

Memorandum

TO: Board of Trustees
Industry and Local 338 Pension Fund

CC: Alicia Cochran
Kristen Barshinger
Mary Ann Dunleavy
Dylan Nitta

FROM: Elizabeth O'Leary

DATE: January 13, 2020

RE: CulinArt, Inc. - Withdrawal Liability

This memo summarizes the status of settlement discussions with CulinArt, Inc. We will discuss with you how to respond to CulinArt's most recent settlement offer.

By notice dated June 18, 2019, the Fund assessed CulinArt, Inc. with withdrawal liability of **\$3,207,145**. Under deadlines set by ERISA's withdrawal liability provisions, CulinArt had until September 16, 2019 to request review of the withdrawal liability assessment. Because CulinArt did not do so, it waived any opportunity to file objections to the assessment. Associated has advised that CulinArt has been making its monthly payments of \$15,690 since the first payment was due on July 1, 2019.

CulinArt is subject to the 20-year cap on withdrawal liability payments. Its payment schedule requires payment of \$15,690 per month for 240 months, with the final payment due on **June 1, 2039**. If it makes each monthly payment for the duration of the payment plan, it will have paid a total of **\$3,765,600**.

As we previously discussed, Kevin Wright of Littler, counsel for CulinArt's parent company (Compass Group), had contacted us to discuss a potential lump sum payment by CulinArt to satisfy its liability. Horizon prepared the attached worksheet showing 13 different present value calculations of the 20-year monthly payment stream based on interest rates ranging from 0.0% to 7.5%. As shown on the Horizon calculation, the present value number ranges from a high of \$3,765,600 at a 0.0% interest rate to a low of \$1,966,710 at a 7.50% interest rate. The settlement numbers discussed to date are as follows, with CulinArt's most recent offer listed in # 4 in bold italics. Note that, if settlement is reached, the lump number would be reduced by the total monthly payments paid at the time of settlement.

1. Trustees: \$2,837,978 (3% discount rate)
2. CulinArt: \$2,250,000 (somewhere between a 5.5% (\$2,296,126) and 6% discount rate (\$2,206,244)).

3. Trustees: \$2,715,729 (3.5% discount rate)
4. ***CulinArt: \$2,500,000 (close to a 4.5% discount rate)***

Thus, as of now, there is a **\$215,729** difference between the Fund's and CulinArt's positions.

We are attaching the previously distributed report by SEI entitled "Withdrawal Liability Analysis."

**Industry & Local 338 Pension Plan
Culinart
for a Complete Withdrawal in the 2018 - 2019 Plan Year**

Amounts:

1.	Withdrawal liability	3,207,145
2.	Annual payment	187,126
3.	Monthly payment	15,690
4.	Number of payments	240

		Present Value Monthly Pmts
Funding interest rate	7.50%	\$ 1,966,710
	7.00%	2,041,792
	6.50%	2,121,519
	6.00%	2,206,244
	5.50%	2,296,126
	5.00%	2,391,538
	4.50%	2,492,884
	4.00%	2,600,869
	3.50%	2,715,729
	3.00%	2,837,978
	2.50%	2,968,495
PBGC 6/2018	2.27%	3,031,411
total all pmts, no discount	0.00%	3,765,600

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Withdrawal Liability Analysis

How we create probability distributions and what they mean

- The probability distribution graphs and / or tables that follow are meant to provide an overview of the range of possible outcomes for a given variable (e.g., returns, pension contributions, expense) for a given asset allocation.
- The probability distributions are generated using SEI's proprietary modeling tool and simulated capital market behavior.
- Capital market behavior is simulated for 1,000 possible scenarios based on expected performance of each asset class and reflecting current economic conditions. Capital market assumptions such as return, standard deviation and covariances are inputs into this process, combining with model parameters to create market scenarios.
- We use these 1,000 capital market scenarios to create 1,000 output scenarios for each variable being considered.
- A 90% confidence interval should be interpreted as 90% of the projected output variables, falling between the 5% and 95% results, based on SEI Capital Market Assumptions.
- This projection is hypothetical in nature, does not reflect actual investment results and is not a guarantee of future results.

