Industry And Local 338
Pension Fund
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Minutes of the Meeting of the Board of Trustees

Held on December 7, 2016
at
Teamsters Local 445 Union Office
Rock Tavern, New York

The following Trustees were present:

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

EMPLOYER TRUSTEES
Theresa Bresten – via conference call
Chris Palmer
JoEllen Vavasour– via conference call

Also present were:

Alicia Cochran – Associated Administrators, LLC
Brian Davis – Associated Administrators, LLC
Mary Ann Dunleavy – Horizon Actuarial Services, LLC
Adam Levine – SEI Institutional Group
Peter Murray – Schultheis & Panettieri, LLP
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP

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

Stan Goldfarb – Horizon Actuarial Services, LLC
Tony Ghabour – Horizon Actuarial Services, LLC

I. CALL TO ORDER

The meeting was called to order at 10:05 a.m.

II. ACTUARY REPORT

Ms. Dunleavy attended the meeting in person and Messrs. Ghabour and Goldfarb participated by phone. The Horizon Actuarial Services presentation focused on the requirements of funding improvement plans and rehabilitation plans and information on how the Plan may operate under such plans.

Ms. Dunleavy reviewed the Pension Protection Act ("PPA") zone certification for the plan year beginning July 1, 2016, which was filed with the IRS on September 28, 2016. The certification indicated that the Plan is in endangered status for the plan year and projected to be in critical status within five years. She noted that, assuming the baseline assumptions shown in the presentation are met, it is likely that the Plan will also be certified in endangered status (and projected to be in critical status within five years) for the July 1, 2017 – June 30, 2018 plan year and that the Trustees will have an opportunity to elect for the Plan to be in critical status early. She noted that during the plan year ending June 30, 2016, the investment return estimated to be -0.79% was below the 7.50% assumption and the level of work (measured in weeks) had dropped 5% since the previous plan year. It was noted that in 2011, over 20,000 weeks of work were reported and that the 2016 PPA Zone status projections assumed 11,900 weeks.

Ms. Dunleavy reported that a funding improvement plan must be adopted within 240 days of the certification due date, or by May 25, 2017, and that the funding improvement plan developed must be sent to the bargaining parties by no later than June 24, 2017. It was noted that in the three months following the distribution of the remediation plan developed, the PPA zone certification for the July 1, 2017 – June 30, 2018 plan year will be issued, possibly resulting in the requirement to adopt a rehabilitation plan. She discussed the Trustees' responsibility to impose a default schedule on contracts that do not adopt a schedule of the remediation plan within 180 days of expiration. Applicable restrictions on Plan operations during the funding improvement plan adoption period were discussed as well as how and when contribution surcharges apply when a plan is certified in critical status.

Ms. Dunleavy reviewed the legal requirements for both funding improvement plans and rehabilitation plans, including the tools available for improving the Plan's funded position - contribution increases and benefit changes. She noted that, in funding improvement plans, changes to future benefit accruals can be made, while in a rehabilitation plan, adjustable benefits (subsidies applicable to accrued benefits of active and inactive vested participants) can be changed.

The Trustees reviewed a list of the contract expiration dates for all contributing employers and discussed the timing of funding improvement plan requirements adopted in the 2016-2017 plan year as well as possible surcharges and rehabilitation plan requirements in the 2017-2018 plan year.

Ms. Dunleavy reviewed a summary of plan provisions and provided information on the estimated counts of active and inactive vested participants eligible for various subsidized benefits. She presented sample benefit calculations for two hypothetical participants demonstrating the effect of eliminating early retirement subsidies and changing the normal form of payment provided under current Plan provisions. The allocation of liabilities between retired, inactive vested, active accrued benefits and active future benefit accruals was reviewed. Ms. Dunleavy presented an estimate of the level of contribution increases required for a valid funding improvement plan or rehabilitation plan with a ten-year improvement period. Scenarios showing unfavorable investment performance and additional decreases in work levels were also included.

