The 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 TRUST FUND DECEMBER 15, 2011 LANDOVER, MARYLAND

The following Trustees were present:

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

EMPLOYER TRUSTEES
M. Bull – Secretary
J. Navin
J. Paradis

Also present were:

C. Bott – Novak Francella
H. Burton – Morgan, Lewis & Bockius, LLP
M. DeLancey – Dickstein Shapiro, LLP
L. Ecle – Novak Francella
T. Geiman – Novak Francella
J. Gomes – Calibre
S. Halberg - Calibre
P. Hardcastle - Cheiron
M. Herwig – PNC Bank, NA
A. Hogan – Associated Administrators, LLC
P. Novak – Novak Francella
S. Raeder - Calibre
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 September 20, 2011.

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 20, 2011 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, 2011 through September 30, 2011. Such report indicated a beginning market value of $153,196,510, receipts of $4,955,478, gains of $2,503,267, and disbursements of $12,936,031, producing an ending market value of $147,719,224.

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

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 year to date was [-4.1%], gross of fees.

b. Asset Allocation

Mr. Sichel reviewed the Fund's asset allocation as of September 30, 2011: U.S. Equities 37.5%, International Equities 9.8%, Fixed Income Core 10.9%, Fixed Income High Yield 8.3%, Real Estate 14.6%, Hedge Fund of Funds (HFOF) 8.9%, Global Tactical Asset Allocation (GTAA) 9.4%, and cash 0.6%. 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. Westfield Capital Management (Westfield)

Mr. Sichel noted a compliance issue stating the manager noted at times during the third quarter, the security weight of Apple (AAPL) exceeded five percent of the account's total market value due to the market movement. No additional shares of AAPL were purchased during the quarter. The manager recommends the following changes to the Fund's current Investment Policy Statement: To have the flexibility to overweight large benchmark names (e.g. AAPL), the Westfield Large Cap Equity Product guidelines were recently amended to allow each individual security to be held up to the greater of 5% or 2% above the benchmark weight. As previously requested, the manager would like to increase the individual security weight restriction to a maximum of 7% of the individual portfolio measured at market value. Mr. Sichel stated IPS recommended modifying the manager addendum to allow for 6% of an individual security measured at market value.

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

RESOLVED to approve the recommendation of IPS to modify the Westfield manager addendum to the Investment Policy Statement to allow 6% of an individual security measured at market value.

Mr. Sichel stated he will prepare a revised addendum to the Investment Policy Statement for Westfield for co-Counsel review and execution by Chairman and Secretary.

ii. <u>Multi-Employer Property Trust (MEPT)</u>

Mr. Sichel noted that MEPT is performing below its benchmark. IPS conducted a due diligence call with MEPT on April 27, 2011 and in November 2011. Mr. Sichel said IPS is not recommending a change, but will continue to monitor the performance for improvement.

iii. <u>Meridian - MDF Special Investments, SPC, Ltd.</u>

Mr. Sichel reported that on September 16, 2011 Meridian sent correspondence regarding an in-kind distribution of redemption proceeds. He stated this is consistent with the notice that Meridian sent out on June 9, 2011 explaining that only two distributions remained for investors who fully redeemed (June 30, 2011 and December 31, 2011), and based on the nature of the underlying investments, some securities in the Diversified ERISA Fund remain illiquid. The June notice outlined the establishment of a Special Purpose Vehicle or Segregated Portfolio that Meridian established for the purpose of receiving the pro-rata portion of illiquid securities of all investors who are fully redeeming. The September 16, 2011 notice is confirmation of that action. Per Meridian, the shares will be held until such a time that they can be sold and converted to cash for investors holding those shares. The shares are not redeemable.

Mr. Sichel stated the September 16, 2011 notice included important information regarding the structure, management, and terms of the MDEF June 2011 Segregated Portfolio. He then said the September 16th notice and MDEF 2011 Segregated Portfolio summary of terms needs to be reviewed by co-Counsel.

2. Quarterly Performance Report

Mr. Sichel presented the quarterly performance report for the period ended September 30, 2011. He noted the assets held by the investment managers on September 30, 2011 were as follows: Rothschild – LCV held $11,318,978, Westfield Capital Management held $11,811,251, Johnston Asset Management held $13,812,678, Atlanta Capital held $15,464,428, Johnston International Equity held $6,668,378, Acadian held $6,968,928, C.S. McKee held $12,692,497, Penn Capital held $11,630,656, PRISA III held $11,773,364, Multi-Employer Property Trust held $8,685,569, Mesirow Advanced Strategies held $10,670,367, Meridian Diversified ERISA Fund held $686,588, Meridian Segregated portfolio held $773,136, Ivy Clarus Associates II held $379,576, BlackRock Financial Management held $13,109,469 and the cash account held $792,518. Mr. Sichel reviewed the summary of investment results for the period ended September 30, 2011, including trailing quarter, trailing year-to-date, and trailing one, three and five year periods.

