effect on Generational Projection, looking at the life expectancy at Age 60.

Mr. Hardcastle then reviewed the Fund's retirement experience, noting that the Plan will continue to experience losses due to the "30 & out" retirement provision. He said early retirement assumptions are age based, not service based, whereas only service based early retirement is possible. He said that also long as the "30 & out" is in the Plan, there is a 50% chance of retirement at attaining 30 years, and 10% chance of retiring each year thereafter.

B. <u>Rehabilitation Plan</u>

Mr. Hardcastle said that the Rehabilitation Plan is failing. 2012 plan results show a higher unfunded amount than anticipated. He noted Jessup Logistics leaving the Plan, with an insignificant withdrawal liability, but a significant loss of contributions to the Plan. McKesson Corporation may also be leaving the Plan, and they will have a significant withdrawal liability and this will be another loss of contributions to the Plan. He then discussed "*reasonable measures*" required to forestall insolvency, including increasing the retirement age, cutting benefits to new hires, remove the step reduction and go to a flat 1% accrual, remove the "30 & out" benefit, and require 5% per year contribution increases.

The Trustees thanked Mr. Hardcastle for his report and noted that the Subcommittee will continue to work with him on possible modifications to the Rehabilitation Plan. He was excused from the remainder of the meeting.

V. AUDITOR REPORT

The Trustees welcomed Mr. James Gomes of Calibre CPA Group, PLLC to the meeting.

Mr. Gomes reviewed the draft Financial Statements for the years ended December 31, 2011. He said this audit reflects an unqualified opinion, in all material respects, of the financial status of the Fund. The Net Assets Available for Benefits on December 31, 2011 were $146,288,457. He noted that total additions for the year ended December 31, 2011 were $7,675,994 and total deductions were $16,154,896, resulting in a net decrease of Net Assets Available for Benefits of $8,478,902. As of December 31, 2011 total assets were $146,288,457. Mr. Gomes also reviewed the notes to the financial statements, the schedule of administrative expenses, the schedule of employer contributions, and the schedule of assets held for investment purposes.

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

VI. COUNSEL REPORT

A. Payroll Audit Policy

Mr. DeLancey reported that the Fund's new payroll auditor had raised a question regarding the application of interest on payroll audit findings. At the last meeting he said that the payroll audit policy only allows the assignment of interest and damages if the Employer does not pay the amount due within 10 days of notification, when the matter is referred to Fund Counsel. He reported that he is still working on this matter and will report back to the Board.

B. Plan Determination Update

Mr. Burton provided an update concerning the Plan Determination letter submitted to the Internal Revenue Service (IRS) on January 29, 2010. Mr. Burton stated the language is still under review at the IRS national office.

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 first quarter 2012. Such report indicated contribution income of $1,381,607, miscellaneous income of $3,274, and interest and dividend income of $787,220, producing a total income of $2,172,101. Expenses included $4,249,840 of pension benefit expense and $270,243 of operating expense, producing a total expense of $4,520,083 for the quarter. This resulted in a net deficit of $2,347,982 for the quarter. Mr. Tierney noted that contributions were made on behalf of 757 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 first quarter 2012 report were approved for payment.**

VIII. INVOICES

Mr. Tierney presented a list of invoices dated June 8, 2012. 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 June 8, 2012 was approved for payment as presented.

IX. PARTICIPANT APPEALS

Appeal Number	*Issue*	*Board Decision*
P11/105-9776	***Pension Eligibility***	***Denied***
P11/159-2873	***Pension Eligibility***	***Tabled***
P11/160-5195	***Pension Eligibility***	***Denied***

X. OTHER FUND BUSINESS

A. Payroll Audit Status Report

Mr. Tierney reviewed the Auditor's payroll audit status report as of June 4, 2012, as contained in the meeting booklet.

Mr. Tierney reported the payroll audit for Washington Food for the period of July 2008 through December 2008 was complete and a discrepancy of $28.23 was owed to the Pension Fund. He stated a check from Washington Food was received on May 21, 2012 and the audit is now complete.

Mr. Tierney stated the 2012 payroll audits for Giant Warehouse and Giant Recycling were currently in progress.

Mr. Tierney reviewed an issue discussed at the last meeting concerning the timing of Giant's initial contributions for employees that moved from Vacation Relief to Regular Status. He stated Giant provided a report showing a total of $109,333.22 owed to the Fund regarding the matter. Mr. Tierney stated the information was reviewed by the Fund Office; however they could not verify all of the information provided because Associated Administrators is not a payroll auditor.

After a discussion, on MOTION made and seconded, the Trustees voted unanimous approval of the following resolution, with Trustee Paradis abstaining:

> **RESOLVED to engage Calibre CPA Group, PLLC to audit Giant Food for the period of 2001 – 2005 regarding the issue of contributions on employees transferring from Vacation Relief to Regular status and to additionally examine this issue in the current audit of contributions for the period 2009 through 2011, to confirm the matter is being properly handled.**

The Trustees directed the Administrative Manager to request an estimate from Calibre for this special payroll audit and provide it to the Trustees for approval via electronic poll.

B. Department of Treasury - Tax Withholdings for Retirees in Puerto Rico

Mr. Tierney reported on recent regulation requiring tax withholdings on certain pension benefit payments to retirees residing in Puerto Rico. The Fund Office confirmed there are no current retirees or beneficiaries of the Plan residing in Puerto Rico. Pension application processing policies will be amended to check for this residency requirement going forward.

XI. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected September 6, 2012 as their next regular meeting date immediately following the companion Legal Fund meeting in Landover, Maryland.

XII. ADJOURNMENT

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

Respectfully submitted,

Michael Bull

Secretary