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
JULY 18, 2019
LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
M. Federici - Chairman	J. Paradis - Secretary
T. Hipkins	D. Dosenbach
C. Hoffmann	M. Goble
G. Murphy, Jr.	

Also present were:

Y. Anwar - UFCW Local 400
H. Burton - Morgan, Lewis & Bockius, LLP
J. Chorpenning - UFCW Local 27
L. DuVall - Associated Administrators, LLC
A. Hanson - UFCW Local 400
N. Hill - UFCW Local 27
W. Jensen - Associated Administrators, LLC
G. Kalwarski - Cheiron
R. McKnight - Associated Administrators, LLC
R. Richman - Schulte, Roth & Zabel
S. Ridore - Safeway
R. Sichel - Investment Performance Services
B. Slevin - Slevin & Hart, P.C.
L. Walsh - Associated Administrators, LLC
M. Wilson - UFCW Local 27
K. Woodrich - Cheiron

I. CALL TO ORDER

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

II. MINUTES

The Trustees reviewed the minutes of the regular meeting held on December 12, 2018 and the Appeals Committee meeting held on January 7, 2019, which were pre-circulated, and,

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

> **RESOLVED that the minutes of the regular meeting held on December 12, 2018 and the Appeals Committee meeting held on January 7, 2019 are approved as presented.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity Report

Mr. Jensen presented the Summary of Activity Report for the period January 1, 2018 to June 30, 2019 as provided by PNC. Such report indicated a beginning balance of $3,299,967, receipts of $23,563,690, net transfers from managers of $51,752,716, disbursements of $75,368,465, and earnings of $155,364, resulting in an ending balance of $3,403,272 as of June 30, 2019.

B. Investment Performance Services

The Trustees welcomed Mr. Rich Sichel of Investment Performance Services ("IPS") to the meeting.

1. Master Consulting Report – December 31, 2018

Mr. Sichel reviewed the Master Consulting Report for the period ended December 31, 2018. Such report indicated a beginning market value of $231,312,290, net cash flow of negative $25,151,141, and Net Investment Change of negative $12,965,124, producing an ending market value of $193,196,024. The performance through December 31, 2018 was negative

5.5% for the quarter gross of fees. Mr. Sichel then reviewed the individual manager summaries and the current asset allocations.

2. Master Consulting Report – March 31, 2019

Mr. Sichel reviewed the Master Consulting Report for the period ended March 31, 2019. Such report indicated a beginning market value of $193,196,024, net cash flow of negative $33,290,012, and a Net Investment gain of $11,072,327, producing an ending market value of $170,978,340. The performance through March 31, 2019 was 5.8% for the quarter gross of fees. Mr. Sichel then reviewed the individual manager summaries and the current asset allocations.

3. Preliminary Performance Update – May 31, 2019

Mr. Sichel reviewed the Master Consulting Report for the period ended May 31, 2019. Such report indicated a beginning market value of $168,102,801, net cash flow of negative $3,034,657, and Net Investment Change of negative $2,626,197, producing an ending market value of $162,441,947. Mr. Sichel then reviewed the individual manager summaries and the current asset allocations.

4**. Asset Allocation and Glide Path Report**

Mr. Sichel presented an asset allocation report recommending a target of 35% for fixed income, with an acceptable range of 0-100% in order to manage cash flow needs. He also reviewed a series of recommendations on future liquidations of the equity portfolios. After discussion,

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

> **RESOLVED to amend the Fund's investment policy asset allocation targets such that the equities target is 20%, with no change to the asset allocation range, and the fixed income target is 35%, with an asset allocation range of 0-100% of the Fund's total assets, with a further change to be considered between meetings.**

Mr. Sichel said he would draft an investment policy amendment for review.

The Trustees thanked Mr. Sichel for his report and he was excused from the meeting.

IV. ACTUARY'S REPORT

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

A. PBGC Data Request

Mr. Kalwarski reported on coordinating with Fund Co-Counsel and the Fund office to prepare a response to the PBGC's most recent information request.

Mr. Kalwarski reported that updated funding projections reflect a projected insolvency date of February 2021. Mr. Kalwarski noted that the change in the projected date of insolvency was due in part to the recent history of Tier I active employees retiring later than the dates in the Actuary's assumptions. Mr. Kalwarski discussed the impact of various potential investment return scenarios on the projected insolvency date.

Mr. Slevin reported on the legal requirements relating to the Fund's projected insolvency.

Mr. Burton reported that the information requested by the PBGC was sent to the PBGC on July 11, 2019.

Mr. Richman stated the request of the Safeway Trustees that future correspondence from the Fund to the PBGC be forwarded to the Employer Trustees in advance of a submission to the government. After considerable discussion, Mr. Richman thanked the Trustees for their review of the matter, and he was excused.

B. Employer Bargaining Related Data Requests

Mr. Kalwarski also reviewed the data requests sent by Mercer and Deloitte, on behalf of Giant Food and Safeway, respectively. He said that Cheiron has sent the requested data to the respective actuaries. Deloitte also sent a request for projected funding on July 17, 2019. Mr. Kalwarski noted that Cheiron consulted with the Fund office and Co-Counsel in the context of responding to Mercer's and Deloitte's data requests.

C. <u>Contribution Information for Bargainers</u>

Mr. Kalwarski said Cheiron sent the Union and Management bargainers a report on allocation options for the collectively bargained six cent contribution rate increase, and other concomitant rate increases, due November 1, 2018 for Safeway and April 1, 2019 for Giant. Per request, Cheiron provided multiple allocation options between this Fund and the Mid Atlantic UFCW Pension Fund (MAP). Mr. Slevin noted that the matter was pending with the bargaining parties.