The Trustees continued discussion on the development of the funding improvement plan. They discussed the value of coordinating the development of the funding improvement plan with a rehabilitation plan that is expected to be required for the July 1, 2017 – June 30, 2018 plan year. Ms. Dunleavy noted the importance of stress testing the provisions of the funding remediation plans, particularly with respect to investment return and industry activity.

The Trustees asked Horizon Actuarial to develop potential funding improvement plan/rehabilitation plan options for review at the next Trustees' meeting. Trustee Bresten suggested that employer contribution increases of 10% per year compounded and the elimination of early retirement subsidies be considered in developing the remediation plan. Trustee Smith requested that consideration be given to defining the required contribution increases as dollar amounts rather than as a percentage of the contribution rates.

In response to a question raised at a previous meeting, the Horizon representatives and Ms. Cochran reported that there are currently eight retirees working for a Contributing Employer(s) and receiving a pension. She noted that these participants are 65 and older and have 30 or more years of credit in accordance with the Plan's rules which provide that the Plan's suspension of benefits rules do not apply under these circumstances. It was noted that contributions are made to the Plan on behalf of these working retirees, and that they are not accruing additional benefits based on these contributions.

The Trustees thank the representatives of Horizon Actuarial for their report.

III. <u>COUNSEL REPORT</u>

<u>SEI Energy Debt Strategy</u>

Ms. O'Leary noted that the Trustees agreed at their September 29, 2016 meeting to make an allocation of approximately 4% of the Fund's portfolio to SEI's Energy Debt Strategy, subject to counsel's review of the legal documents for this investment. She noted that she has since (a) reviewed the Declaration of Trust, Investment Guidelines, Disclosure Memorandum, Schedule of Fees and related documents regarding this strategy, (b) completed the application form, and (c) communicated with SEI's team about the documents. She reviewed various features of the investment that had previously been discussed as well as certain risks related to this particular investment. She noted her concerns about certain provisions in the documents. She explained that investment managers are sometimes amenable to agreeing to side letters that offer ERISA investors additional protections but that, in this case, SEI will not agree to a side letter. Ms. O'Leary and Mr. Murray then summarized issues raised by the Department of Labor's guidance on "hard to value" investments, a category of investments which would include SEI's

Energy Debt Strategy. Mr. Levine provided additional information about why SEI believes this would be an appropriate allocation for the Fund. The Trustees agreed that there the proposed allocation offers upside to the Fund as well as risks and, after extensive discussion and consideration, determined not to proceed with the allocation to SEI's Energy Debt Strategy at this time.

MOTION was made, seconded and unanimously adopted to not proceed with making an allocation to the SEI Energy Debt Strategy and to rescind the Trustees' prior motion to make an allocation to the SEI Energy Debt Strategy.

IV. INVESTMENT CONSULTANT REPORT

Mr. Adam Levine distributed and reviewed the SEI report for the period ending October 31, 2016.

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

Mr. Levine reported that the ending market value as of October 31, 2016 was $84,368,467 and the fiscal year-to-date total rate of return was (-3.49%) compared to 2.56% for the index. Since inception with SEI (01/31/2011), the rate of return was 7.20%, compared to the 6.42% return for the index for that period. The current portfolio allocation as of October 31, 2016 is 12.10% Large Cap Fund, 11.70% Large Cap Index Fund, 7.10% Small Cap Fund, 17.70% World equity - US, 6.80% Dynamic Asset Allocation Fund, 4.50% Core Fixed Income Fund, 8.90% Limited Duration Fund, 4.00% High Yield Bond Fund, 3.10% Opportunistic Income Fund, 3.00% Emerging Markets Debt Fund, 2.10% Ultra Short Bond Fund, 3.90% Special Situations Fund CIT, 1.40% Structured Credit Collective Fund and 13.7% Core Property Collective Invest TR, 0% cash and equivalents.

The Trustees thanked Mr. Levine for his report and he was excused from the remainder of the meeting.

V. AUDITOR'S REPORT

Mr. Murray distributed the Financial Statements for years ended June 30, 2016 and 2015, copies of which are attached hereto as Exhibit "A." He confirmed that the financial statements, in the opinion of Schultheis & Panettieri, LLP ("S&P"), present fairly, in all material respects, the financial status of the Fund. Mr. Murray reviewed the audit report in detail. He reported that the Form 5500 and Financial Statements would be filed timely. He noted S&P's satisfaction with Associated's internal controls.