95th percentile:

95% of outcomes are less than or equal to this value

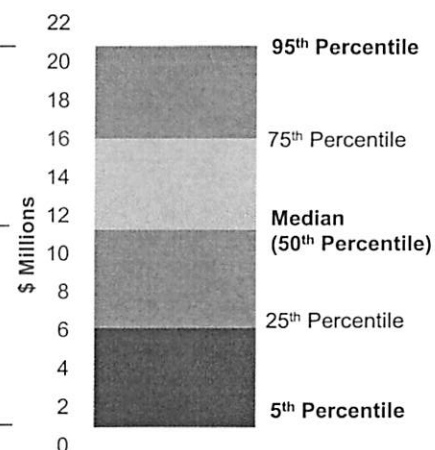
50th percentile:

50% of outcomes are greater than this amount, and 50% are less

5th percentile:

5% of outcomes are less than or equal to this value

Distribution of Probable Outcomes



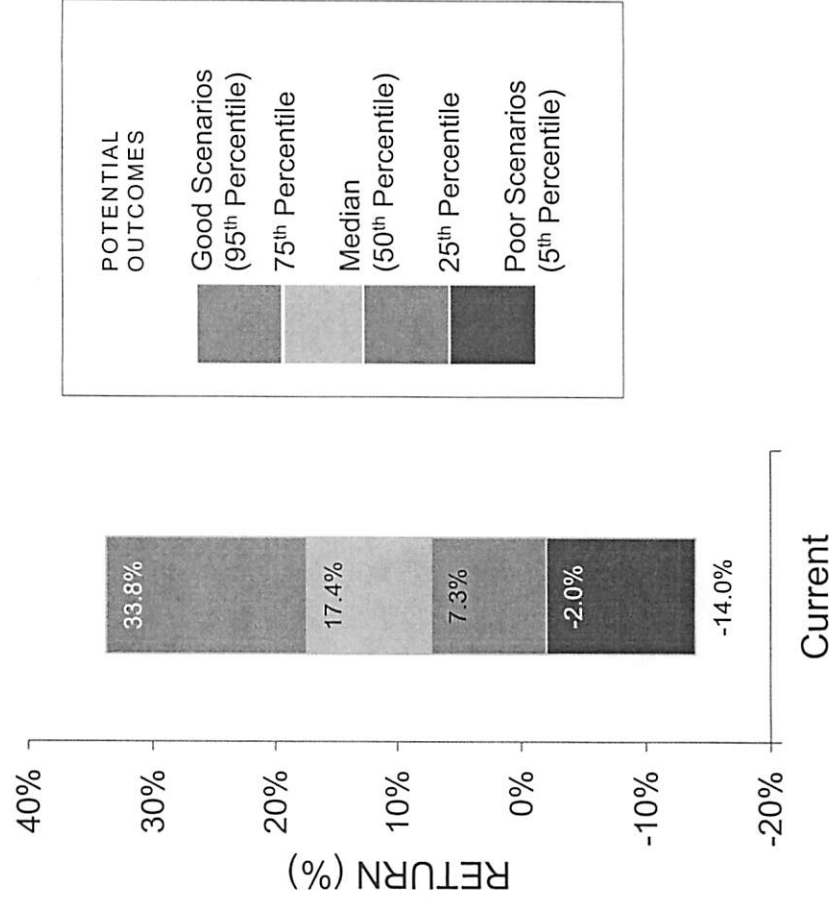
About Capital Market Assumptions

- SEI Investments Management Corporation develops forward-looking, long-term capital market assumptions for risk, return, and correlations for a variety of global asset classes, currencies, interest rates, and inflation.
- These assumptions are created using a combination of historical analysis, future market environment expectations and by applying our own judgment. In certain cases, alpha and tracking error estimates for a particular asset class are also factored into the assumptions.
- We believe this approach is less biased than using pure historical data, which may be affected by unsustainable trends or permanent material shifts in market conditions.

