Industry And Local 338
Pension Fund

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Minutes of the Meeting of the Board of Trustees

Held on June 5, 2017
Via
Conference Call

The following Trustees were present:

UNION TRUSTEES	**EMPLOYER TRUSTEES**
Roberta Dunker	Theresa Bresten
Mickey Smith	Chris Palmer
Barry Russell[1]	

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
Tony Ghabour – Horizon Actuarial Services, LLC
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP

I. CALL TO ORDER

The meeting was called to order at 9:08 a.m.

II. INVESTMENT CONSULTANT REPORT

Mr. Patrick Blizzard of SEI Institutional Group led this section of the meeting. The SEI report for the period ending June 5, 2017 was distributed electronically prior to the conference call.

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[1]Joined the call at 11:00 a.m.

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 April 30, 2017 was $88,533,960 and the fiscal year-to-date total rate of return was 5.6% compared to 5.2% for the index. Since inception with SEI (01/31/2011), the rate of return was 7.96%, compared to the 7.21% index return for that period. The current portfolio allocation as of April 30, 2017 is 13.00% Large Cap Fund, 7.80% Small Cap Fund, 18.90% World equity - US, 7.60% Dynamic Asset Allocation Fund, 4.40% Core Fixed Income Fund, 8.70% Limited Duration Fund, 4.10% High Yield Bond Fund, 3.10% Opportunistic Income Fund, 3.00% Emerging Markets Debt Fund, 2.10% Ultra Short Bond Fund, 3.00% Special Situations Fund CIT, 1.40% Structured Credit Collective Fund, 10.10% Core Property Collective Invest TR, 0% cash and equivalents.

Mr. Blizzard reviewed the report titled "Advice Study." He discussed indexing the US Large Cap Fundamental Equity. Mr. Blizzard directed the Trustees to the report titled "Modeled Pension Portfolios" which contained the recommended portfolio modifications. He said Portfolio A would eliminate the US Large Cap Fundamental Equity allocation and decrease the Limited Duration Fixed Income allocation while adding an Emerging Markets Equity allocation.

After a question and answer session,

MOTION was made, seconded and unanimously adopted to accept SEI's recommendation for Portfolio A as contained in the Asset Allocation Review report.

The Trustees thanked Mr. Blizzard for his report.

III. ACTUARIAL REPORT

Ms. Mary Ann Dunleavy and Mr. Tony Ghabour 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 information regarding the Funding Improvement Plan ("FIP") adopted on May 22, 2017 and the PPA certification for the July 1, 2017 through June 30, 2018 Plan year.

Ms. Dunleavy reviewed a projection of the Plan's funding, noting the Plan's Pension Protection Act ("PPA") "endangered status" zone certification for the Plan year beginning July 1, 2016 as well as the anticipated "critical status" beginning in the July 1, 2018 through June 30, 2019 Plan year.

Ms. Dunleavy reviewed the terms of the FIP discussed and agreed to by the Trustees at the March 30, 2017 meeting. Terms of the FIP include:

	Preferred Schedule	Default Schedule
Rate of Future Benefit Accruals	0.90% of contributions	0.00% of contributions effective for Pension Credits earned on and after 7/1/2018
Contribution Rate Increases:		
Year 1	$17.55 per week	$35.10 per week
Year 2	$18.69 per week	$37.38 per week
Year 3	$19.91 per week	$39.82 per week
Year 4	$58.71 per week	$29.36 per week

Year 5	$69.27 per week	$34.64 per week
Year 6	$81.74 per week	$40.87 per week
Year 7	$96.46 per week	$48.23 per week
Year 8	$113.82 per week	$56.91 per week
Year 9	$134.31 per week	$67.16 per week
Year 10	$158.48 per week	$79.24 per week

She discussed the projected zone status certification for the July 1, 2017 through June 30, 2018 Plan year, which is due by September 28, 2017. Assuming a preliminary investment return of 12.0% for the Plan year ended June 30, 2016 and 10,000 weeks worked per year each year into the future, the Plan is projected to be certified in endangered status and projected to be in critical status within 5 years. As discussed at prior meetings, the Trustees will have an opportunity to elect for the Plan to be in critical status early, allowing them to implement surcharges and a Rehabilitation Plan.

The Trustees reviewed a detailed listing of the contracts requiring contributions to the Plan and requested that if possible, the Plan be certified a month early so that the election of early critical status be made and a Rehabilitation Plan be adopted and distributed as soon as possible thereafter. It was noted that surcharges will apply to all contracts that do not include a schedule of the adopted Rehabilitation Plan 30 days after the Notice of Critical Status is provided to the interested parties.

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

- Contribution increases: 6.5% annual, compounded. As with the FIP, contribution increases are to be converted to year by year dollar amounts that apply to every contract.

- 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,
- Changing the normal form of payment to single life annuity

Ms. Dunleavy reviewed projections of the Plan's funding status based on the terms of the proposed Rehabilitation Plan, showing the sensitivity to alternative investment earnings and weeks worked assumptions.

After discussion, the Trustees advised Horizon to use 10,000 weeks worked as the assumption for industry activity for the July 1, 2017 through June 30, 2018 Plan year PPA zone certification.

The Trustees requested Fund Counsel and Horizon draft the required documents for electing early critical status and adopting, implementing and providing notice of the proposed Rehabilitation Plan prior to the Board meeting scheduled for September 18, 2017.

