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 AUGUST 29, 2013 LANDOVER, MARYLAND

The following Trustees were present:

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

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

Also present were:

A. Cochran – Associated Administrators, LLC
M. DeLancey – Dickstein Shapiro, LLP
L. DuVall – Associated Administrators, LLC
P. Hardcastle – Cheiron
D. Havermann – Morgan, Lewis & Bockius, LLP
M. Herwig – PNC Bank, NA
S. Raeder – Calibre CPA Group, PLLC
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 May 2, 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 May 2, 2013 were approved as presented.**

III. <u>FINANCIAL REPORT</u>

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

A. <u>Custodian Bank – PNC Bank, NA</u>

Mr. Herwig distributed copies of the Summary of Activity report for the period January 1, 2013 through June 30, 2013. Such report indicated a beginning market value of $150,068,326, receipts of $3,016,054, gains of $11,046,623, and disbursements of $9,275,975, producing an ending market value of $154,855,028.

B. <u>Investment Consultant – Investment Performance Services, LLC</u>

1. <u>Master Consulting Report</u>

a. <u>Investment Performance</u>

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 June 30, 2013 was 7.6%, gross of fees.

b. <u>Asset Allocation</u>

Mr. Sichel reviewed the Fund's asset allocation as of June 30, 2013: U.S. Equities 40.6%, International Equities 9.0%, Fixed Income Core 7.8%, Fixed Income High Yield 9.0%, Real Estate 10.4%, Hedge Fund of Funds (HFOF) 8.0%, Global Tactical Asset Allocation (GTAA) 10.2%, and cash 4.9%. He noted that all allocations are not within the targeted ranges, however, once the Fund is fully committed in real estate, the allocations will be within the targets. American Realty Advisors, a real estate manager, will call money quarterly and will be funded from the cash account.

Mr. Sichel recommended continuing to use the cash proceeds from terminated manager Multi-Employer Property Trust for future cash needs rather than pulling from the domestic managers.

c. 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.

i. C.S. McKee

The Trustees approved IPS' recommendation at the May 2, 2013 meeting to change the manager's benchmark to the Barclays Intermediate Government/Credit Index to shorten the duration of the fixed income portfolio and potentially reduce interest rate risk. Mr. Sichel reported the index change was made effective August 1, 2013.

Mr. Sichel stated the updated Investment Policy Addendum was executed by the Trustees in June 2013.

ii. BlackRock Global Allocation

Mr. Sichel recommended sending the current trust documents to BlackRock for their review of the Fund's eligibility to invest in a new collective trust fund. He stated the manager is offering a discounted fee for IPS clients transitioning to the new collective trust. Mr. Sichel said the current total expense paid by the Fund is 0.79%, and the discounted fee offered to IPS clients is 0.65%. He stated based on the June 30, 2013 market value, the estimated annual fee savings would be approximately $22,102. Mr. Sichel also confirmed the new collective trust fund would have daily liquidity.

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

RESOLVED to accept IPS' recommendation and to send the trust documents to BlackRock for their review of the Fund's eligibility to invest in a new collective trust fund.

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

Mr. Sichel presented the preliminary quarterly performance report for the period ended June 30, 2013. He noted the assets held by the investment managers on June 30, 2013 were as follows: Rothschild – LCV held $13,722,916, Westfield Capital Management held $13,216,949, Johnston Asset Management held $15,166,275, Atlanta Capital held $20,758,247, Johnston International Equity held $6,192,792, Acadian held $7,748,348, C.S. McKee held $10,594,708, Penn Core held $13,964,014, PRISA III held $16,152,051, Multi-Employer Property Trust held $9,507,799, Mesirow Advanced Strategies held $11,884,645, Meridian Special Investments held $741,585, BlackRock Financial Management held $15,787,022, the cash account held $7,597,226, and the Meridian Segregated - portfolio held $37,640. Mr. Sichel reviewed the summary of investment results for the period ended June 30, 2013, including trailing quarter, trailing year-to-date, and trailing one, three and five year periods.

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

IV. AUDITOR REPORT

The Trustees welcomed Mr. Steve Raeder of Calibre CPA Group, PLLC to the meeting.

Mr. Raeder reviewed the draft Communication With Those Charged With Governance letter for the year ended December 31, 2012. He reported there were no difficulties in dealing with management in performing and completing the audit.

Mr. Raeder reviewed the draft Financial Statements for the years ended December 31, 2012. 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, 2012 were $155,672,540. He noted that total additions for the year ended December 31, 2012 were $26,854,989 and total deductions were $17,470,906, resulting in a net increase of Net Assets Available for Benefits of $9,384,083. As of December 31, 2012 total assets were $155,672,540. Mr. Raeder 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.

Mr. Raeder discussed his recommendation that the Trustees adopt a policy regarding withdrawal liabilities to be collected over long periods of time due to the uncertainty of 100% collection. McKesson Corporation, one of the withdrawing employers has an 80-quarter payment arrangement. He stated the draft financial statement represents an allowance of 50% related to McKesson’s withdrawal liability receivable which assumes continued collections and each year another year of allowance will be recognized. Mr. DeLancey confirmed the description of the allowance will only impact the financial statement and has no impact on the actuarial valuation per the review of Mr. Hardcastle.