Current Portfolio

Asset Class	Current
Russell 1000 US Large Cap Index	10.0%
US Small Cap Equity	3.0%
World Equity ex-US	20.0%
Emerging Markets Equity (+ Frontier)	3.0%
U.S. High Yield	4.0%
Emerging Markets Debt	3.0%
US Equity Factor	14.0%
Dynamic Asset Allocation	7.0%
Total Return Enhancement Exposure	64.0%
Diversified Short Term Fixed Income	4.0%
Short Term Corporate Fixed Income	2.5%
Limited Duration Fixed Income	5.0%
Core Fixed Income	10.0%
Total Risk Management Exposure	21.5%
Directional Hedge	3.5%
Structured Credit	1.0%
Private Real Estate	10.0%
Total Alternatives/Other Exposure	14.5%
Portfolio Metrics (net of fees)	
Expected Return (20 year)	7.3%
Risk	14.6%
Poor Scenario Return (short term)	-14.0%

Expected Return Distribution
20 Year

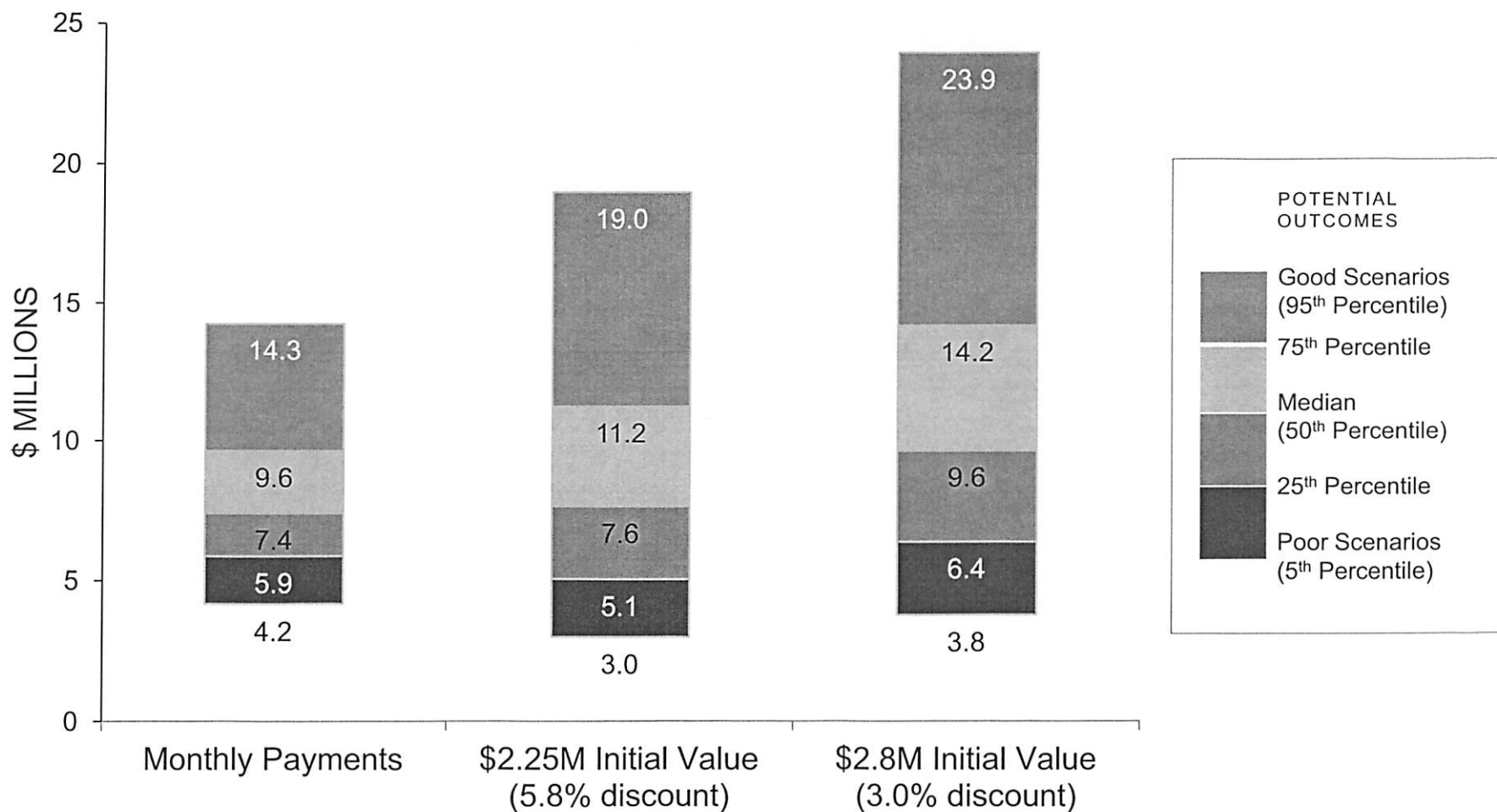


Source: SEI Capital Market Assumptions.
Please see important disclosures at the beginning of this section and at the back of the presentation.