The Trustees thanked Ms. Dunleavy and Mr. Ghabour for their report.

IV. APPROVAL OF MINUTES

The minutes of the special meeting held via conference call on February 16, 2017, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on February 16, 2017.

The minutes of the meeting held on March 30, 2017, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on March 30, 2017.

V. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Pension Applications

Ms. Cochran requested the Trustees' approval of three (3) pension applications. The pension applications, per the report of June 5, 2017, are annexed hereto as Exhibit "A."

MOTION was made, seconded and unanimously adopted to approve the three (3) 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 January, February, and March 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 this 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. Fiduciary Liability

Ms. Cochran referred to a Memorandum provided by Segal Select Insurance ("Segal Select") regarding the 2017 – 2018 Fiduciary Liability renewal. The Memorandum is attached hereto as Exhibit "I." She noted that Segal Select requested proposals from Chubb, Great American, Hartford, and Travelers, and that Segal Select received verbal communication from all carriers declining to provide quotes because they could not offer better premiums and/or coverage than the current carrier. Ms. Cochran said that Segal Select recommended renewing with Ullico/Markel for a one-year period effective June 10, 2017 through June 10, 2018 at an annual premium of $33,906.

MOTION was made, seconded and unanimously adopted approving the recommendation of Segal Select to approve the Ullico/Markel proposal for the period June 10, 2017 through June 10, 2018.

J. **Payroll Audits**

Ms. Cochran reported that the Fund Auditor, Schultheis & Panettieri, LLP, had conducted payroll audits on the following employers: Westchester Local 860, College of New Rochelle, and HP Hood / Crowley Foods Inc. – Binghamton, and that the audits for the period January 1, 2014 through December 31, 2015 reflected no findings.

K. **Pension Benefit Guaranty Corporation (PBGC) 2015 Comprehensive Filing**

Ms. Cochran reported that the 2016 Comprehensive Filing with the PBGC was filed on April 12, 2017 and the Fund paid a premium of $34,695.00.

VI. COUNSEL REPORT

A. **Letter to Bargaining Parties re Funding Improvement Plan**

Ms. O'Leary referred the Trustees to a draft letter to the Bargaining Parties concerning the FIP, noting that whether to send the letter is optional. She explained that the letter summarizes the information in the FIP and the previously distributed Notice of Endangered Status, and that it also refers to the Trustees' anticipated election of early Critical Status and the reasons for and consequences of that election. The Trustees discussed the advantages and disadvantages of sending such a communication and, after discussion, approved having the Administrator send the letter, provided that Trustee Russell agrees with doing so.

B. **Disqualifying Employment**

Ms. O'Leary noted that the Trustees have previously questioned the Fund's suspension of benefits/disqualifying employment rules, and she provided a brief overview of the legal issues. She explained that there is a 2004 Supreme Court decision – Central Laborers' Pension Fund v. Heinz - that 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, in her experience, in the years after the Supreme Court's ruling, some plans that considered amending their suspension of benefit rules decided against it because of the administrative complexity that would be added by having bifurcated suspension rules and the lack of any immediate impact that a change would produce. She noted, however, that now that 13 years have passed since the Central Laborers' decision, a plan that made a change in 2004 would see the impact of it now in 2017, and she stated that, if the Trustees would like to restrict the Fund's suspension of benefits rules (to the extent permissible), a plan amendment should be considered even though there will be a delay before the rule has a meaningful effect and notwithstanding the administrative complexity.

Ms. O'Leary reviewed the general legal rules regarding suspension of benefits, noting that (1) a pension fund can suspend benefits for any re-employment prior to Normal Retirement Age (for this Plan, age 65), and (2) after Normal Retirement Age, a pension fund can only suspend benefits if the retiree (a) completes 40 or more hours of service during a calendar month, or during a four or five week payroll period ending in a calendar month, (b) in an industry in which employees covered by the plan were employed and accrued benefits under the plan as a result of such employment at the time that the payment of benefits commenced or would have commenced if the employee had not remained in or returned to employment, (c) in a trade or craft in which the employee was employed at any time under the plan, and (d) in the geographic area covered by the plan at the time that the payment of benefits commenced or would have commenced if the employee had not remained in or returned to employment.

Ms. O'Leary reviewed the Plan provisions that are more permissive than required by law: (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, provided that

that the work is not Covered Employment and that the participant initially have a bona fide separation from service, and simultaneously receive a pension. She noted her understanding that the Trustees' concern was with the second feature. She reviewed the history of this Plan feature, noting that this provision had been agreed to by the Trustees to accommodate a request for retirees to be able to work for a Contributing Employer in a non-bargaining unit position without having their benefits suspended.

Ms. O'Leary noted that she was raising the issue at this time because she thought that, if the Trustees wanted to change the current suspension rules, it could be included as part of the Plan amendments that will be made as part of the Rehabilitation Plan. She added, however, that this change could be made at any time and that there is no timing pressure. After discussion, the Trustees agreed to table this matter for further review at the next meeting.

VII. NEXT MEETING DATE/ADJOURNMENT

A tentative special meeting of the Board of Trustees is scheduled for Monday, August 14, 2017 at 9:00 a.m. by conference call. With no further business to come before the Board, the meeting was adjourned at 11:05 a.m.

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Union Trustee	Employer Trustee
___________________________	___________________________
Union Trustee	Employer Trustee
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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 – Fiduciary Liability Memorandum