Industry And Local 338
Pension Fund

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Minutes of the Meeting of the Board of Trustees

Held on September 18, 2017
at
Teamsters Local 445 Union Office
Rock Tavern, New York

The following Trustees were present:

UNION TRUSTEES
Roberta Dunker
Mickey Smith – via conference call
Barry Russell

EMPLOYER TRUSTEES
Theresa Bresten – via conference call
Chris Palmer

Also present were:

Pat Blizzard – SEI Institutional Group
Alicia Cochran – Associated Administrators, LLC
Brian Davis – Associated Administrators, LLC
Mary Ann Dunleavy – Horizon Actuarial Services, LLC
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP

Also present for a portion of the meeting via conference call was:

Tony Ghabour – Horizon Actuarial Services, LLC

I. CALL TO ORDER

The meeting was called to order at 10:09 a.m.

II. ACTUARY REPORT

Ms. Dunleavy and Mr. Ghabour presented information regarding the PPA certification for the July 1, 2017 through June 30, 2018 Plan Year and the Rehabilitation Plan design.

Ms. Dunleavy reviewed the design of the Funding Improvement Plan (“FIP”) adopted on May 25, 2017. She noted that the contribution increases required for the first three years under the Preferred Schedule of the FIP are the same as those anticipated by the proposed Rehabilitation Plan.

The Trustees reviewed requirements and deadlines for required actions during the July 1, 2017 through June 30, 2018 Plan Year. These include the certification of the Plan’s zone status submitted on September 18, 2017, the anticipated election for the Plan to be in critical status for the 2017-2018 Plan Year and the associated election and notice deadlines.

The Trustees reviewed a detailed listing of the collective bargaining agreements (“CBAs”) requiring contributions to the Plan. It was noted that, while the Fund is in critical status, surcharges will apply beginning 30 days after the Notice of Critical Status is provided to the interested parties to any CBAs that does not include a schedule of the adopted Rehabilitation Plan within that timeframe. Ms. O’Leary noted that the law requires the Plan to impose this surcharge; it is not a Trustee election. The Trustees discussed the available option of early opening of CBAs to adopt the Rehabilitation Plan in lieu of paying surcharges.

Ms. Dunleavy reviewed the projection of the Plan’s funding status used for the PPA zone status certification. The underlying assumptions and methods were discussed, as was the resulting certification of Endangered Status (projected to be in Critical Status within five years).

Ms. Dunleavy reviewed the terms of the Rehabilitation Plan discussed and agreed to by the Trustees at the March 30, 2017 meeting, including:

- Contribution increases: 6.5% annual, compounded. As was done for the FIP, contribution increases are to be converted to year-by-year dollar amounts that apply to all CBAs (regardless of current contribution rate). Contribution increases required by the Rehabilitation Plan are benefit-bearing.

- Elimination of all adjustable benefits for both terminated vested and active participants, including:
  - Elimination of all early retirement subsidies and service pensions,
  - Elimination of ancillary death and disability benefits, and
  - Changing the normal form of payment to a single life annuity.

Ms. Dunleavy reviewed projections of the Plan's funding status based on the terms of the proposed Rehabilitation Plan, providing sensitivities under alternative investment earnings and weeks worked assumptions. She presented analogous projections for an alternative Rehabilitation Plan design with contribution increases of 6.5% per year for three years, followed by 5.00% annual increases thereafter. She commented that this results in a valid Rehabilitation Plan design if all of the underlying assumptions are met, but that unfavorable investment or weeks worked experience could result in the Plan failing to emerge from critical status within the Rehabilitation Period. Mr. Blizzard noted that SEI's capital markets assumptions anticipate challenging market conditions in the short term, before recovering in the longer term. After extensive discussion,

MOTION was made, seconded, and unanimously adopted to approve the following:

- **Elect for the Plan to be in critical status for the July 1, 2017 – June 30, 2018 Plan Year, and**

