Industry And Local 338
Pension Fund

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Minutes of the Meeting of the Board of Trustees

Held on January 25, 2018
Via
Conference Call

The following Trustees were present:

UNION TRUSTEES
Roberta Dunker
Mickey Smith
Barry Russell

EMPLOYER TRUSTEES
Theresa Bresten
Chris Palmer

Also present were:

Pat Blizzard – SEI Institutional Group
Alicia Cochran – Associated Administrators, LLC
Deborah Dubbs – Associated Administrators, LLC
Mary Ann Dunleavy – Horizon Actuarial Services, LLC
Peter Murray – Schultheis & Panettieri, LLP
Dylan Nitta – Horizon Actuarial Services, LLC
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP

I. CALL TO ORDER

The meeting was called to order at 9:04 a.m.

II. ACTUARY REPORT

Ms. Mary Ann Dunleavy and Mr. Dylan Nitta of Horizon Actuarial Services, LLC ("Horizon") led this section of the meeting. The Horizon report was distributed electronically prior to the conference call.

Ms. Dunleavy presented the results of the July 1, 2017 actuarial valuation. She reviewed historical information on demographic and asset information including participant counts by status, weeks worked, investment returns and asset values. She noted how the Plan's demographics affect the Plan cash flows, the increasing reliance on positive investment results, and how the Rehabilitation Plan contribution increases will affect this trend. She noted that the Plan continues to have unfunded vested benefit liabilities for withdrawal liability purposes.

Ms. Dunleavy noted that the valuation reflects a loss on liabilities, primarily due to census data changes which was offset by gains resulting from an asset return of 13.31%, which exceeds the 7.5% assumption. Information on the weeks reported in the census data for the July 1, 2017 data comparing to anticipated experience based on information from the July 1, 2016 valuation was presented and discussed.

Ms. Dunleavy reviewed detail on the key results of the July 1, 2017 valuation, noting that the valuation does not reflect the benefit changes made by the Rehabilitation Plan. The Plan has liabilities of $113.4 million against assets of $89.8 million at market and $93.1 million on a smoothed, actuarial basis. Measured as of July 1, 2017, the total normal cost, including the cost of benefits accruing for the Plan year and expected operating expenses, is $1.6 million. Assuming an amortization period of 4 years, the Plan's contribution margin is $385 per week; that is, as of July 1, 2017, the estimated cost of operating the Plan and eliminated the Plan's unfunded liabilities over the next 4 years is $385 more per week than the current average weekly contribution rate of $262.

Ms. Dunleavy reviewed the Plan changes that are being implemented as a result of the Rehabilitation Plan. She noted that the Plan Administrator has reported that employers are timely paying the surcharges that have been imposed. Ms. O'Leary noted that each employer received a customized notice of how surcharges and contribution increases will apply to their contracts. Ms. O'Leary clarified that because the Rehabilitation Plan consists of a single, default schedule that applies to all employers, the elimination of adjustable benefits made by the Rehabilitation Plan will be effective January 1, 2018 for all participants who were not in pay status at that time.

Ms. Dunleavy reviewed updated funding projections reflecting the results of the July 1, 2017 actuarial valuation and the terms of the Rehabilitation Plan that was adopted September 18, 2017. The projection scenarios included sensitivities to one year of high or low asset return under two different assumptions for future work levels. As in projections reviewed at prior meetings, the work level alternatives were (1) based on average weeks reported in the plan year ending on the valuation date (11,700 weeks as of June 30, 2017) as well as (2) average weeks assuming the College of New Rochelle and Culinart withdraw from the Plan (9,700 weeks as of June 30, 2017). The discussion of these scenarios focused on the viability of the Rehabilitation Plan. It was noted that the Rehabilitation Plan remains viable the employer withdrawals are reflected and a 0% investment return for the plan year ending June 30, 2018 is realized, but with very little cushion for further unfavorable experience. It was noted that the contribution income used for scenarios in which withdrawals are assumed to occur does not included any withdrawal liability payments from the College of New Rochelle or Culinart.

Ms. O'Leary noted that Culinart is now remitting contributions under the company name of Compass Group USA, Inc. ("Compass"). She said the employer has responded to an inquiry from the Administrative Manager and it appears that Compass acquired Culinart in a stock transaction and no withdrawal liability was triggered.

III. INVESTMENT CONSULTANT REPORT

Mr. Pat Blizzard distributed and reviewed the SEI report for the period ending December 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 December 31, 2017 was $92,807,649 and the fiscal year-to-date total rate of return was 7.55% compared to 7.17% for the index. Since inception with SEI (01/31/2011), the rate of return was 8.56%, compared to the 7.80% return for the index for that period. The current portfolio allocation as of December 31, 2017 is 20.60% Large Cap Index Fund, 6.90% Small Cap Fund, 20.90% World equity - US, 7.10% Dynamic Asset Allocation Fund, 9.40% Core Fixed Income Fund, 4.60% Limited Duration Fund, 3.90% High Yield Bond Fund, 3.80% Opportunistic Income Fund, 3.20% Emerging Markets Equity Fund, 2.30% Ultra Short Bond Fund, 2.90% Special Situations Fund CIT, 2.90% Emerging Markets Debt Fund, 1.50% Structured Credit Collective Fund, 10.00% Core Property Collective Invest TR, and 0% cash and equivalents.

