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

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MINUTES OF THE MEETING OF THE POLICY COMMITTEE OF THE BOARD OF TRUSTEES OF THE FELRA AND UFCW PENSION FUND APRIL 28, 2014 IN LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
M. Federici – Chairman
G. Murphy, Jr.

EMPLOYER TRUSTEES
W. Kraemer – Secretary
J. Paradis
F. Stegman

Also present were:

H. Burton – Morgan, Lewis & Bockius, LLP
J. Champion – Safeway, Inc.
G. Cassano - First Eagle
W. Jensen – Associated Administrators, LLC
C. Murphy – Associated Administrators, LLC
O. Pulido - Blackrock
D. Russell – Investment Performance Services
R. Sichel – Investment Performance Services
B. Slevin – Slevin & Hart, P.C.
C. Wallace – Blackrock
K. Woodrich - Cheiron

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

I. FINANCIAL REPORT

The Trustees welcomed Mr. Rich Sichel and Mr. David Russell of Investment Performance Services to the meeting. Mr. Sichel provided a preliminary performance update as of March 31, 2014 indicating an ending market value of $518,780,432. The total fund had estimated performance for the First Quarter 2014 of 2.0%.

Mr. Russell reviewed an asset allocation review updating a prior report from June 2013. Mr. Sichel said that IPS recommended a policy allocation that would remove risk parity as an asset class and reduce overall fixed income allocations. After considerable discussion,

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

RESOLVED to adopt the IPS recommended policy allocation as presented.

The Committee indicated it wanted to revisit indexing in the near future. Mr. Sichel said that two global tactical asset allocation managers were present for interviews with the Trustees.

A. <u>First Eagle</u>

The Trustees welcomed Mr. Greg Cassano of First Eagle to the meeting. He presented a proposal to utilize the global value product by First Eagle. Mr. Cassano said that First Eagle had $1 billion dollars in Taft-Hartley related investments and $86 billion dollars in global value investments under management. Mr. Cassano said that First Eagle uses a global allocation to protect the portfolio from the risk of losses. The fee for the global value process was 89 basis points overall, 75 basis points for management fee and 14 basis points covering operational fees, including custody of the assets. Mr. Cassano said that the product had daily liquidity. Mr. Russell asked regarding the cash position of the global value product. Mr. Cassano said that approximately 20% of the portfolio was in cash equivalents as a defensive posture. The Trustees thanked Mr. Cassano for his presentation and he was excused from the meeting.

B. <u>Blackrock</u>

The Trustees welcomed Mr. Chris Wallace and Mr. Oscar Pulido of Blackrock to the meeting. They presented the global allocation fund product managed by Blackrock. Mr. Wallace said that the product had a 25 year history of investment performance. The advantages of a Blackrock product are a flexible approach, diversified investment portfolio and the pursuit of value in a selection process. The global allocation fund had daily liquidity. The fee was 59 basis points for investment management and 2 basis points for administration. The Trustees thanked the representatives from Blackrock for their presentation and they were excused from the meeting.

Discussion

Mr. Russell summarized the presentations by the two managers, as well as their strategies.

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

> **RESOLVED to engage First Eagle at an allocation of $60 million dollars, subject to resolution of an acceptable contract between the Fund and First Eagle. It was further RESOLVED that should such contract with First Eagle be deemed unacceptable, the Trustees would engage Blackrock for their global value product.**

Mr. Sichel said that the Trustees would need to replace PIMCO as an opportunistic manager. The Trustees selected May 7, 2014 for a conference call to interview opportunistic credit managers.

II. ACTUARY'S REPORT

Mr. Woodrich reviewed the recommended contribution increases necessary for the FELRA and UFCW Pension Fund, as well as the companion Mid-Atlantic UFCW and Participating Employers Pension Fund. The Trustees noted that the bargaining parties need to make a determination on the contributions to be made to each Fund. Mr. Woodrich discussed the interest assumption currently being used.

III. ATTORNEY'S REPORT

Mr. Slevin and Mr. Burton reviewed a pension application for benefits that presented a possible suspension of benefits issue based on employment with a local union. After discussion,

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

> **RESOLVED to approve the pension application.**

IV. ADJOURNMENT

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

Respectfully submitted,

Ward Kraemer, Secretary