- **Adopt a Rehabilitation Plan with:**
    - **Contribution increases: 6.5% annual, compounded. As was done for the FIP, contribution increases are to be converted to year-by-year dollar amounts that apply to all CBAs (regardless of current contribution rate). Contribution increases required by the Rehabilitation Plan are benefit-bearing.**
    - **Elimination of all adjustable benefits for both terminated vested and active participants effective January 1, 2018, including:**
        - **Elimination of all early retirement subsidies and service pensions,**
        - **Elimination of ancillary death and disability benefits, and**
        - **Changing the normal form of payment to single life annuity.**

Further, the Trustees directed Fund Counsel and Horizon Actuarial to prepare and finalize the required documents for:

- electing early critical status,
- providing Notice of Critical Status,
- providing Notice of the Rehabilitation Plan,
- the Plan Amendment and Summary of Material Modifications, and
- the notice to participants of benefit changes as required.

It was noted that all documents and notices will be available for distribution prior to September 28, 2017 so that surcharges and the Rehabilitation Plan contributions will be effective November 1, 2017.

III. INVESTMENT CONSULTANT REPORT

Mr. Pat Blizzard distributed and reviewed the SEI report for the period ending August 31, 2017.

Mr. Blizzard discussed the firm's investment outlook and provided an overview of the capital markets.

Mr. Blizzard reported that the Fund's ending market value as of August 31, 2017 was $90,010,690 and the fiscal year-to-date total rate of return was 12.07% compared to 10.74% for the index. Since inception with SEI (01/31/2011), the rate of return was 8.21%, compared to the 7.43% return for the index for that period. The current portfolio allocation as of August 31, 2017 is 19.90% Large Cap Index Fund, 6.90% Small Cap Fund, 20.5% World equity - US, 6.90% Dynamic Asset Allocation Fund, 9.90% Core Fixed Income Fund, 4.90% Limited Duration Fund, 4.00% High Yield Bond Fund, 4.00% Opportunistic Income Fund, 3.10% Emerging Markets Equity Fund, 2.40% Ultra Short Bond Fund, 3.00% Special Situations Fund CIT, 3.00% Emerging Markets Debt Fund, 1.40% Structured Credit Collective Fund, 10.10% Core Property Collective Invest TR, and 0% cash and equivalents.

IV. APPROVAL OF MINUTES

The minutes of the meeting held on June 5, 2017, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on June 5, 2017.

V. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Pension Applications

Ms. Cochran requested the Trustees' approval of eleven (11) pension applications. The pension applications, per the report of September 18, 2017, are annexed hereto as Exhibit "A."

MOTION was made, seconded and unanimously adopted to approve the eleven (11) pension applications listed on Exhibit "A."

B. Cash Operating Statement

Ms. Cochran submitted the Cash Operating Statement from July 1, 2016 through June 30, 2017. The report is attached hereto as Exhibit "B."

C. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for the months of April, May, and June 2017. The reports are attached hereto as Exhibit "C."

MOTION was made, seconded and unanimously adopted authorizing the disbursements listed in Exhibit "C."

D. Delinquency Report

Ms. Cochran reviewed the report in detail. The report is attached hereto as Exhibit "D."

E. Withdrawal Liability

Ms. Cochran reviewed the report in detail. The report is included at the bottom of Exhibit "D."

F. Employer Contribution Rate Report

Ms. Cochran reviewed the report in detail. The report is attached hereto as Exhibit "E."

G. Active Members & Retirees Receiving Benefits

Ms. Cochran referred to the report for the period January 2017 through December 2017. The report is attached hereto as Exhibit "F."

H. Administrative Manager's Report

Ms. Cochran reviewed the report in detail. The report is attached hereto as Exhibit "G."

I. Cyber Liability

Ms. Cochran referred to a Memorandum provided by Segal Select Insurance ("Segal Select") regarding Cyber Liability Insurance. The Memorandum is attached hereto as Exhibit "H." She noted that Segal Select requested proposals from Beazley and Travelers, and that Segal Select recommended the policy with Travelers at the $1 million aggregate, based on the option of full prior acts coverage, competitive retention and premium.

