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

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MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE FELRA AND UFCW PENSION FUND MAY 24, 2012 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
T. McNutt - Chairman
D. Blitzstein
M. Federici
T. Goins

EMPLOYER TRUSTEES
W. Kraemer - Secretary
D. Gillis
F. Stegman

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
M. Giolitti– Wurts & Associates
W. Jensen – Associated Administrators, LLC
I, Kress – Giant Food, LLC
J. MacLean – Wurts & Associates
G. Murphy – UFCW Local 27
J. Paradis – Ahold USA
J. Scott – Wurts & Associates
B. Slevin – Slevin & Hart, P.C.

I. CALL TO ORDER

A quorum being present, the Chairman call t order the special meeting to review the alternative of hiring a firm to manage the Fund's entire investment porfolio.

II. WURTS & ASSOCIATES

The Trustees welcomed Jeff Scott, Jeff MacLean and Max Giolitti of Wurts & Associates to the meeting. Mssrs. Scott, MacLean, and Giolitti provided background on the history of their firm, noting the current client base is 30% Taft-Hartley funds. They reviewed Wurts' investment approach in constructing a portfolio to minimize risk. Mr. Paradis asked for the fund's mission statement and how the Trustees would establish return expectations based on Wurts' approach. Mr. Scott advised that the mission is to increase the probability of the Fund remaining solvent through a nine year time horizon. The expected returns would be developed after a diversified portfolio was constructed with both income and active risk budgeting. Mr. Paradis asked if Wurts would act as a consultant or if they actively manage the portfolio. Mr. Scott responded that Wurts would act as the funds chief investment officer (CIO). They intend to have a maximum of 10 -12 clients using this CIO approach. The fee would be in the 75 to 85 basis point range.

Mr. Slevin asked if Wurts hires a custodian. Mr. Scott advised that one client did, and another client allowed Wurts to perform that role. Mr. Scott noted that the overall approach is to build a diversified portfolio, taking into account the drawdowns needed for pension benefit expense, and to outline a policy of governane, including mission statement and oversight procedures. Mr. Burton asked for the return expectation of the rewards portfolio outlined in the presentation. Mr. Scott advised that the expectation was 7% – 8%, but noted that the portfolio would not remain within the current risk parameters.

The Trustees thanked the representatives from Wurts & Associates for their presentation and they were excused from the meeting.

<u>Discussion</u>

Mr. Kraemer noted that if the Trustees want to change the methodology for investment management to a model similar to Wurts' proposal, a request for proposal from several vendors may be prudent. Mr. Paradis noted that he believed there were three themes in Wurts' presentation -- the risk mandate, the fiduciary oversight and management of the portfolio, and the perspective on alpha. The Fund currently uses independent managers to gain alpha. Mr. Blitzstein noted that he did not believe the current consultants were focused on risk management. Mr. Paradis noted that a risk-based approach could further impact the likelihood of achieving the interest rate assumption. Mr. Blitzstein suggested that the Wurts' expected returns could be reviewed by Cheiron with respect to a nine to ten year time period.

III. <u>NEXT MEETING DATE AND ADJOURNMENT</u>

It was noted that the next meetings of the Boards of Trustees were scheduled for July 18, 2012 for the regular meeting and July 19, 2012 for the investment meeting.

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

Respectfully submitted,

Ward Kraemer, Secretary