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New answers.*

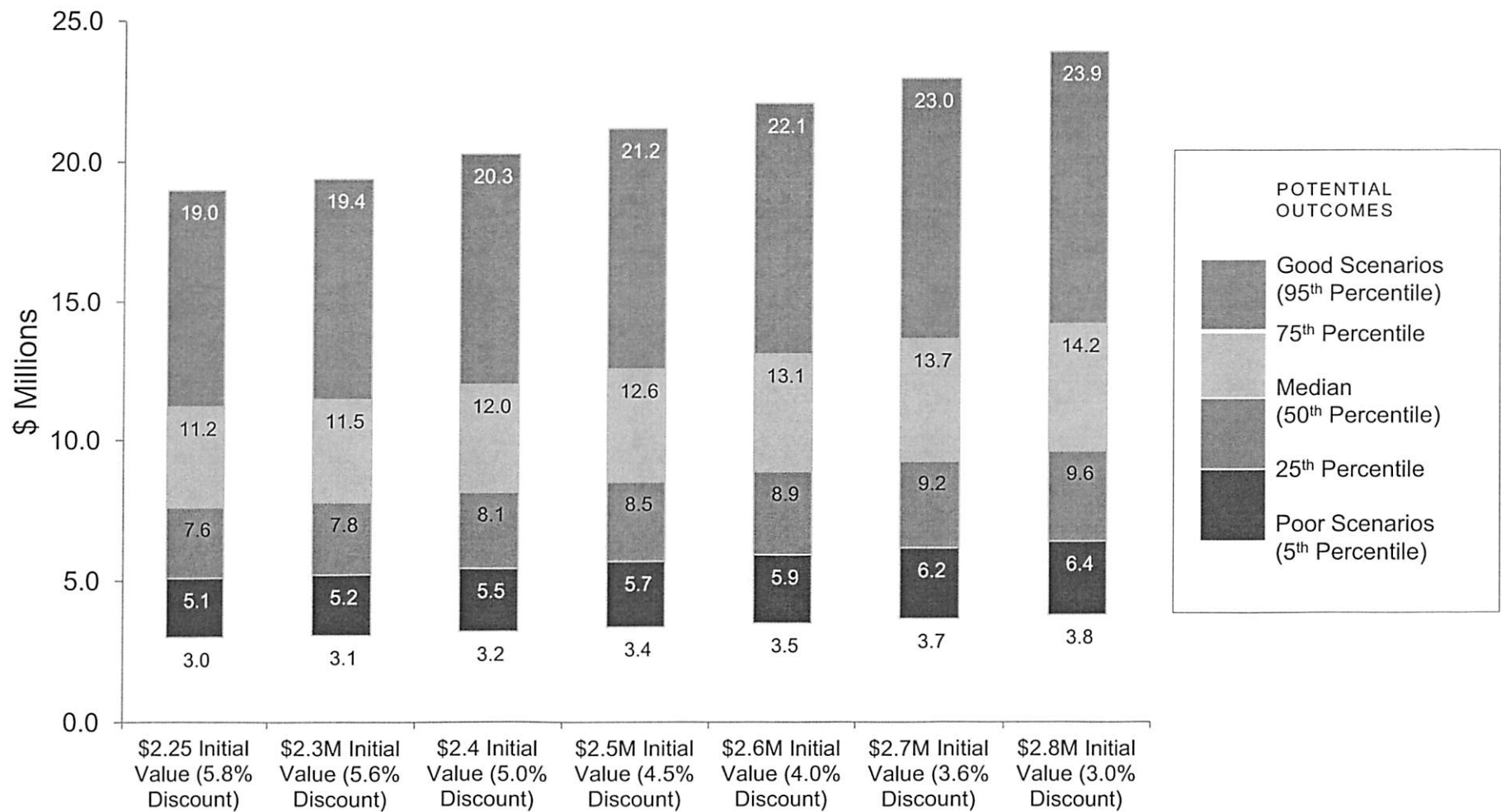
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Market Value of Assets Projection - 2039



Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

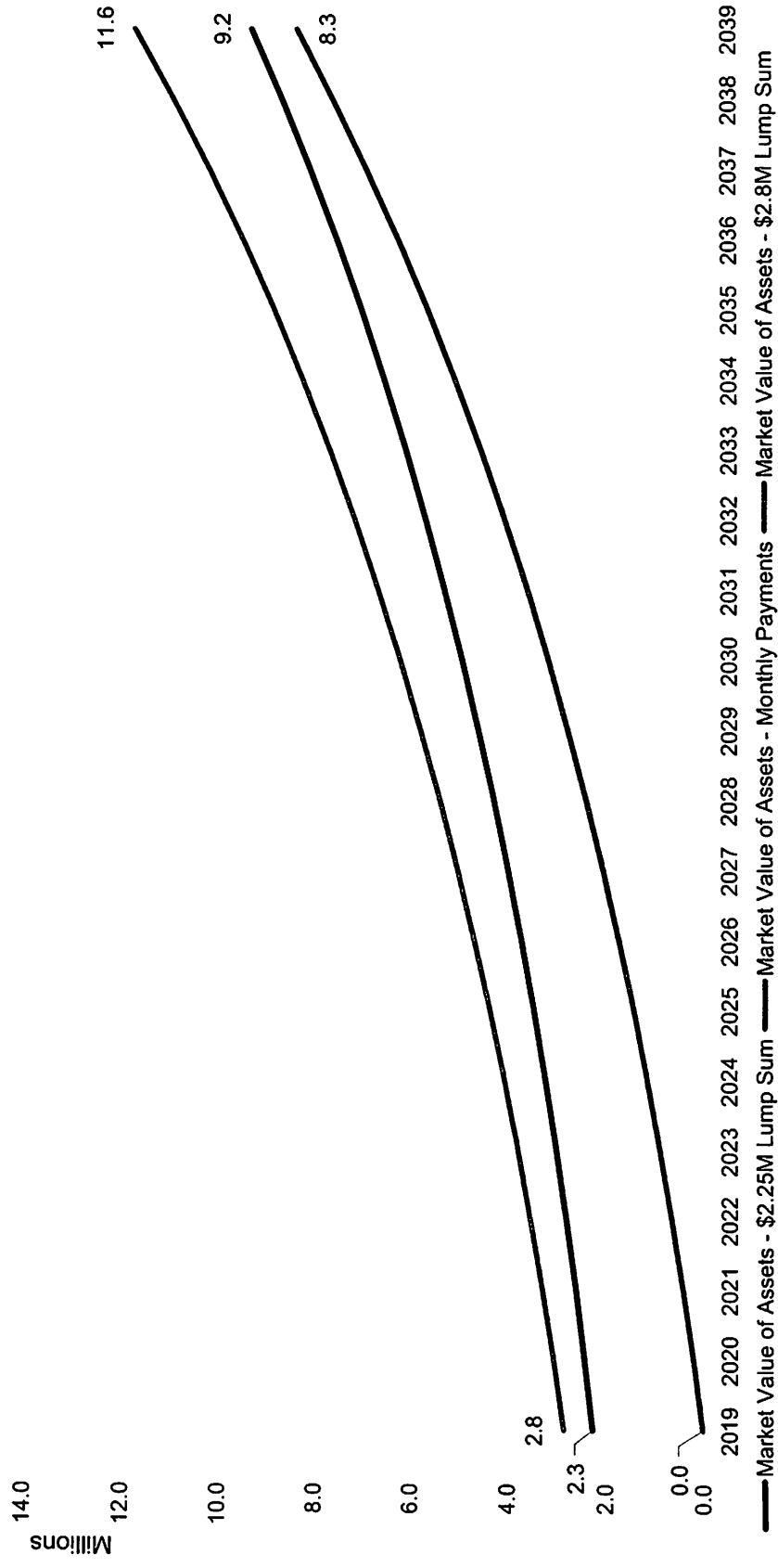
Market Value of Assets Projection - 2039



Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

Market Value of Assets Deterministic Projection - 2039

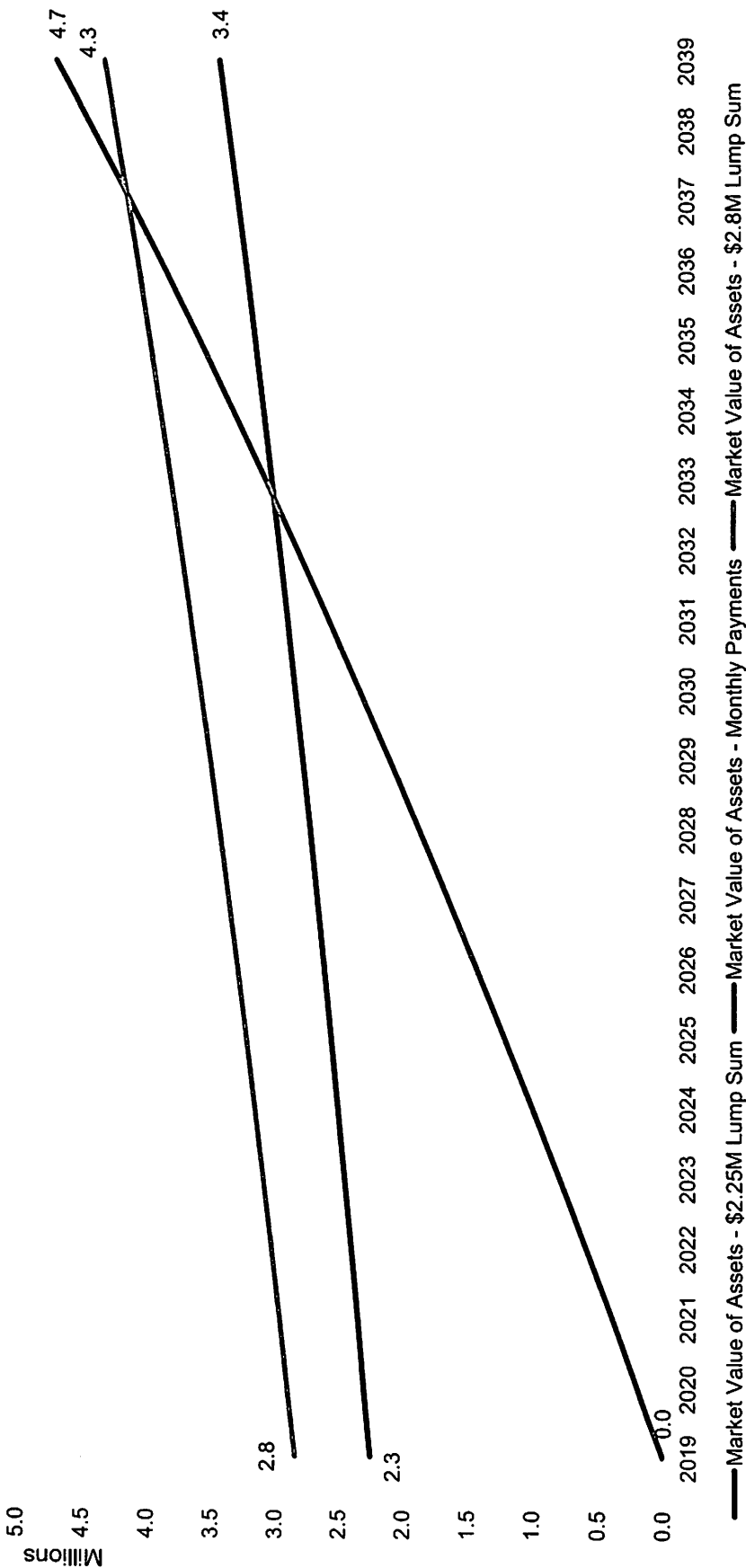
Expected Returns: 7.3% per annum



Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

Market Value of Assets Deterministic Projection - 2039

Poor Returns: 2.1% per annum



Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

SEI Capital Market Assumptions - Intermediate Term -March 2019

	Compound Return	Risk	Arithmetic Return	Inflation: 2.50%
Emerging Markets Equity (+ Frontier)	8.43%	29.27%	12.71%	
World Equity ex-US	8.68%	22.63%	11.24%	
Core Fixed Income	5.37%	6.62%	5.59%	
U.S. High Yield	6.50%	12.75%	7.31%	
Emerging Markets Debt	7.36%	15.52%	8.57%	
Directional Hedge	7.99%	12.60%	8.78%	
US Small Cap Equity	8.93%	23.44%	11.68%	
Short Term Corporate Fixed Income	3.96%	4.07%	4.04%	
Diversified Short Term Fixed Income	4.76%	5.72%	4.92%	
Structured Credit	9.05%	21.84%	11.44%	
S&P 500 Index	6.79%	19.00%	8.60%	
Limited Duration Fixed Income	4.62%	2.62%	4.66%	
Dynamic Asset Allocation	9.11%	19.92%	11.10%	
Private Real Estate	6.28%	19.26%	8.14%	
US Equity Factor	7.76%	19.29%	9.63%	

Please see important disclosures at the beginning of this section and at the back of the presentation.

