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

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MINUTES OF THE TELECONFERENCE MEETING OF THE BOARD OF TRUSTEES OF THE FELRA AND UFCW PENSION FUND MARCH 11 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
D. Gillis
F. Stegman

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
W. Jensen – Associated Administrators, LLC
M. Johnson – Gallagher Fiduciary Advisors
J. Paradis – Ahold USA
B. Slevin – Slevin & Hart, P.C.

A quorum being present the meeting was called to order.

The Chairman noted that this was a special meeting for the purpose of continuing the discussion of the Outsourced – CIO proposals that had been gathered by Gallagher Fiduciary Advisors ("GFA").

A. O-CIO DISCUSSION

The Trustees welcomed Mr. Michael Johnson of GFA to the meeting. Mr. Johnson said that after the February 1, 2013 Trustee meeting, Wurts and Associates had contacted GFA noting that the Wurts' fee was inclusive of the underlying manager fees. GFA asked if the other candidates would provide an estimated underlying manager fee, in order to provide the Trustees with a comparison. Northern Trust responded that it would. NEPC advised that it would not since it viewed the underlying manager fees as an implementation cost. As a result, GFA provided an estimated NEPC-related underlying manager fee based on the asset allocation proposed by NEPC. Mr. Johnson said that the revised fee basis resulted in Wurts having the lowest overall fee, including underlying manager fees, followed by NEPC and then Northern Trust. Trustee Murphy said that the fees proposed by the vendors were an item of discussion at the February 1, 2013 meeting. He asked if the fees were still a concern for the Trustees. Trustee Kraemer said that he believed including the underlying fees clouded the issue as there are differences between the underlying managers proposed by the three firms. Mr. Paradis said that Wurts partially uses passive investments, essentially making its role an asset allocation manager. Mr. Johnson said that the Wurts portfolio would be approximately 50% active and 50% passive investments.

Trustee Kraemer asked Mr. Johnson what the true O-CIO fees are. Mr. Johnson said that Wurts performs investment management, but the fees quoted by NEPC are 10 basis points and for Wurts 36 basis points, including such management. Northern Trust would charge an additional three basis points for asset allocation, making its fee 13 basis points. Trustee Murphy said that he was concerned about the total cost, not just the O-CIO fees. Mr. Paradis said that the fees inclusive of underlying manager fees are not what the O-CIO would charge. Trustee Murphy reiterated his concern regarding the costs for the O-CIO fees and the underlying manager fees. Mr. Paradis said that the consultant approach with investment manager fees was approximately $4 million dollars per the most recent audit report. As such, he believed that the lowest cost approach would be the model where a committee monitored the recommendations and had the authority to act on those recommendations from the investment consultant. The committee could utilize passive investments in the asset allocation. Mr. Johnson said that the fees currently were $4.4 million dollars per year, which did not include the underlying Hedge Fund of Funds manager fees.

Trustee Murphy asked Mr. Paradis if he believed there would be a potential performance improvement if an O-CIO was utilized. Mr. Paradis said that his preference was to go with a committee approach, possibly with one consultant, as he had not seen the value added with the O-CIO model. He further said that NEPC's proposal was the best of the finalists for O-CIO. Northern Trust seemed primarily to perform asset allocation work. He believed the Fund would potentially pay a premium for asset allocation work by Wurts. He said that the Fund could use multi-strategy investment products currently in the marketplace. The Fund would not require an O-CIO to utilize those products.

Trustee Blitzstein said that he saw added value in the Wurts proposal since Wurts has the skill set to manage sovereign bonds and other asset classes, to lower the overall cost to the Fund. In addition, Wurts proposed performing tail risk management at no additional fee. Finally, Wurts would perform direct management of the assets for a portion of the portfolio. Trustee Blitzstein said that NEPC would appear to bring the same approach to the Fund's investment strategy as what was already in place. The Trustees wanted to change the current model. Mr. Paradis said that he agreed in large part with Trustee Blitzstein's comments regarding NEPC, which is why he did not believe an O-CIO would add value. Mr. Paradis said that Wurts' asset allocation and tail risk management performance based on a cost benefit analysis is not a proven commodity. Trustee Blitzstein said that he was concerned about another market downturn and the risk of insolvency occurring much sooner than predicted. Mr. Paradis said that he shared the concern about the risk in the portfolio.

Trustee Murphy asked how the committee approach proposed by Mr. Paradis would be different than the process that the Fund currently utilizes. He said that an O-CIO was supposed to make investment changes in a more expedient fashion. Mr. Paradis said that his preference would be to continue with NEPC serving the Fund with the committee working with that firm for more frequent decision making. He said that NEPC had proposed a range of fees and services which may allow for a good fit with the committee approach. He said he shared the concern over multiple consultants and would prefer having a sole consultant advising the Fund.

Trustee Murphy said that he agreed with Trustee Blitzstein since he does not see NEPC as a solution given the long history of their multiple representatives serving the Fund. He said IPS appeared to be better prepared for Trustee meetings than NEPC. Trustee Federici said that he agreed with Mr. Murphy's summation.

Trustee Stegman said that he agreed with Mr. Paradis. He stated that the management trustees were open to a search for an O-CIO, but that such review did not indicate that they were in agreement that an O-CIO ultimately should be hired. He said that Counsel has provided a committee approach as a result of the request of the Trustees at the last meeting, as an alternative to the O-CIO model.

Trustee Kraemer said that the committee could be directed to meet frequently with a sole consultant and the power to act on those recommendations. He believed that would be a more efficient model than what is currently used by the Fund. He said that the committee could decide to perform tail risk management. Trustee Gillis agreed with Trustees Kraemer and Stegman.

Trustee Murphy said that the Fund had previously utilized a committee called the policy committee, which had not led to quicker action on investments. Trustee Kraemer said that the investment committee would be performing a different role than the policy committee. After further discussion, Trustee Murphy said that he would agree to a committee approach with an RFP for a new consultant to be performed in order to select a sole consultant, for a trial period of two years. After further discussion, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to authorize a committee of two Union Trustees and two Management Trustees to perform necessary actions as the investment committee and to be designated as the named fiduciary for the investments for the Fund.**
>
> **It was further RESOLVED to direct the Fund Administrative Manager to issue requests for proposals for an investment consultant. Such solicitation would include the current firms, IPS and NEPC.**
>
> **It was further RESOLVED to direct Fund Counsel to draft the necessary changes to the Trust Agreement to enable an investment committee to have the power to act as a named fiduciary for investment purposes for the Fund.**

Trustee Federici noted that at the end of the two year trial period, if there is not a clear solution to the Fund's investment performance and governance, he would like to review alternatives at that time. Trustee Kraemer agreed that that goal was to make a difference with respect to the Fund's investment performance.

B. NEXT MEETING DATE AND LOCATION

Mr. Jensen noted that there was a conflict for some of the Trustees with the previously selected meeting dates in April. After discussion, the Trustees selected May 23, 2013 at 9:00 a.m. at the Fund office as their next Pension Fund meeting.

Respectfully submitted,

Ward Kraemer, Secretary