Industry And Local 338
Pension Fund

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Minutes of the Meeting of the Board of Trustees

Held on January 31, 2019
at
Teamsters Local 445 Union Office
Rock Tavern, New York

The following Trustees were present:

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

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

Also present were:

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

I. CALL TO ORDER

The meeting was called to order at 10:07 a.m.

II. ACTUARY REPORT

Ms. Dunleavy presented the results of the July 1, 2018 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 and the increasing reliance on positive investment results. She noted that the Plan continues to have unfunded vested benefit liabilities for withdrawal liability purposes.

Ms. Dunleavy noted that the valuation reflects a small gain on liabilities plus a gain resulting from an asset return of 7.7%, which exceeds the 7.5% assumption. She also reviewed the benefit changes pursuant to the Rehabilitation Plan ("RP") and noted that liabilities decreased by $12.5 million reflecting those changes.

Ms. Dunleavy reviewed detail on the key results of the July 1, 2018 valuation, noting that the Plan has liabilities of $102.4 million compared to assets of $91.6 million at market and $92.7 million on a smoothed, actuarial basis. She stated that the total normal cost, including the cost of benefits accruing for the plan year and expected operating expenses, is $1.3 million as of July 1, 2018. Ms. Dunleavy reviewed the expected contributions versus the actuarial costs of the Plan, noting that, as of July 1, 2018, the Plan is projected to become 100% funded in just over 6 years. She stated that, as of July 1, 2017, prior to the adoption of the RP, the Plan was not projected to become fully funded.

Ms. Dunleavy discussed the treatment of reductions in adjustable benefits made by the RP for withdrawal liability purposes. Following discussion, the Trustees elected to follow the simplified method of PBGC Technical Notice 10-3.

MOTION was made, seconded and unanimously adopted to follow the simplified method of PBGC Technical Notice 10-3.

Ms. Dunleavy reviewed updated funding projections reflecting the results of the July 1, 2018 actuarial valuation and assuming no contribution increases beyond those included in current collective bargaining agreements ("CBAs"). She stated that the projection scenarios included sensitivities to one year of high or low asset returns 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, 2018) as well as (2) average weeks assuming the College of New Rochelle ("CNR") and Culinart withdraw from the Plan (9,800 weeks as of June 30, 2018). The discussion of these scenarios focused on the viability of the RP. It was noted that the conservative design of the RP and favorable experience has resulted in an improved projected funded status for the Plan, but that the Plan remains sensitive to both investment return and contribution levels.

The Trustees discussed CBAs. It was noted that CNR has a new CBA that includes the terms of the RP that will expire on December 31, 2019. Trustee Dunker noted that Friesland has included two years of contribution increases in a renewed CBA. Trustee Smith noted that he would be interested in looking at ways to reduce future contribution increases. Ms. Dunleavy noted that the Trustees have an obligation to annually review and update the terms of the RP and that they will need to determine how to manage future contribution requirements once the Plan emerges from critical status and the RP ends, such as through a funding policy.

III. INVESTMENT CONSULTANT REPORT

Mr. Patrick Blizzard distributed and reviewed the SEI report for the period ending December 31, 2018.

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, 2018 was $83,692,549 and the fiscal year-to-date investment loss was -5.06% compared to -7.26% for the index. Since inception with SEI (01/31/2011), the rate of return was 6.84%, compared to the 6.21% return for the index for that period. The current portfolio allocation as of December 31, 2018 is 9.60% Large Cap Index Fund, 2.60% Small Cap Fund, 18.10% World equity - US, 13.40% US Equity Factor Allocation Fund, 6.70% Dynamic Asset

Allocation Fund, 10.50% Core Fixed Income Fund, 5.20% Limited Duration Fund, 4.00% High Yield Bond Fund, 4.20% Opportunistic Income Fund, 2.80% Emerging Markets Equity Fund, 2.60% Ultra Short Bond Fund, 3.40% Special Situations Fund CIT, 3.10% Emerging Markets Debt Fund, 1.70% Structured Credit Collective Fund, 12.10% Core Property Fund, and 0% cash and equivalents.

