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 AUGUST 27, 2013 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
M. Federici - Chairman
D. Blitzstein
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
W. Jensen – Associated Administrators, LLC
G. Kalwarski – Cheiron
C. Murphy – Associated Administrators, LLC
J. Paradis – Ahold USA
D. Russell – Investment Performance Services
R. Sichel – Investment Performance Services
B. Slevin – Slevin & Hart, P.C.
L. Walsh – Associated Administrators, LLC
K. Woodrich - Cheiron

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

I. MINUTES

The Trustees reviewed the minutes of the regular meeting held on May 23, 2013 and the appeals committee meeting held on June 11, 2013, which were pre- circulated, and

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

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RESOLVED that the minutes of the regular meeting held on May 23, 2013 and the appeals committee meeting held on June 11, 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 July 31, 2013. Such report indicated a beginning balance of $1,615,196, receipts of $46,706,988, transfers from managers of $46,798,604, disbursements of $85,770,326, and earnings of $1,546, resulting in an ending balance of $9,352,008, as of July 31, 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 June 30, 2013. Such report indicated an ending market value of $596,866,257. The year-to-date performance was 6.9%.

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 IRM would be terminated effective September 3, 2013 and their portfolio would be transferred to Segall, Bryant and Hamill. Lazard Asset Management would be terminated effective September 3, 2013 and their portfolio would be transferred to Chartwell Investment Partners. Vanguard had been hired as an investment manager for management of three separate portfolios, subject to execution of an acceptable contract. The PIMCO fixed income management contract was currently being reviewed by Fund Counsel.

3. Pension Investment Discussion

Mr. Russell summarized the proposed Tail Risk Hedge approach for the FELRA Pension Fund portfolio. He advised that this was designed to protect the Fund from a major loss, which could significantly shorten the time to the projected insolvency. He reviewed the PIMCO Tail Risk Hedge product in detail. The PIMCO product would create a portfolio of indirect hedge investment products with a 10% attachment point. The cost would be a $6 million premium, plus applicable fees. The product would have a one year contract period and would be re-evaluated each year,

although it was expected that it would be most effective over the next three years. It would be a customized account with a valuation by the Trustees at the end of the one year contract period. The contract could be terminated mid-year.

Mr. Russell said that the PIMCO product could be viewed as a pre-paid expense as the value of the product at the end of the one year contract would be zero dollars.

Mr. Paradis said that if the Fund purchased a portfolio of derivative investments, it would be considered an asset, not an expense, so he did not understand why the PIMCO product would be considered as an expense. Mr. Blitzstein suggested that IPS discuss with PIMCO to determine how other clients recognized their product, as either an expense or as an asset. The Board was inclined to treat it as an asset.

Mr. Stegman asked IPS why the Fund was changing to index funds for the equity portfolio. Mr. Sichel said that due to the reduced portfolio size and the need for higher liquidity in the future and lower fees, using index funds was an appropriate strategy. Mr. Sichel further noted that multiple separate accounts would become problematic due to the minimum account size required by each of the individual managers. Index funds provide the Fund a broad exposure to a diversified asset base with lower fees. Mr. Blitzstein asked IPS to calculate and advise the Board of the fee reduction that the index funds would likely produce.

The Trustees thanked the representatives of Investment Performance Services for their report and they were excused from the meeting.

IV. ACTUARY'S REPORT

The Trustees welcomed Mr. Gene Kalwarski and Mr. Kevin Woodrich of Cheiron to the meeting.

A. Actuarial Valuation Report

Mr. Kalwarski said that Cheiron was in the process of drafting the January 1, 2013 actuarial valuation. The full actuarial valuation report would be available for review at the Trustees next meeting. He also reported that Cheiron was reviewing the actuarial assumed rate of return given the Fund's current investment posture and projected date of insolvency.

B. 2013 Engagement Letter

Mr. Kalwarski presented an engagement letter for the 2013 plan year. They proposed a decrease in their retainer fees from $83,046 to $61,000. He noted that this is in part due to future benefits being earned under the Mid-Atlantic UFCW & Participating Employers Pension Fund effective January 1,

2013. Non-Retainer fees, with respect to special consulting projects, ranged from $142.00 per hour to $458.00 per hour. After discussion,

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

RESOLVED to approve the 2013 Cheiron engagement request of an annual retainer of $61,000 and non-retainer fees of $142.00 to $458.00 per hour, subject to receiving a separate agreement for this Fund.

The Trustees thanked Mr. Kalwarski and Mr. Woodrich for his report and they were excused from the meeting.

V. ATTORNEY'S REPORT

A. A & P Litigation

Mr. Slevin discussed the status of the A & P litigation.

B. Capital Management Associates ("CMA")

Mr. Slevin discussed the CMA litigation.

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

RESOLVED to write-off the claim against CMA and Russo.

C. Meridian Class Action Litigation

Mr. Slevin discussed the status Meridian litigation.

D. Jones Litigation

Mr. Slevin discussed the Jones litigation.

E. Master Trust

Mr. Slevin discussed the status of the Master Trust.

F. Cost Sharing Agreement

Mr. Slevin presented the revised restated cost sharing agreement. The Trustees discussed the allocation of costs between this Fund and the Mid-Atlantic Pension Fund and Counsel was asked to revise the draft agreement.

G. Contracts

Mr. Slevin provided a status update on the Foundry; Segal, Bryant & Hamill; Chartwell; Putnam; Salter; and PIMCO agreements.

H. Fiduciary Insurance Broker

Mr. Slevin reported that the Fund's insurance broker, A & R Associates, had transferred their fiduciary insurance business to Segal Select.

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

RESOLVED to designate Segal Select as the broker of record.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. 1Q13

Mr. Jensen presented the administrative manager's report for the first quarter 2013, which had been pre-circulated. Such report indicated contribution income of $12,965,507, interest and dividend income of $1,780,108, transfers from assets of $23,475,593, withdrawal liability payments of $152,258 and miscellaneous income of $147,135, producing total income of $38,509,601. Total expenses were $37,276,689, producing a net operating surplus of $1,232,912 for the first quarter 2013. Contributions were remitted on behalf of 19,135 plan participants.

Mr. Jensen then reviewed the pension applications contained in the administrative manager's first 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 first quarter report were approved for payment.

VII. INVOICES

The Trustees reviewed the list of invoices dated August 27, 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 August 27, 2013 were approved for payment.

VIII. OTHER FUND BUSINESS

A. Miscellaenous Correspondence

1. SEC vs. Tyco International

Mr. Jensen reported that the Fund had received $980.35 as settlement of the SEC vs. Tyco International Class Action litigation.

B. Appeal

Mr. Jensen reviewed an appeal that had been tabled at the last meeting. The Trustees discussed the appeal and decided to table same pending further investigation.

IX. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected December 18, 2013 as their next meeting date, commencing at 10:00 a.m. in the Landover office of Associated Administrators, LLC

X. ADJOURNMENT

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

Respectfully submitted,

Ward Kraemer, Secretary