The Trustees thanked the representatives from Cheiron for their report and they were excused.

V. <u>ATTORNEY'S REPORT</u>

A. <u>Acme Delinquent Contributions</u>

Mr. Slevin reported on the Acme pension delinquency. After discussion,

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

> **RESOLVED to adopt at the next meeting an amendment to the Delinquency Policy to provide that if an employer has made systematic mistakes in making contributions, and, after multiple notifications by the Fund, has continued such mistakes for 12 months, such an employer's overpayments, if any, will not be credited against any underpayments.**

The Trustees discussed that the Acme delinquency would be addressed after adoption of the Delinquency Policy amendment.

B. <u>Age 70.5 Required Minimum Distributions</u>

Mr. Slevin reported on the Plan's required minimum distribution rules. Mr. Burton said the subject was under review by the Employer Trustees.

C. Department of Labor ("DOL")

Mr. Slevin reported on the DOL's ongoing investigation of the Fund.

D. Participant Litigation

Mr. Slevin reported on the Fisher-Smith litigation matter. After discussion,

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

> **RESOLVED to delegate to the Chairman and Secretary the authority to negotiate a settlement of this litigation, including resolving the issue of appropriate benefit credit.**

The Trustees discussed whether to pursue Acme for the collection of Tier I contributions for work performed by Ms. Fisher-Smith for the period during which Acme contributed at a Tier 2 rate on her behalf. After discussion, the Trustees tabled the issue for a future meeting.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2018 Report

Mr. Jensen presented the Administrative Manager's report for the Fourth Quarter 2018, which had been pre-circulated. Such report indicated contribution income of $12,407,005, interest and dividend income of $998,379, transfers from assets of $20,332,669, receipt of withdrawal liability payments of $188,208, and miscellaneous income of $410,887, producing total income of $34,337,148 for the quarter. Total expenses were $37,180,624, producing a net operating deficit of $2,843,476. Mr. Jensen noted that contributions were remitted on behalf of 16,607 Plan participants.

Mr. Jensen reviewed the pension applications contained in the Administrative Manager's Fourth Quarter 2018 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 Fourth Quarter 2018 report are approved for payment.**

Mr. Jensen then presented a snapshot of Fund work performed by Associated Administrators during the fourth quarter 2018.

B. <u>First Quarter 2019 Report</u>

Mr. Jensen presented the Administrative Manager's report for the First Quarter 2019, which had been pre-circulated. Such report indicated contribution income of $11,164,668, interest and dividend income of $793,382, transfers from assets of $26,519,603, receipt of withdrawal liability payments of $188,208, and miscellaneous income of $40,561, producing total income of $38,706,422 for the quarter. Total expenses were $37,401,955, producing a net operating surplus of $1,304,467. Mr. Jensen noted that contributions were remitted on behalf of 16,509 Plan participants.

Mr. Jensen reviewed the pension applications contained in the Administrative Manager's First Quarter 2019 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 2019 report are approved for payment.**

Mr. Jensen then presented a snapshot of Fund work performed by Associated Administrators during the first quarter 2019.

VII. INVOICES

The Trustees reviewed the list of invoices dated July 18, 2019. 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 July 18, 2019 are approved for payment.**

VIII. OTHER FUND BUSINESS

A. Acme Pension Contribution Rates/Memorandum of Agreement ("MOA")

Mr. Jensen presented the MOA effective October 1, 2017 for Acme, including language requiring six cent contribution rate increases in accord with the Fund's Rehabilitation Plan.

B. Professionals Meeting

Ms. Walsh reviewed a memorandum to the Trustees from Associated Administrators regarding administrative matters relating to the Fund's projected insolvency. She stressed how complex the process will be, including requiring close coordination with the Fund actuary on the benefit reductions applicable to certain participants. Ms. Walsh said that Associated is considering hiring additional personnel and planning to rent additional space in connection with this project.

C. Miscellaneous Correspondence

1. Fiduciary Insurance

Mr. Jensen reported that the fiduciary insurance had been renewed through Chubb for the period May 29, 2019 through May 29, 2020 and that the Individual Waiver of Recourse invoices were sent to the Trustees on May 28, 2019.

2. Annual Funding Notice

Mr. Jensen reported that the Annual Funding Notice had been sent to 14,815 Plan participants on April 26, 2019.

3. Giant Courtesy Clerk – Mistaken Contributions

Mr. Jensen reported that Calibre had completed a payroll audit of Giant, finding a contribution underpayment. Giant agreed to pay the Fund for the underpaid pension contributions found during the audit. During the audit, Calibre also discovered erroneous payments remitted by Giant on behalf of Courtesy Clerks. Mr. Goble asked the Trustees to allow a credit totaling approximately $74,000 for the mistaken contributions. After discussion,

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

> **RESOLVED to provide a credit to Giant for its mistaken contributions as reflected in Calibre's payroll audit, to be taken from Giant's next contribution due to the Fund.**

The Giant Food Trustees abstained from the vote.

4. Madoff Victim Fund

Mr. Jensen reported that the Fund had received a check in the amount of $407,158.40 from the Madoff Victim Fund.

5. Forged Check

Mr. Jensen reported that a forged pension check had been presented for payment, but was rejected and not paid because the Fund's positive pay program had captured it.

6. Acme Delinquent Contributions

The Trustees asked the Albertson's Trustees to be excused. The remaining Trustees and Co-Counsel discussed the process to correct Acme's ongoing contribution deficiencies and errors.

IX. NEXT MEETING DATES AND LOCATIONS

The Trustees noted that their next regular meeting was scheduled for September 25, 2019 in Landover, Maryland.

X. ADJOURNMENT

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

Respectfully Submitted,

Jason Paradis, Secretary

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