SEI Capital Market Assumptions - Intermediate Term -March 2019

Correlations	Emerging Markets Equity (+ Frontier)	World Equity ex-US	Core Fixed Income	U.S. High Yield	Emerging Markets Debt	Directional Hedge	US Small Cap Equity	Short Term Corporate Fixed Income	Diversified Short Term Fixed Income	Structured Credit	S&P 500 Index	Limited Duration Fixed Income	Dynamic Asset Allocation	Private Real Estate	US Equity Factor
Emerging Markets Equity (+ Frontier)	1.00														
World Equity ex-US	0.74	1.00													
Core Fixed Income	0.00	0.18	1.00												
U.S. High Yield	0.65	0.59	0.45	1.00											
Emerging Markets Debt	0.80	0.59	0.45	0.75	1.00										
Directional Hedge	0.90	0.79	0.00	0.82	0.70	1.00									
US Small Cap Equity	0.70	0.80	0.15	0.65	0.60	0.86	1.00								
Short Term Corporate Fixed Income	0.35	0.26	0.65	0.60	0.40	0.75	0.25	1.00							
Diversified Short Term Fixed Income	0.45	0.41	0.35	0.80	0.50	0.86	0.45	0.89	1.00						
Structured Credit	0.45	0.46	0.00	0.80	0.50	0.80	0.55	0.60	0.90	1.00					
S&P 500 Index	0.75	0.87	0.25	0.65	0.65	0.86	0.90	0.25	0.45	0.55	1.00				
Limited Duration Fixed Income	0.15	0.23	0.92	0.55	0.45	0.00	0.10	0.65	0.45	0.15	0.30	1.00			
Dynamic Asset Allocation	0.75	0.87	0.25	0.65	0.65	0.86	0.90	0.25	0.45	0.55	1.00	0.30	1.00		
Private Real Estate	0.55	0.67	0.35	0.65	0.60	0.70	0.80	0.40	0.50	0.50	0.75	0.25	0.75	1.00	
US Equity Factor	0.75	0.87	0.25	0.65	0.65	0.87	0.92	0.25	0.45	0.55	1.00	0.30	1.00	0.75	1.00

Please see important disclosures at the beginning of this section and at the back of the presentation.

Important information

SIMC develops forward-looking, long-term capital market assumptions for risk, return, and correlations for a variety of global asset classes, interest rates, and inflation. These assumptions are created using a combination of historical analysis, current market environment assessment and by applying our own judgment. In certain cases, alpha and tracking error estimates for a particular asset class are also factored into the assumptions. We believe this approach is less biased than using pure historical data, which is often biased by a particular time period or event.

The asset class assumptions are aggregated into a diversified portfolio, so that each portfolio can then be simulated through time using a monte-carlo simulation approach. This approach enables us to develop scenarios across a wide variety of market environments so that we can educate our clients with regard to the potential impact of market variability over time. Ultimately, the value of these assumptions is not in their accuracy as point estimates, but in their ability to capture relevant relationships and changes in those relationships as a function of economic and market influences.

The projections or other scenarios in this presentation are purely hypothetical and do not represent all possible outcomes. They do not reflect actual investment results and are not guarantees of future results. All opinions and estimates provided herein, including forecast of returns, reflect our judgment on the date of this report and are subject to change without notice. These opinions and analyses involve a number of assumptions which may not prove valid. The performance numbers are not necessarily indicative of the results you would obtain as a client of SIMC.

We believe our approach enables our clients to make more informed decisions related to the selection of their investment strategies.

For more information on how SIMC develops capital market assumptions, please refer to the SEI paper entitled *"Executive Summary: Developing Capital Market Assumptions for Asset Allocation Modeling."* For more information on how SIMC develops capital market assumptions or the actual assumptions utilized, please contact your SEI representative.

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