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 DECEMBER 19, 2012 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
F. Stegman

Also present were:

M. Boyle – UFCW Local 400
H. Burton – Morgan, Lewis & Bockius, LLP
J. Chorpenning – UFCW Local 27
J. Freeman – UFCW Local 27
G. Gatewood – UFCW Local 27
T. Goins – UFCW Local 27
S. Goodman – Slevin & Hart, P.C
S. Halpern – Gallagher Fiduciary Advisors
L. Harris – UFCW Local 400
T. Hipkins – UFCW Local 27
I. Kress – Giant Food, LLC
W. Jensen – Associated Administrators, LLC
M. Johnson – Gallagher Fiduciary Advisors
E. Masten – UFCW Local 27
G. Murphy, Jr. – UFCW Local 27
B. Slevin – Slevin & Hart, P.C.
K. Waterman – Gallagher Fiduciary Advisors

The Chairman called the meeting to order.

I. GALLAGHER FIDUCIARY ADVISORS

A. Outsourced Chief Investment Officer (O-CIO) Proposal Reviews

The Trustees welcomed the representatives of Gallagher Fiduciary Advisors to the meeting. Mr. Halpern reviewed a report regarding the proposals submitted for an Outsourced CIO ("O-CIO") vendor. Mr. Halpern noted that some plans consider alternatives to the traditional plan sponsor consultant model due to the increasing complexity of the capital markets, the need for speed of investment decision making, and concern over liability.

Mr. Halpern noted that an O-CIO would typically have discretionary authority to make and implement investment decisions. The speed of decisions compared to a typical advisor/consultant model is relatively fast. A key disadvantage to the O-CIO model is that the fees charged by the O-CIO are typically higher than a traditional consultant/manager model and it also requires a third party to provide oversight for monitoring an evaluation of the O-CIO. The investment performance history of an O-CIO vendor may be limited. Finally, the Board of Trustees would likely retain authority over approval of the investment policy statement and deciding on the terms and conditions for maintaining an O-CIO arrangement.

Mr. Kraemer asked if the traditional consultant model was working well, does an O-CIO model offer added value? Mr. Halpern responded that there is no empirical data regarding O-CIO's value due to limited track records. An O-CIO may perform better than the traditional model of a Board of Trustees advised by a consultant. Often an O-CIO is able to act quicker in response to market conditions. Mr. Burton noted that much of the delay in the traditional model is due to the consulting firm advising the Trustees to wait for a market cycle to be completed before termination of a manager. Mr. Halpern said that the termination and hiring process is faster with an O-CIO. The performance of the O-CIO is clear compared to the traditional model, since there are fewer parties to blame for a poor performance. Trustee Murphy asked if an O-CIO had been hired by the Fund during the most recent two declining markets, how would the performance be different? Mr. Halpern responded that the firms that impressed GFA had depth of experience with risk management. The fund's performance early in a downturn of the market is more critical for a fund with large cash flow needs.

Mr. Halpern reviewed the variables in selecting an O-CIO. He discussed the O-CIO candidates' summary profiles and performance.

Mr. Slevin asked if the candidates had experience in similar challenges as the FELRA and UFCW Pension Fund concerning negative cash flow. Mr. Halpern said he was uncertain given the data provided. Trustee Blitzstein asked if GFA had recommendations concerning the responses provided by the candidates. Mr. Halpern said that NEPC, Northern Trust, and Wurts would be the three finalists his firm would recommend.

The Trustees discussed the performance summaries, as well as the limited history of some of the O-CIO candidates. After further discussion,

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

> **RESOLVED that GFA provide detailed information submitted by the individual managers to the Trustees. It was further RESOLVED to select three finalists and to schedule interviews with the finalists on February 1, 2013. It was further RESOLVED that Counsel draft an alternative approach to the Fund's current investment consulting model, which may consist of an investment committee and use of a single investment consultant.**

It was the consensus of the Board of Trustees that after the interview process was concluded, the Trustees would target April 1, 2013 to make a decision of whether to move forward with an O-CIO or pursue the alternative approach to investment consulting.

II. ADJOURNMENT

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

Respectfully submitted,

Ward Kraemer, Secretary

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