Warehouse Employees Union Local No. 730
Pension Trust Fund

911 Ridgebrook Road
Sparks, Maryland 21152-9451
Telephone: (800) 730-2241
www.associated-admin.com

4301 Garden City Drive, Suite 201
Landover, Maryland 20785-6102
Telephone: (800) 730-2241
www.associated-admin.com

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE WAREHOUSE EMPLOYEES UNION LOCAL NO. 730 PENSION TRUST FUND JUNE 5, 2014 LANDOVER, MARYLAND

The following Trustees were present:

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

EMPLOYER TRUSTEES
M. Bull - Secretary
J. Paradis

Also present were:

A. Budich – Calibre CPA Group, PLLC
H. Burton – Morgan, Lewis & Bockius, LLP
W. Chambers – Associated Administrators, LLC
A. Cochran – Associated Administrators, LLC
M. DeLancey – Dickstein Shapiro, 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 March 14, 2014.

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 March 14, 2014 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, 2014 through March 31, 2014. Such report indicated a beginning market value of $165,778,842, receipts of $1,260,314, gains of $2,745,902, and disbursements of $4,721,164, producing an ending market value of $165,063,894.

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, 2014 to March 31, 2014 was 1.7%, gross of fees.

b. Asset Allocation

Mr. Sichel reviewed the Fund's asset allocation as of March 31, 2014: U.S. Equities 40.7%, International Equities 9.5%, Fixed Income Core 7.3%, Fixed Income High Yield 8.8%, Real Estate 15.1%, Hedge Fund of Funds (HFOF) 7.9%, Global Tactical Asset Allocation (GTAA) 10.6%, and cash .2%. He noted that all allocations were within the targeted range.

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.

a. **Acadian Asset Management**

Mr. Sichel reiterated his comments from the last meeting stating the manager's poor performance during 2013 was due to the significant amount of volatility in emerging markets. He said the manager's performance for the first quarter 2014 has improved, however he recommends continuing to monitor performance.

b. **Rothschild Asset Management**

Mr. Sichel noted IPS' recommendation to monitor the manager due to personnel changes effective in the first quarter 2014. There were several transitions of duties within the firm's management.

3. **Quarterly Performance Report**

Mr. Sichel presented the preliminary quarterly performance report for the period ended March 31, 2014. He noted the assets held by the investment managers on March 31, 2014 were as follows: Rothschild – LCV held $16,201,662; Westfield Capital Management held $15,910,086 Johnston Asset Management held $17,730,837; Atlanta Capital held $17,378,206; Johnston International Equity held $7,033,026; Acadian held $8,607,285; C.S. McKee held $10,899,164; C.S. McKee transition $1,150,671 Penn Core held $14,444,268; PRISA III held $17,615,980; American Core Realty Fund held $7,290,641; Multi-Employer Property Trust held $12,640,172; Meridian Special Investments held $462,608; BlackRock Financial Management held $17,451,290, and the cash account held $247,998. Mr. Sichel reviewed the summary of investment results for the period ended March 31, 2014, including trailing quarter, trailing year-to-date, and trailing one, three and five year periods.

4. **Investment Policy – Wal-Mart Exclusion**

Mr. Sichel reported that an updated Investment Policy Statement with guidelines that prohibit investments in Wal-Mart was approved by Fund Counsel and executed by the Trustees. He said the updated Investment Policy Statement would be distributed to the Fund's managers. Mr. Sichel noted that certain investment styles do not allow the investor to dictate the investment, such as a commingled fund.

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 and Mr. Art Budich of Calibre CPA Group, PLLC to the meeting.

Mr. Raeder reviewed the draft Financial Statements for the year ended December 31, 2013. He said this audit reflects an unqualified opinion, in all material respects, of the financial status of the Fund. He noted that total additions for the year ended December 31, 2013 were $35,914,433 and total deductions were $17,691,458, resulting in a net increase of Net Assets Available for Benefits of $18,222,975. As of December 31, 2013 total assets were $173,895,515. 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 the recommendation he made at the August 29, 2013 meeting in which he requested Trustee approval to set the withdrawal liability allowance for McKesson to 50% recognition with an additional year being recognized annually. The

Trustees approved this recommendation and asked for the policy to be reviewed on an annual basis with Fund Counsel. After a review of the records, Mr. Raeder stated he did not think this policy was relevant and that the withdrawal liability, recognition should be at 100%. Fund Counsel and the Trustees found this recommendation to be acceptable.

The Trustees thanked Mr. Raeder and Mr. Budich for their report and they were excused from the meeting.

V. COUNSEL REPORT

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

VI. ADMINISTRATIVE MANAGER REPORT

Ms. Cochran presented the Administrative Manager Report for the first quarter 2014. Such report indicated contribution income of $866,647, miscellaneous income of ($22,835), interest and dividend income of $1,476,290 and withdrawal liability payments of $539,653 producing a total income of $2,859,755. Expenses included $4,443,230 of pension benefit expense and $302,929 of operating expense, producing a total expense of $4,746,159 for the quarter. This resulted in a net deficit of $1,886,404 for the quarter. Ms. Cochran noted that contributions were made on behalf of 425 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 2014 report were approved for payment as presented.

VII. INVOICES

Ms. Cochran presented a list of invoices dated June 5, 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 June 5, 2014 was approved for payment as presented.

VIII. OTHER FUND BUSINESS

A. Cyber Liability Policy

Ms. Cochran stated an electronic mail was received from The McLaughlin Company regarding Cyber Liability insurance for the Fund. Ms. Cochran said the e-mail was distributed to Fund Counsel for review. She said Fund Counsel asked for a copy of the Administrative Manager's Cyber Liability Policy and it was provided. Fund Counsel asked the Administrative Manager to look into the cost of adding the Fund under the Administrative Manager's policy.

B. Fidelity Bond Renewal

Ms. Cochran stated the Fidelity Bond policy renewal for the period July 11, 2014 through July 11, 2017 was received. She said there was no change in the policy from the previous period, including the annual premium which is $609.00. Ms.

Cochran said the renewal was reviewed by Fund Counsel and found to be acceptable.

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

> **RESOLVED that the Fidelity Bond policy for the period July 11, 2014 through July 11, 2017 at an annual premium of $609.00 was approved for renewal.**

C. Fiduciary Liability Renewal

Ms. Cochran reported the Fiduciary Liability application for the 2014 – 2015 policy year was submitted by The McLaughlin Company to the market for multiple carrier quotes. The current policy will expire July 26, 2014.

D. PPA Zone Certification

Ms. Cochran reported receipt of the PPA Zone Certification from Cheiron on March 31, 2014. The Fund's status was certified as "critical."

E. Notice of Critical Status and Annual Funding Notices

Ms. Cochran reported that copies of the Notice of Critical Status for the Plan Year beginning January 1, 2014 and Annual Funding Notice for the Plan Year ending 2013 were mailed to participants and employers on April 29, 2014.

F. Eight O'Clock Coffee Contribution Rate Increase

Ms. Cochran said a contribution rate increase letter was mailed to the employer on May 7, 2014.

G. *For Your Benefit* Newsletter

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

IX. <u>NEXT MEETING DATE AND LOCATION</u>

After discussion, the Trustees selected September 25, 2014 as their next regular meeting date immediately following the companion Legal Fund meeting in Landover, Maryland.

X. <u>ADJOURNMENT</u>

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

Respectfully submitted,

Michael Bull
Secretary