Food Employers Labor Relations Association
And United Food & Commercial Workers
Pension Fund

911 Ridgebrook Road
Sparks, Maryland 21152-9451
Telephone: (410) 683-6500
(800) 638-2972
www.associated-admin.com

4301 Garden City Drive Suite 201
Landover, Maryland 20785-6102
Telephone: (301) 459-3020
(800) 638-2972
www.associated-admin.com

MINUTES OF THE MEETING OF THE
BOARD OF TRUSTEES OF THE
FELRA AND UFCW PENSION FUND
DECEMBER 18, 2013 IN
LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
M. Federici - Chairman
T. Hipkins
G. Murphy, Jr.
J. Slivosky

EMPLOYER TRUSTEES
W. Kraemer – Secretary
J. Champion
F. Stegman

Also present were:

M. Boyle – UFCW Local 400
H. Burton – Morgan, Lewis & Bockius, LLP
S. Goodman – Slevin & Hart, P.C.
W. Jensen – Associated Administrators, LLC
L. Madert – Safeway, Inc.
C. Mietlicki - Cheiron
C. Murphy – Associated Administrators, LLC
J. Paradis – Ahold USA
D. Russell – Investment Performance Services
R. Sichel – Investment Performance Services
K. Woodrich - Cheiron

I. CALL TO ORDER

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

A. Resignation/Appointment of Trustee

Mr. Jensen reported that he had received correspondence from Trustee Blitzstein resigning as a Trustee effective December 31, 2013. Mr. Murphy requested that Trustee Blitzstein's resignation be effective as of the date of the meeting and that Thomas Hipkins be appointed as his replacement effective the same date. The Trustees accepted Trustee Murphy's request and Mr. Hipkins was welcomed to the Board of Trustees.

II. MINUTES

The Trustees reviewed the minutes of the appeals subcommittee meeting held on September 17, 2013, which were pre-circulated and,

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

RESOLVED that the minutes of the appeals subcommittee meeting held on September 17, 2013 were approved as presented.

III. FINANCIAL REPORT

A. PNC Report

The Trustees welcomed Mr. Michael Herwig of PNC Bank to the meeting. He presented a summary of activity report for the period January 1, 2013 to November 30, 2013. Such report indicated a beginning balance of $1,615,196, receipts of $62,624,497, transfers from managers of $73,797,562, disbursements of $134,858,579, and earnings of $2,124, resulting in an ending balance of $3,180,800, as of November 30, 2013.

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

B. Investment Consultant's Report (Investment Performance Services)

1. Master Consulting Report

The Trustees welcomed Mr. Richard Sichel and Mr. David Russell of Investment Performance Services to the meeting. Mr. Sichel reviewed the Master Consulting Report for the period ended September 30, 2013. Such report indicated an ending market value of $588,045,505. The year-to-date performance was 9.2%.

2. Performance Summary

Mr. Sichel reviewed the performance of each manager. He distributed the target/transition summary report, reflecting decisions made by the investment committee. He noted that Foundry Partners performance would be monitored. NWQ would be terminated and the proceeds would be invested in the Vanguard Total US Stock Market Index, subject to an acceptable contract. He further noted that the Vanguard EAFE ET fund would also be terminated and that the proceeds would be transferred to the Vanguard Emerging Markets Index fund. He noted that a portion of the proceeds from the Windhaven investment would be transferred to the PIMCO All Asset Fund, subject to an acceptable contract. AGR would be terminated and the proceeds transferred to the PIMCO Unconstrained Bond CIT fund, subject to an acceptable contract. He said that the Putnam Total Return Trust's allocation would be reduced. Putnam was being monitored due to personnel changes within the company. He noted that Wellington's investment would be reduced as well.

Mr. Sichel said that Segal, Bryant and Hamill ("SBH") had been sold. SBH requested that the Trustees consent to the change in ownership and assignment of the SBH contract. Mr. Sichel recommended that the Trustees approve an assignment of the contract as requested. After discussion,

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

> **RESOLVED to accept the advice of the investment consultant, by consenting to the assignment of the SBH contract as requested.**

3. Investment Committee

The Trustees discussed the scope of the authority of the investment committee. Mr. Paradis suggested that investment strategies that would require a change in the investment policy statement, such as Tail Risk Hedging strategy, ought to be the responsibility of the full Board of Trustees. Mr. Murphy indicated that the investment committee had the authority. Following a discussion on the PIMCO Tail Risk Hedging strategy, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to adopt the investment committee report as presented, except the tail risk hedging strategy.**

The Trustees agreed to review this matter in the future.

C. <u>Auditor's Report</u>

The Trustees welcomed Mr. Joseph Herishen of Salter & Company to the meeting. He presented the audit report for the period ending December 31, 2012. He noted that the report was an unqualified opinion. He further noted that the report has some new requirements and he reviewed the changes in detail.

Mr. Herishen reported that net assets as of the beginning of the year amounted to $639,275,891. Net investment income was $68,229,612, contribution income totaled $66,991,483. Other income totaled $380,232, producing net additions to the Fund of $134,601,327. Total deductions amounted to $142,597,685, producing a net decrease in the assets of $7,996,358, resulting in net assets at the end of the year of $631,279,533. Mr. Herishen reviewed the Notes to the Financial Statements, the Schedule of Assets held for Investment Purposes, the Schedule of Reportable Transactions, and the Schedule of Employer Contributions.