Mr. Blizzard requested the permission of the Trustees to include the Fund's name on SEI's client list as well as to provide a description of the services SEI provides to the Fund in sales presentations to prospective clients. He said the consent form was sent to Fund Counsel for review. Fund Counsel said there were no issues with this request and the Trustees approved the request, noting the first two options, as described, were acceptable to check off on the consent form.

IV. APPROVAL OF MINUTES

The minutes of the meeting held on September 18, 2017, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on September 18, 2017.

V. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Pension Application – INTERIM ACTION

Ms. Cochran reported that the Trustees, via electronic poll on December 20, 2017, approved three (3) pension applications per the report of December 20, 2017, annexed hereto as Exhibit "A."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees

to approve the three (3) pension application listed on Exhibit "A."

B. <u>Pension Application – INTERIM ACTION</u>

Ms. Cochran reported that the Trustees, via electronic poll on November 29, 2017, approved five (5) pension applications per the report of November 29, 2017, annexed hereto as Exhibit "B."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the five (5) pension application listed on Exhibit "B."

C. <u>Cash Operating Statement</u>

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

D. <u>Disbursement Report</u>

Ms. Cochran referred to the Authorization for Disbursements reports for the months of July, August, and September 2017. The reports are attached hereto as Exhibit "D."

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

E. <u>Delinquency Report</u>

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

F. <u>Withdrawal Liability</u>

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

G. Employer Contribution Rate Report

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

H. 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 "G."

I. Administrative Manager's Report

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

J. Fidelity Bond Renewal

Ms. Cochran referred to a Memorandum provided by Segal Select Insurance ("Segal Select") regarding the Fidelity Bond Renewal. The Memorandum is attached hereto as Exhibit "I." She said that the current bond expires February 15, 2018. Ms. Cochran noted that Chubb, the current carrier, is requesting a 24% increase in premium for a three-year period. She also noted that Chubb is requesting an additional application be completed which may reduce the requested 24% premium increase. The Trustees tabled this discussion until a final proposal is available from Segal Select.

K. ERISA Section 204 (h), Plan Amendment and Rehabilitation Plan ("RP")

Ms. Cochran said that the 204(h) notice, Plan Amendment and RP were mailed to the Employers, Union, Plan participants and alternate payees on November 9, 2017.

L. Pension Protection Act – Surcharge and Rehabilitation Plan

Ms. Cochran said that a letter was mailed to participating Employers on December 15, 2017 regarding the 5% surcharge required to be paid to the Fund because of the

Fund's critical status under the Pension Protection Act. She noted that the 5% surcharge is effective November 1, 2017.

M. HP Hood LLC 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 November 1, 2016 through October 31, 2017. She said the total amount requested for reimbursement is $68,629.66 and verified that amount is consistent with the remittance reports received by the Fund Office.

After discussion with Trustee Bresten abstaining,

> **MOTION was made, seconded and adopted to approve the request of the employer for a contribution credit of $68,629.66 for the period November 1, 2016 through October 31, 2017.**

N. Memorandum of Agreement ("MOA"), HP Hood LLC

Ms. Cochran reported the receipt of an MOA between HP Hood LLC and Teamsters Local Union 445 for the period from November 1, 2017 through October 31, 2020.

O. Pension Statements

Ms. Cochran reported that annual pension statements were mailed to active and deferred vested Plan participants on November 8, 2017.

P. Withdrawal Liability Estimate

Ms. Cochran reported a request for a withdrawal liability estimate from HP Hood LLC. She stated that the required fee for the actuarial calculation of the estimate was paid and the estimate was provided to the employer on November 1, 2017.

Ms. Cochran reported a request for a withdrawal liability estimate from Culinart. She stated that the required fee for the actuarial calculation of the estimate was paid and the estimate was provided to the employer on December 22, 2017.

VI. COUNSEL REPORT

To be provided by Fund Counsel

VII. AUDITOR REPORT

Mr. Murray distributed the Financial Statements for years ended June 30, 2017 and 2016, copies of which are attached hereto as Exhibit "J." 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 on time. He noted S&P's satisfaction with Associated's internal controls.

Mr. Murray noted that the current annual fee for the annual audit is $40,000 and that he is proposing the fee remains at $40,000 for the 2017 Plan year audit. He said that he is requesting an increase in the hourly rates associated with the payroll audit fees. Mr. Murray said that the current hourly rates are $75, $110, and $185. He is requesting the hourly rates be increased to $85, $125, and $210. The Trustees tabled the request.

The Trustees thanked Mr. Murray for his report.

VIII. NEXT MEETING DATE/ADJOURNMENT

The next regular meeting of the Board of Trustees is scheduled for Thursday, June 7, 2018 at 9:00 a.m. A tentative meeting is scheduled for Friday, April 6, 2017 via conference call. With no further business to come before the Board, the meeting was adjourned at 11:45 a.m.

___________________________ Union Trustee

___________________________ Employer Trustee

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Exhibits:

A – Interim Pension Applications

B – Interim Pension Applications

C – Cash Operating Statement

D – Authorization for Disbursements

E – Delinquency and Withdrawal Liability Report

F – Employer Contribution Report

G – Active Members & Pensioners Receiving Benefits Report

H – Administrative Manager's Report

I – Fidelity Bond Memorandum

J – Financial Statement