Trustee Bresten asked Mr. Blizzard to comment on the Plan's current 7.5% investment return assumption. Mr. Blizzard responded that SEI reviews investment return assumptions on a regular basis and believes the current assumption continues to be appropriate.

Messrs. Blizzard and Waite then presented three alternative portfolios – Portfolio A, B and C. They explained the changes in the different portfolios, including eliminating or reducing exposure to US Small Cap Equity, adding an allocation of 10% to 13% to World Select Equity, reducing or eliminating the current 4% allocation to Diversified Short Term Fixed Income, and other changes. They explained how these changes are expected to affect the portfolio's expected return, risk and fees, among other factors. Trustee Bresten stated that the Trustees will need to review information about the World Select Equity Fund before considering an allocation to that investment. The SEI representatives agreed, noting that this is intended to be a preliminary introduction to a conversation about potential portfolio changes and that implementation of these recommendations is not time-sensitive.

IV. **<u>AUDITOR REPORT</u>**

Mr. Murray distributed the Financial Statements for years ended June 30, 2018 and 2017, 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 as well as the Form 5500 and Financial Statements in detail and reported that the Form 5500 will be timely filed. He noted S&P's satisfaction with Associated Administrators' internal controls.

V. APPROVAL OF MINUTES

The minutes of the meeting held on September 13, 2018, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on September 13, 2018.

VI. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Pension Applications – INTERIM ACTIONS

Ms. Cochran reported that the Trustees, via electronic poll on January 23, 2019, approved three (3) pension applications per the report of January 23, 2019, annexed hereto as Exhibit "B."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the three (3) pension applications listed on Exhibit "B."

Ms. Cochran reported that the Trustees, via electronic poll on December 18, 2018, approved two (2) pension applications per the report of December 18, 2018, annexed hereto as Exhibit "C."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the two (2) pension applications listed on Exhibit "C."

Ms. Cochran also reported that the Trustees, via electronic poll on November 28, 2018, approved one (1) pension application per the report of November 28, 2018, annexed hereto as Exhibit "D."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the one (1) pension application listed on Exhibit "D."

B. Cash Operating Statement

Ms. Cochran submitted the Cash Operating Statement from July 1, 2018 through June 30, 2019. The report is attached hereto as Exhibit "E."

C. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for the months of July, August and September 2018. The reports are attached hereto as Exhibit "F."

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

D. Delinquency Report

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

E. Withdrawal Liability

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

F. Employer Contribution Rate Report

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

G. Active Members & Retirees Receiving Benefits

Ms. Cochran referred to the report for the period January 2018 through June 2018. The report is attached hereto as Exhibit "I."

H. Administrative Manager's Report

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

I. FrieslandCampina Credit Request

Ms. Cochran referred to a request by FrieslandCampina for a credit of $6,010.17 for contributions paid in error due to a miscalculation by the employer for July 2018 contributions. After discussion, the Trustees approved the request as presented.

MOTION was made, seconded and unanimously adopted to provide FrieslandCampina a contribution credit of $6,010.17 based on the payment made in error.

J. Culinart Credit Request

Ms. Cochran referred to Culinart's request for a credit of $2,137.20 for contributions paid in error for two (2) participants who are part-time employees. After discussion, the Trustees approved the request as presented.

MOTION was made, seconded and unanimously adopted to provide Culinart a contribution credit of $2,137.20 based on the payment made in error.

K. Montefiore New Rochelle CBA

Ms. Cochran reported on the CBA between Montefiore New Rochelle and Teamsters Local Union 445 ("Union") for the period November 6, 2017 through November 5, 2020. She noted that the contribution rates in the CBA are consistent with the RP rates. Ms. Cochran said that, although the RP rate was effective July 12, 2018, the employer continued to pay the 10% surcharge amount through November 2018, resulting in an $8,497.83 overpayment. The Trustees directed the Administrative Manager to advise the employer of the overpayment and provide a contribution credit of $8,497.83.