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

> **RESOLVED to accept the recommendation of the auditor regarding the allowance of withdrawal liability for McKesson to be set at 50% recognition with an additional year being recognized annually and**

that this policy applies only to McKesson and will be reviewed on an annual basis by Fund Co-Counsel.

Mr. Raeder then reviewed the draft Report On Internal Control Related Matters Identified During The Financial Statement Audit for the year ended December 31, 2013. He stated two minimal errors were found during the audit. The Administrative Manager corrected the errors and those errors were addressed with a letter to the Board of Trustees dated August 12, 2013. The Administrative Manger requested to add a Management Response section to the letter. Calibre will send the letter to the Administrative Manager for additional language that is to be approved by Fund Co-Counsel and Trustees.

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

V. ACTUARY REPORT

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

A. Actuarial Valuation Report

Mr. Hardcastle distributed his reports titled, "Actuarial Valuation Report for the Warehouse Employees Union Local No. 730 Pension Trust Fund as of January 1, 2013" and "2013 Valuation Results, August 29, 2013."

He reviewed the Valuation Results report and provided a historical review of the assets and liabilities, minimum funding, participant counts, and annual cash flows. He then discussed the 2013 actuarial valuation results including a summary of key results and plan year experience.

B. **Fee Request**

Mr. Hardcastle reviewed Cheiron's 2013 fee request letter for services, as contained in the meeting booklet. This represents a less than 1% 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 2013 retainer agreement with Cheiron at a fee of $18,000, 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.

VI. COUNSEL REPORT

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

VII. ADMINISTRATIVE MANAGER REPORT

A. **First Quarter 2013**

Ms. Cochran presented the Administrative Manager Report for the first quarter 2013. Such report indicated contribution income of $839,381, miscellaneous income of $3,869, interest and dividend income of $533,742 and withdrawal liability payments of $551,792 producing a total income of $1,928,784. Expenses included $4,331,250 of pension benefit expense and $291,259 of operating expense, producing a total expense of $4,622,509 for the quarter. This resulted in a net deficit of $2,693,725 for the quarter. Ms. Cochran noted that contributions were made on behalf of 446 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 first quarter 2013 report were approved for payment as presented.**

B. <u>Second Quarter 2013</u>

Ms. Cochran presented the Administrative Manager Report for the second quarter 2013. Such report indicated contribution income of $1,033,970, miscellaneous income of $1,712, interest and dividend income of $572,186 and withdrawal liability payments of $551,792 producing a total income of $2,159,660. Expenses included $4,327,161 of pension benefit expense and $266,183 of operating expense, producing a total expense of $4,593,344 for the quarter. This resulted in a net deficit of $2,433,684 for the quarter. Ms. Cochran noted that contributions were made on behalf of 433 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 second quarter 2013 report were approved for payment as presented.**

VIII. INVOICES

Ms. Cochran presented a list of invoices dated August 29, 2013. 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 August 29, 2013 was approved for payment as presented.

IX. PARTICIPANT APPEALS

Appeal Number	*Issue*	*Board Decision*
P13/129-5532	***Recalculation of Pension***	***Denied***
P13/126-9776	***Pension Eligibility***	***Denied***

X. OTHER FUND BUSINESS

A. Fiduciary Liability Insurance Renewal and Waiver of Recourse Premiums

Ms. Cochran noted renewal of the Fiduciary Liability policy with CHUBB, through the broker, the McLaughlin Company. She said the annual premium was approved with an increase of $2,234 by the Trustees in an electronic poll conducted in July 2013.

Ms. Cochran advised the Trustees that letters regarding their required payment of the Waiver of Recourse premium of $25 had been mailed and that one premium remains outstanding. Mr. Paradis stated his premium is in processing.

B. Post Retirement Employment

Ms. Cochran reported that the Administrative Manager asked for guidance on interpreting the Funds' plan rule regarding post-retirement employment. She said the Fund Office had recently become aware of a retiree that is working at a company located within 100 miles of the Local Union Office. The company is Trible's Inc., and the question is whether or not this employer is a competitor of the Fund's participating employers. After a discussion the Trustees decided this employer is not a competitor in the industry.

C. Notice of Reduction of Benefits – Adams Burch Inc.

Ms. Cochran reported that the Reduction in Benefits Notice required after the adoption of the Rehabilitation Plan by Adams Burch, Inc. were mailed to participants in a timely manner.

D. 2012 Annual Pension Statements

Ms. Cochran reported that the Annual Pension Statements were mailed to participants on June 18, 2013.

E. 2013 Retiree Information Form

Ms. Cochran reported that the Retiree Information Forms were mailed to retirees on June 20, 2013.

F. "*For Your Benefit*" Newsletter

Ms. Cochran noted the July 2013 *For Your Benefit* newsletter was mailed to participants.

XI. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected December 20, 2013 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