MOTION was made, seconded and unanimously adopted approving the recommendation of Segal Select to accept the Travelers' proposal at the $1 million aggregate for an annual premium of $1,611.00 to be effective as soon as administratively possible.

J. L.P. Transportation Withdrawal Liability Estimate Request

Ms. Cochran reported a request for a withdrawal liability estimate from L.P. Transportation. She noted that the required fee for the actuarial calculation of the estimate was paid and the estimate was provided to the employer on July 17, 2017.

VI. COUNSEL REPORT

A. Disqualifying Employment

Ms. O'Leary referred to the discussion at the June 5, 2017 Board of Trustees' meeting concerning the Fund's current suspension of benefits/disqualifying employment rules. She noted that she had reviewed the legal framework governing benefit suspensions due to a return to work and that the Trustees had tabled whether to amend the current rules for further consideration at today's meeting. She summarized the law, noting that a 2004 Supreme Court decision, Central Laborers' Pension Fund v. Heinz, prohibits pension plans from amending their suspension of benefits/return to work rules in such a way that benefits that accrued before the amendment are subject to suspension under the amended rule where previously such benefits were not subject to suspension. She stated that if the Trustees seek to restrict the Fund's suspension of benefits rules (to the extent permissible), a plan amendment could be adopted but that there would be a delay before the rule's impact is felt given the prohibition against applying an amended rule to pre-amendment benefit accruals.

Ms. O'Leary then reviewed the Fund's rules that are more permissive than required by law and that have been the subject of prior discussion: (1) the provision that allows participants who have 30 Pension Credits and have reached age 65 to continue working in Covered Employment and simultaneously collect a pension, and (2) the provision that allows participants who are younger than age 65 to work for a Contributing Employer while receiving a pension, provided that that the work is not in Covered Employment and that the participant initially have a bona fide separation from service,. The Trustees discussed the current rules. After discussion, the Trustees agreed that the current rules are appropriate and they decided not to amend the rules at this time.

B. Trustee Vacancy

Ms. O'Leary noted that, as the Trustees are aware, none of the other Contributing Employers has expressed an interest in serving as an Employer Trustee to fill the vacancy created by Trustee Vavasour's resignation as Trustee. She noted that other options to fill the vacancy are hiring a professional trustee or seeking to have a second Trustee appointed from one of the two companies who have appointed the two current Employer Trustees. She also noted that it would be permissible to amend the Trust Agreement to reduce the number of Employer Trustees from three to two, noting that the Trust Agreement provides for block voting and, as such, the Employer Trustees and Union Trustees would continue to have one vote each, even if there is an uneven number of Trustees on each side. She added that having two Employer Trustees creates a risk of deadlock by the Employer Trustees in which case a deadlock arbitrator can be appointed to break the deadlock. After discussion, the Trustees agreed that the Trust Agreement should be amended to provide for a total of five Trustees, three of whom shall be Union Trustees and two of whom shall be Employer Trustees.

MOTION was made, seconded and unanimously adopted to amend the Trust Agreement to provide for a total of five Trustees, three of whom shall be Union Trustees and two of whom shall be Employer Trustees, effective immediately.

VII. <u>NEXT MEETING DATE/ADJOURNMENT</u>

A meeting of the Board of Trustees is scheduled for Thursday, January 25, 2018 at 9:00 a.m. by conference call. With no further business to come before the Board, the meeting was adjourned at 11:35 a.m.

__________________________ Union Trustee	__________________________ Employer Trustee
__________________________ Union Trustee	__________________________ Employer Trustee
__________________________ Union Trustee	

Exhibits:

A – Pension Applications

B – Cash Operating Statement

C – Authorization for Disbursements

D – Delinquency and Withdrawal Liability Report

E – Employer Contribution Report

F – Active Members & Pensioners Receiving Benefits Report

G – Administrative Manager's Report

H – Cyber Liability Memorandum