MOTION was made, seconded and unanimously adopted to provide a contribution credit of $8,497.83 to Montefiore New Rochelle for the overpayment.

L. International Foundation of Employee Benefit Plans – Annual Membership

Ms. Cochran reported receipt of the 2019 membership renewal with the International Foundation of Employee Benefit Plans. She said the fee is $1,245.00 which includes the membership for the Welfare Fund Trustees. The Trustees approved the renewal of the 2019 membership, with the cost to be pro-rated between the Trustees of the Pension and Welfare Funds. The Pension Fund will pay the entire cost for the Pension only Trustees.

M. Notice of Critical Status

Ms. Cochran reported that copies of the Notice of Critical Status for the Plan Year beginning July 1, 2017 were mailed to Plan participants, beneficiaries, bargaining parties, the PBGC, and the Secretary of Labor on October 25, 2018.

N. Annual Funding Notice

Ms. Cochran reported that the Annual Funding Notice was mailed to the Plan participants, beneficiaries, bargaining parties, and the PBGC on October 25, 2018.

O. Administrative Services Agreement Renewal

Ms. Cochran distributed and reviewed her letter which noted that the administrative services contract between the Fund and Associated Administrators, LLC ("Associated") will expire on March 31, 2019. She provided detailed information in support of the request for a three-year renewal with increased fees. A copy of the renewal letter is annexed hereto as Exhibit "K." She explained that Associated is proposing a 5% increase to the monthly fee in the total yearly amounts of $5,605 for Year One (4/1/19 to 3/31/20), $5,885 for Year Two (4/1/20 to 3/31/21), and $6,179 for Year Three (4/1/21 to 3/31/22). She noted that the current monthly fee is $9,341, and that, with these increases, the monthly fee in Year One would be $9,808, the monthly fee in Year Two would be $10,298, and the monthly fee in Year Three would be $10,813. She also reviewed the hourly rates for regulatory changes and new vendor implementation, as described in the proposal.

Ms. Cochran was excused from the meeting. The Trustees and the other service providers reviewed Associated's performance and the general market conditions for TPA services and, after discussion, determined that the renewal terms were reasonable.

MOTION was made, seconded and unanimously adopted to approve the above-described renewal terms with Associated.

Ms. Cochran then re-entered the meeting.

P. Withdrawal Liability Requests

Ms. Cochran reported withdrawal liability estimate requests were received from L.P. Transportation, Culinart and HP Hood. She noted that the required fee for the actuarial calculation of the estimates was paid and the estimates were provided to the employers on January 10, 2019.

Q. Pension Statements

Ms. Cochran reported that annual pension statements were mailed to active and deferred vested participants on November 28, 2018.

R. Summary Plan Description ("SPD")

Ms. Cochran stated that the draft updated SPD was revised by Fund Counsel and the revisions are currently under review with Horizon and Associated.

S. Form 1099MISC and 1099R

Ms. Cochran said the Form 1099MISC and Form 1099R were mailed on January 22, 2019.

VII. OTHER MATTERS

Trustees Bresten and Palmer reported that FrieslandCampina had recently expressed preliminary interest in having a representative serve as an Employer Trustee and that they had participated in a telephone call with Kevin de Wolf, the CFO of FrieslandCampina, about this possibility. They noted that it is not clear whether Mr. de Wolf is interested in being appointed to the Board of Trustees at this time. After further discussion, the Trustees noted that there are no vacancies among the Employer Trustees at this time.

VIII. NEXT MEETING DATE/ADJOURNMENT

The next regular meeting of the Board of Trustees is scheduled for Tuesday, April 23, 2019 at 9:00 a.m. by conference call. With no further business to come before the Board, the meeting was adjourned at 12:23 p.m.

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Union Trustee Employer Trustee

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Union Trustee Employer Trustee

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Union Trustee

Exhibits:

A – Financial Statements

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 – Administrative Services Contract Renewal