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

IV. AUDIT SERVICES AND PROPOSALS PRESENTATIONS

Mr. Tierney reported that four firms had responded to the Request for Proposal to provide auditing services to the Fund: (1) Calibre, (2) Novak Francella, (3) Bond Beebe, and (4) Gorfine, Schiller & Gardyn. A summary of the proposals was sent electronically to the Trustees and Counsel for review and as a result, the Trustees selected Calibre and Novak Francella as finalists and requested that they be scheduled to make presentations at this meeting.

A. **Calibre**

The Trustees welcomed Mr. Steve Raeder, Mr. James Gomes, and Mr. Scott Halberg, of Calibre, to the meeting.

Mr. Raeder distributed an executive summary of their proposal and provided a description of the company. He noted their long term history of providing service to Taft-Hartley clients and reviewed a sample client list. Mr. Gomes then described Calibre's audit process and the level of expertise that Calibre brings with 31 Certified Public Accountants on staff, including Mr. Halperin who is their tax expert. Mr. Gomes also reviewed Calibre's payroll audit process, performed by a separate department at Calibre, headed by Ms. Ellen Odell.

Mr. Raeder said the proposed fee for the audit of the plan year ending December 31, 2011, and accompanying required filings, for the Pension Fund is $14,500. Calibre would also agree to cap their fee increase for the second year of the agreement at 3%. Payroll auditing would be charged at their hourly rates, ranging from $80 to $325, and capped at $4,000 per year. Payroll audit costs would be billed on a pro-rata basis to the Welfare, Pension, and Legal Funds.

The Trustees thanked Mr. Raeder, Mr. Gomes, and Mr. Halberg for their presentation and they were excused from the meeting.

B. **Novak Francella**

The Trustees welcomed Mr. Peter Novak, Mr. Tyler Geiman, Ms. Leah Ecle, and Ms. Christine Bott, of Novak Francella, to the meeting.

Mr. Novak distributed copies of their proposal and provided a description of the services provided by the company. He noted their long term history and reviewed a sample client list. He said the firm has opened an office in Columbia, Maryland to provide services in the greater Washington, DC area. This office is headed by Mr. Geiman.

Mr. Geiman then described Novak Francella's audit and payroll audit process.

Mr. Novak said the proposed fee for the audit of the plan year ending December 31, 2011 and accompanying required filings for the Pension Fund is $18,000. Upon questioning, Mr. Geiman indicated that they were willing to consider alternative fees. Payroll auditing would be charged at their hourly rates, ranging from $79 to $130.

The Trustees thanked Mr. Novak, Mr. Geiman, Ms. Ecle and Ms. Bott for their presentation and they were excused from the meeting.

C. **Discussion**

The Trustees reviewed the Executive Summary of the proposals prepared by Mr. Tierney and noted the fee proposed by the current auditor, Salter & Company, for the plan year ending December 31, 2011 was $15,819. In addition to fees, they discussed in detail the histories of the two firms, their current client lists, and the results of the most recent peer review opinion of each firm.

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

> **RESOLVED to engage Calibre (1) to perform the audit functions described in their proposal for the plan year ending December 31 2011 at a fee of $14,500; for the plan year ending December 31, 2012 at a fee of $14,500; for the plan year ending December 31, 2013 at a fee of $14,862.50; And (2) to perform payroll audit functions, charged at their hourly rates, capped at $4,000 per year, and shared with the Legal and Pension Funds.**

V. ACTUARY REPORT

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

A. Rehabilitation Plan

Mr. Hardcastle reviewed the Rehabilitation Plan (RP) and discussed the impact of a 0% investment return in 2011. Although the investment return was well below the 7.5% assumption, he recommended that an update of the RP was not required at this time. However, noting the expiration of two collective bargaining agreements in 2012, Mr. Hardcastle recommended the Trustees review potential changes at the next regularly scheduled meeting. The Trustees directed a sub-committee, consisting of the Chairman and Secretary, to work with Mr. Hardcastle, co-Counsel, and the Administrative Manager, prior to the next meeting to prepare possible modifications to the RP for consideration.

B. Fee Request

Mr. Hardcastle reviewed Cheiron's 2012 fee request letter for services, as contained in the meeting booklet. This represents a 2% 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 2012 retainer agreement with Cheiron at a fee of $17,856, 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

A. Memoranda Of Understanding: McKesson and Washington Food

Co-Counsel indicated they had reviewed the Memoranda of Understanding (MOA) between the Union and two participating employers, McKesson Corporation and Washington Food and Supply Company, and recommended the Trustees adopt the MOAs. In both agreements the employer adopted the preferred schedule of the Rehabilitation Plan that was provided by the Fund actuary.

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

> **RESOLVED to approve the Memoranda of Understanding between the Union and McKesson Corporation, for the period July 1, 2011 through June 30, 2012, and the Memoranda of Understanding between the Union and Washington Food and Supply Company for the period November 1, 2011 through October 31, 2012.**

B. Trust Agreement Amendment

Mr. DeLancey reviewed the Trust Agreement Amendment prepared by co-Counsel to reflect the changes regarding Trustee appointment, removal, voting, and term length approved at the June 2011 meeting. The Trustees reviewed the Amendment, which was executed by the Chairman and Secretary on behalf of the Board of Trustees.