The Trustees thanked Mr. Murray for his report.

VI. APPROVAL OF MINUTES

The minutes of the meeting held via conference call on August 19, 2016, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held via conference call on August 19, 2016.

The minutes of the meeting held on September 29, 2016, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on September 29, 2016.

VII. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Pension Applications

Ms. Cochran requested the Trustees' approval of five (5) pension applications. The pension applications, per the report of December 7, 2016, are annexed hereto as Exhibit "B."

MOTION was made, seconded and unanimously adopted to approve the five (5) pension applications listed on Exhibit "B."

B. Cash Operating Statement

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

C. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for the months of July, August, and September 2016. The reports are attached hereto as Exhibit "D."

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

D. Delinquency Report

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

E. Withdrawal Liability

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

F. Employer Contribution Rate Report

Ms. Cochran reviewed this report in detail. The report is attached hereto as Exhibit "F."

G. Active Members Receiving Benefits

Ms. Cochran referred to the report for the period January 2016 through December 2016. The report is attached hereto as Exhibit "G."

H. Administrative Manager's Report

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

I. Paraco Gas Corporation Credit Request

Ms. Cochran referred to a letter received from the employer requesting a reimbursement for contributions overpaid on behalf of Plan participants for the period February 1, 2015 through June 30, 2016. She said the total amount requested for reimbursement is $32,332.00 and verified that amount is consistent with the remittance reports received by the Fund Office.

MOTION was made, seconded and unanimously adopted to approve a reimbursement to the employer for overpaid contributions in the amount of $32,332 for the period February 1, 2015 through June 30, 2016.

J. Annual Funding Notice

Ms. Cochran reported that the Annual Funding Notice had been mailed to Plan participants, Unions, Employers and the Department of Labor on October 28, 2016.

K. ERISA Section 204 (h) – HP Hood

Ms. Cochran said that the notice regarding the benefit accrual change as a result of a reduction in the contribution rate effective November 1, 2016 was sent to the Employer, Union and Plan participants on October 11, 2016.

L. Pension Statements

Ms. Cochran reported that annual pension statements were mailed to active and deferred vested participants on November 4, 2016.

M. Annual Pension Affidavits

Ms. Cochran reported that the third request for information was mailed to 23 retirees.

N. L.P. Transportation Memorandum of Agreement ("MOA")

Ms. Cochran reported the receipt of an MOA between L.P. Transportation and Teamster Local Union 445 for the period from August 16, 2016 through August 15, 2019.

O. Administrative Bank Account

Ms. Cochran said that an administrative bank account had been established during the transition from the prior Fund Office and due to no recent account activity, the Fund auditor had recommended closing the account. She confirmed with the auditor that the account was funded by both the Pension and Welfare Funds. Ms. Cochran said as of November 30, 2016 the account balance was $92,090.66 and that SEI had recommended investing the monies across the respective asset allocations for each Fund. She said the Fund auditor had recommended an allocation specific for each Fund based on the original funding of the account.

MOTION was made, seconded and unanimously adopted to approve the recommendation of the

Fund auditor and distribute the monies in the administrative bank account in accordance with the allocation provided by the Fund auditor.

VIII. <u>NEXT MEETING DATES/ADJOURNMENT</u>

The next regular meeting of the Board of Trustees is scheduled for Thursday, March 30, 2017. A special meeting is scheduled for Thursday, February 16, 2017. The meetings will commence at 10:00 a.m. With no further business to come before the Board, the meeting was adjourned at 1:27 p.m.

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Union Trustee Employer Trustee

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Union Trustee Employer Trustee

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Union Trustee Employer Trustee

Exhibits:

A – Financial Statement
B – Pension Applications
C – Cash Operating Statement
D – Authorization for Disbursements
E – Delinquency and Withdrawal Liability Report
F – Employer Contribution Rate Report
G – Active Members & Pensioners Receiving Benefits Report
H – Administrative Manager's Report