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

IV. ACTUARY'S REPORT

The Trustees welcomed Mr. Chris Mietlicki and Mr. Kevin Woodrich of Cheiron to the meeting. They reviewed the January 2013 valuation results. Mr. Woodrich said that there were 21,015 active participants, 12,719 terminated vested participants and 17,310 beneficiaries in pay status, producing a total of 51,044 participants. The market value of assets as of January 2013 was $652,897,338, compared to the actuarial value of assets of $783,476,806. The total value of future benefits was $1,653,321,531. The present value of accrued benefits was $1,650,999,249. He noted he estimated that the Fund would become insolvent in August 2022.

The Trustees thanked the representatives from Cheiron for their report and they were excused from the meeting.

V. ATTORNEY'S REPORT

A. A & P Litigation

Ms. Goodman discussed the status of the A & P litigation.

B. Plan Amendments

Ms. Goodman reviewed Plan Amendments No. 2 and 4. Such amendments were executed by the Trustees. Ms. Goodman and Mr. Burton discussed the Plan amendment on venue and forum.

C. Meridian Litigation

Ms. Goodman discussed the status of the Meridian litigation.

D. Defense of Marriage Act ("DOMA")

Ms. Goodman reviewed the DOMA regulations with the Trustees, in light of the Supreme Court decision in the Windsor case.

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

RESOLVED to amend the Plan to the extent required by law to recognize same sex spouses.

The Fund Office will review and revise the benefit forms as necessary. Cheiron will review the cost of extending this change to the 66% and 100% joint and survivor benefits.

E. <u>Policies</u>

Ms. Goodman discussed the status of the draft suspension of benefits policy, cost-sharing agreement and withdrawal liability policy.

F. <u>Madoff Fund</u>

Ms. Goodman discussed the Madoff Victim Fund.

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

RESOLVED to delegate to Chairman and Secretary the authority over the proof of claim with the Madoff Victim Fund.

G. <u>Jones Lawsuit</u>

Ms. Goodman reviewed the Jones lawsuit against the Fund.

H. <u>Cheiron Agreement</u>

Ms. Goodman advised that the Cheiron retainer agreement for 2013 was ready for signature. The Trustees signed the agreement.

I. <u>April 2012 Minutes Correction</u>

Ms. Goodman discussed the Board's adoption of the bargaining changes at the April, 2012 meeting. The Trustees approved the correction of the minutes.

J. **<u>Rehabilitation Plan</u>**

Ms. Goodman reviewed the proposed Rehabilitation Plan for 2013.

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

RESOLVED to authorize Chairman and Secretary to approve the 2013 Rehabilitation Plan between meetings.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. 2Q13

Mr. Jensen presented the administrative manager's report for the second quarter 2013, which had been pre-circulated. Such report indicated contribution income of $13,513,301, interest and dividend income of $2,257,278, transfers from assets of $21,358,029, withdrawal liability payments of $152,258 and miscellaneous income of $77,293, producing total income of $37,358,159. Total expenses were $36,804,536, producing a net operating surplus of $553,623 for the second quarter 2013. Contributions were remitted on behalf of 18,956 plan participants.

Mr. Jensen then reviewed the pension applications contained in the administrative manager's second quarter report.

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 second quarter report were approved for payment.**

B. 3Q13

Mr. Jensen presented the administrative manager's report for the third quarter 2013, which had been pre-circulated. Such report indicated contribution income of $13,191,550, interest and dividend income of $2,241,561, transfers from assets of $23,516,823, withdrawal liability payments of $152,258 and miscellaneous income of $11,938, producing total income of $39,114,130. Total expenses were $37,048,164, producing a net operating surplus of $2,065,966 for the third quarter 2013. Contributions were remitted on behalf of 18,795 plan participants.

Mr. Jensen then reviewed the pension applications contained in the administrative manager's third quarter report.

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 third quarter report were approved for payment.**

VII. INVOICES

The Trustees reviewed the list of invoices dated December 18, 2013. It was noted 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 December 18, 2013 were approved for payment.

VIII. OTHER FUND BUSINESS

A. Miscellaenous Correspondence

1. 104(d) Notices

Mr. Jensen noted that the 104(d) notices had been sent the participating employers and unions on November 13, 2013. Ms. Goodman discussed the 104(d) notice for 2012.

2. Pension Benefit Guaranty Corporation ("PBGC")

Mr. Jensen reported that the Fund had filed the final PBGC filing timely and that a refund was due to the Fund.

B. Memorandum of Agreement ("MOA")

Mr. Jensen reported that a Memorandum of Agreement ("MOA") was reached between Safeway, Giant and UFCW Local's 400 and 27.

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

RESOLVED to approve the Memorandum of Agreement as presented.

C. Request for Waiver of Prohibited Employment Rule

Mr. Jensen reviewed a request that had been tabled at the last meeting, concerning prohibited employment at a Shop Rite location in Baltimore. The Trustees confirmed that former SuperFresh pensioners that applied for, or were receiving pension benefits as of November 1, 2011, and were working at one of three Shop Rite locations, would be allowed to collect pension benefits under a five year waiver of the rule. The five year waiver of the prohibited employment provisions for such pensioners would terminate December 20, 2015.

The participant who requested clarification of the rule had not yet applied for a pension. As a result, he is not eligible to collect a pension while working at the Shop Rite store, in accord with the rule.

D. Information Request

Mr. Jensen reported that he had received an information request from Ahold and that the request had been forwarded to the Fund's Actuary for response.

IX. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees decided to leave the next meeting date and location to the call of the Chairman.

X. ADJOURNMENT

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

Respectfully submitted,

Ward Kraemer, Secretary