C. Post Retirement Suspension of Benefit

Mr. DeLancey reviewed the Post Retirement Suspension of Benefit Plan Amendment prepared by co-Counsel to reflect the changes in the Plan rule regarding the suspension of benefits for employment after retirement approved at the June 2011 meeting. The Trustees reviewed the Amendment, which was executed by the Chairman and Secretary on behalf of the Board of Trustees.

D. Plan Determination Update

Mr. Burton provided an update concerning the Plan Determination letter submitted to the Internal Revenue Service (IRS) on January 29, 2010. He said that the IRS regional office is questioning the Fund's normal retirement age of 60, stating that, "…under new regulation, a plan's normal retirement age must be an age that is not earlier than the earliest age that is reasonably representative of the typical retirement age for the industry in which the covered workforce is employed." The IRS's regional office has referred the issue to the national office. Mr. Burton stated the language is still under review at the national office. He said the Fund's normal retirement age is reflective of the typical retirement age in this industry for unionized employers. He also noted that the normal retirement age was increased, for future service credit, to age 62 under the Rehabilitation Plan.

VII. ADMINISTRATIVE MANAGER REPORT

A. Third Quarter 2011

Mr. Tierney presented the Administrative Manager Report for the third quarter 2011. Such report indicated contribution income of $1,407,204, miscellaneous income of $6,130, and interest and dividend income of $691,583, producing a total income of $2,104,917. Expenses included $4,203,178 of pension benefit expense and $324,217 of operating expense, producing a total expense of $4,527,395 for the quarter. This resulted in a net deficit of $2,422,478 for the quarter. Mr. Tierney noted that contributions were made on behalf of 755 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 2011 report were approved for payment.

B. **Administrative Services Contract Renewal**

Mr. Tierney reviewed his letter dated September 20, 2011 which notes that the administrative services contract between the Fund and Associated Administrators, LLC will expire on December 31, 2011 and provides detailed information in support of the request for a three-year renewal. The Trustees had tabled action on this request at the September 2011 meeting.

The Trustees excused Mr. Tierney and Ms. Hogan from the room.

***** EXECUTIVE SESSION *****

The Trustees welcomed Mr. Tierney and Ms. Hogan back to into the meeting.

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

RESOLVED to approve an extension of the administrative services contract with Associated Administrators, LLC, for the period January 1, 2012 through December 31, 2014, with 3% annual fee increases.

Mr. Tierney thanked the Board of Trustees for the contract renewal and said a contractual amendment would be prepared and sent to co-Counsel for review.

VIII. INVOICES

Mr. Tierney presented a list of invoices dated December 15, 2011. 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 December 15, 2011 was approved for payment as presented.**

IX. PARTICIPANT APPEALS

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

X. OTHER FUND BUSINESS

A. Payroll Audit Status Report

Mr. Tierney reviewed the Auditor's report entitled, "Three Year Cycle Payroll Audit Status Report – As of December 6, 2011," as contained in the meeting booklet.

Mr. Tierney reported that the McKesson Corporation had paid the agreed upon payroll audit settlement amount of $340,000 however, the check was made payable to the Welfare Fund. It was deposited and he now required direction from the Board of Trustees on how to allocate the amounts to participants, as the settlement amount was for less than the full amount of the findings. He said that assigning the amounts based on a pro-rata allocation presented difficulties, especially on the Pension Fund, where amounts less than the required contribution rate would require special programming and would result in the participant receiving less than a full pension benefit credit for hours actually worked. This is due in part to the fact that the hourly contribution rate is made up of multiple components including benefit credit, funding improvement, and rehabilitation plan increases. He said a preliminary estimate of the programming costs required to perform this allocation would be $10,000.

The Trustees discussed the settlement with Trustee Brooks noting that the agreement was reached between the Union and McKesson with the understanding that no participant would be negatively affected. Upon questioning, Mr. Tierney responded that applying less than full contribution credits only had a negative effect on pension participants relying on those amounts for a pension benefit. Contribution credits to the Legal and Welfare Fund would not provide participants with any additional benefit, nor would a less than full contribution credit result in the loss of any benefit, as the contributions were for the period 2006 through 2010, where the use of those benefits was available for the affected participants.

The Trustees noted that if the Pension Fund received 100% of applicable payroll audit findings, the remaining allocation available to the Legal and Welfare Funds would be reduced, in total, by approximately $13,000. They then discussed the potential benefit impact on participants of a less than full pension allocation. Mr. Tierney confirmed that the estimated $10,000 in programming costs would not be required if the Pension Fund was assigned the full contribution amounts as the Legal and Welfare Fund contribution rates do not have the same multiple components as the Pension Fund.

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

> **RESOLVED to allocate the McKesson payroll audit settlement amount in a manner such that no participant loses a benefit.**

B. ***For Your Benefit* Newsletter**

Mr. Tierney reported that the October 2011 For *Your Benefit* newsletter was mailed to participants.

C. **Summary Plan Information Notice – 401(d)**

Mr. Tierney reported the Summary Plan Information Notice was reviewed by Fund Counsel and mailed in a timely manner to the appropriate parties.

XI. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected April 13, 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