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

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MINUTES OF THE 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
R. Sichel – Investment Performance Services
B. Slevin – Slevin & Hart, P.C.
M. Sullivan – NEPC (Via Teleconference)
R. Tierney – Associated Administrators, LLC
K. Waterman – Gallagher Fiduciary Advisors
K. Woodrich - Cheiron

The Chairman called the meeting to order.

I. TRUSTEE APPOINTMENTS

Mr. Jensen reported that Mr. Murphy sent a letter replacing Trustee Goins with himself effective December 17, 2012. He further reported that Mr. Federici had appointed Jim Slivosky to replace Thomas McNutt effective December 7, 2012.

Mr. Jensen noted that Mr. McNutt had served as Chairman of the Fund. After discussion,

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

RESOLVED to appoint Mr. Federici as Chairman of the FELRA and UFCW Pension Fund.

II. MINUTES

The Trustees reviewed the minutes of the special meeting held on May 24, 2012, the regular meeting held on July 18, 2012, the special meeting held on July 19, 2012, the appeals committee meeting held on July 20, 2012 and the special meeting held on August 24, 2012, which were previously circulated, and

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

RESOLVED that the minutes of the special meeting held on May 24, 2012, the regular meeting held on July 18, 2012, the special meeting held on July 19, 2012, the appeals committee meeting held on July 20, 2012 and the special meeting held on August 24, 2012 were approved as presented.

III. FINANCIAL REPORT

A. Investment Consultants' Report

The Trustees welcomed Mr. Richard Sichel of Investment Performance Services and Mr. Michael Sullivan of NEPC to the meeting. It was noted that Mr. Sullivan was attending via teleconference.

Mr. Sichel reviewed the Master Consulting Report for the period ended September 30, 2012. NEPC and IPS recommended the use of Principal as a source of funds to re-balance the asset allocation for the real estate portfolio by reducing the allocation by 2%. After discussion,

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

RESOLVED to adopt the consultants' recommendation to use Principal as a source of funds to re-balance the asset allocation for the real estate portfolio by reducing the allocation by 2%.

Mr. Sichel reported that the CEO of Intech had resigned. He also noted that Foundry Partners would be formed as of February 1, 2013 from the portfolio managers currently working for Fifth Third. He reported that Foundry is requesting assignment of the Fifth Third contract to their firm and the consultants recommend that the Fund agree.

Mr. Sichel discussed the underperformance at NWQ. Mr. Kraemer asked at what point do the consultants recommend termination of NWQ? Mr. Sichel noted that the underperformance has occurred for two quarters and would recommend termination after multiple quarters of underperformance. He noted that NWQ had obtained top quartile performance in the third quarter 2012. Trustee Blitzstein asked what was the criteria that the consultants used for termination recommendations? Mr. Sullivan noted that it often depends on the style of the manager, but that the Trustees may consider trimming the allocation to NWQ if their performance improves. The consultants were asked to include notations on whether a manager was underperforming so that the Trustees would have a metric for when to terminate or trim n allocation.

Mr. Sichel said that the consultants are monitoring the performance of Lazard, but that their relative underperformance was due to the high quality bias of that manager's portfolio.

Mr. Sullivan reviewed the investment performance update report as of November 2012. Such report indicated the market value of assets of $603,769,217 as of November 30, 2012. Year-to-date performance for the portfolio was 11.1%. The Trustees thanked the consultants for their report and they were excused from the meeting.

IV. ACTUARY'S REPORT

The Trustees welcomed Mr. Kalwarski and Mr. Woodrich of Cheiron to the meeting. They presented an overview of the 2012 actuarial valuation results, including a review of the historical plan membership cash flows, gains and losses, as well as the detailed 2012 valuation results. Mr. Woodrich reported that as of January 1, 2012, the Fund had 51,695 plan participants, a market value of assets of $667,648,046, an actuarial value of assets of $801,177,655, a present value of vested benefits of $1,627,265,234, resulting in a funding ratio of 49.2%. The Trustees thanked the representatives of Cheiron for their report and they were excused from the meeting.

V. ATTORNEY'S REPORT

A. Master Trust

Mr. Slevin discussed the proposed Master Trust for FELRA as well as the new Mid-Atlantic UFCW and Participating Employers Pension Fund ("MAP").

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

> **RESOLVED that the Chairman and Secretary are authorized to adopt the Master Trust and the amendment to the Fund's Trust Agreement to implement it.**

B. Rehabilitation Plan

Mr. Slevin reported that an update of the rehabilitation plan would need to be adopted before December 31, 2012.

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

> **RESOLVED to delegate the adoption of an update to the rehabilitation plan and amended Trust Agreement to Chairman and Secretary.**

C. A & P Litigation

Mr. Slevin discussed the ongoing bankruptcy litigation between the Fund and A & P.

D. Plan Participant Litigation

Mr. Slevin discussed litigation between a participant, Jones, and the Fund.

E. DOL Letter

Mr. Slevin discussed the Department of Labor correspondence.

F. 408(b)(2) Compliance

Mr. Slevin discussed the 408(b)(2) compliance requirements.

G. CMA Litigation

Mr. Slevin discussed the CMA litigation.

H. Summary Plan Description

Mr. Slevin discussed the draft Summary Plan Description.

I. **204(h) Notice**

Mr. Slevin discussed the Plan amendment and 204(h) notice to the Giant and Safeway participants.

J. **Meridian Litigation**

Mr. Slevin reported on the status of the Meridian class action.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. **2Q12**

Mr. Jensen presented the administrative manager's report for the second quarter 2012, which had been previously circulated. Such report indicated contribution income of $16,800.419, interest and dividend income of $2,629,551, transfers from assets of $17,324,297, withdrawal liability payments of $152,258 and miscellaneous income of $379,059, producing total income of $37,352,584. Total expenses were $37,010,390, producing a net operating surplus of $275,194 for the second quarter 2012. Contributions were remitted on behalf of 19,783 plan participants.

B. **3Q12**

Mr. Jensen presented the administrative manager's report for the third quarter 2012, which had been previously circulated. Such report indicated contribution income of $16,131,337, interest and dividend income of $2,711,755, transfers from assets of $20,069,324, withdrawal liability payments of $152,258 and miscellaneous income of $63,600, producing total income of $39,128,274. Total expenses were $36,558,618, producing a net operating surplus of $2,569,656 for the third quarter 2012. Contributions were remitted on behalf of 19,444 plan participants.

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

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 and third quarter reports were approved for payment.**

VII. INVOICES

The Trustees reviewed the list of invoices dated December 19, 2012. 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 19, 2012 were approved for payment.

VIII. OTHER FUND BUSINESS

A. 104(d) Notice

Mr. Jensen reported that the 104(d) notices were sent to the Participating Employers and Unions.

B. Revised Reciprocity

Mr. Jensen reported that the Atlanta UFCW Fund had requested a revised reciprocity agreement as a result of a merger of several pension funds, hence the new UFCW Consolidated Pension Fund effective December 31, 2011. The Trustees requested that Morgan, Lewis & Bockius review such agreement prior to execution.

C. Litigation Settlements

Mr. Jensen reported that the Fund received $48.70 for the SEC vs. David M. Colburn litigation settlement. The Fund also received $159.01 in the Global Crossing Security litigation partial settlement.

IX. ADJOURNMENT

After discussion, the Trustees selected April 4, 2012 as their next meeting date, commencing at 9:30 a.m. in the Landover office of Associated Administrators, LLC

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

Respectfully submitted,

Ward Kraemer, Secretary