KM&M

KAUFF McGUIRE & MARGOLIS LLP

Memorandum

TO:	Board of Trustees Industry and Local 338 Pension Fund
CC:	Alicia Cochran Kristen Barshinger Mary Ann Dunleavy Dylan Nitta
FROM:	Elizabeth O'Leary
DATE:	October 14, 2019
RE:	CulinArt, Inc. and College of New Rochelle – Withdrawal Liability Issues

I. CulinArt, Inc.

By notice dated June 18, 2019, the Fund assessed CulinArt, Inc. with withdrawal liability of **$3,207,145**. CulinArt had until on or about September 16, 2019 - 90 days from the date it received the notice and demand - to request review of the withdrawal liability assessment. CulinArt has not requested review and, thus, has waived any opportunity to file objections to the assessment. According to Associated, CulinArt has been making its monthly payments of $15,690 since the first payment was due on July 1, 2019.

CulinArt is subject to the 20-year cap on withdrawal liability payments. Its payment schedule requires payment of $15,690 per month for 240 months, with the final payment due on **June 1, 2039**. If it makes each monthly payment for the duration of the payment plan, it will have paid a total of **$3,765,600**.

As we discussed on our July 16th conference call, Kevin Wright of Littler, counsel for CulinArt's parent company (Compass Group), had contacted us to discuss a potential lump sum payment by CulinArt to satisfy its liability. Horizon prepared the attached worksheet showing 13 different present value calculations of the 20-year monthly payment stream based on interest rates ranging from 0.0% to 7.5%. As shown on the Horizon calculation, the present value number ranges from a high of $3,765,600 at a 0.0% interest rate to a low of $1,966,710 at a 7.50% interest rate. Mr. Wright had not yet presented a specific lump sum payment when we discussed this matter in July but had advised that, in his view, the appropriate interest rate for settlement discussions would be somewhere between 4% or 5% and 7.5%. At the July 16th meeting, you authorized us to advise CulinArt's counsel that you are amenable to applying a 3% discount rate which equates to a lump sum payment of **$2,837,978**. In response, CulinArt has since advised that it would be willing to pay **$2,250,000** (less the monthly payments made at the time of settlement). This number equates to somewhere between a 5.5% ($2,296,126) and 6% discount rate ($2,206,244). Thus, as of now, there is a **$587,978** difference between the Fund's and CulinArt's positions.

CulinArt's parent company is a large publicly traded company and is the leading foodservice management and support services company in the world and certainly does not currently present any ability to pay concerns. Having waived its right to request review, CulinArt is unable to challenge the assessment in any way which means that the Fund will not incur professional fees in a disputed case. While these circumstances make it difficult to consider reduction of the amount owed, there is generally an attraction to an immediate payment versus a 20-year payment plan and the attendant uncertainties created by such a long time period.

To assist in evaluating this matter, SEI has prepared the attached report entitled "Withdrawal Liability Analysis." Per SEI,

►page 3 of the SEI Report summarizes the Fund's current portfolio and the expected return over the next 20 years. It shows the median return expectation to be currently 7.3%, with a standard deviation of 14.6%. The floating bar on the right hand side of page 3 shows the range of outcomes from very poor (5^{th} percentile) at -14.0% to very good (95^{th} percentile) at 33.8%.

►pages 4 and 5 of the SEI Report show a stochastic (Monte Carlo) projection of the accumulated value of the withdrawal liability payments in eight different scenarios based on the portfolio and range of potential returns shown on page 3 of SEI's report. The baseline on page 4 shows monthly payments being made for a 20-year period. The beginning asset value is $0 and each year 12 payments of $15,690 per month are made. In the median/expected scenario, this will accumulate to $7.4M in 2039 (after 20 years). Poor scenarios (5^{th} Percentile) are shown on the bottom and good scenarios (95th Percentile) are shown on the top. For additional illustration, I took the information in the charts on pages 4 and 5 of SEI's report and put the information into the following table:

Market Value of Assets Projection - 2039

	Good Scenarios (95th Percentile)	75th Percentile	Median (50th Percentile)	25th Percentile	Poor Scenarios (5th Percentile)
Baseline ($15,690 per mo. for 240 mos.)	$14.3M	$9.6M	$7.4M	$5.9M	$4.2M
$2.25M lump sum (5.8% discount) (CulinArt's current offer)	$19.0M	$11.2M	$7.6M	$5.1M	$3.0M
$2.3M lump sum (5.6% discount)	$19.4M	$11.5M	$7.8M	$5.2M	$3.1M
$2.4M lump sum (5% discount)	$20.3M	$12.0M	$8.1M	$5.5M	$3.2M
$2.5M lump sum (4.5% discount)	$21.2M	$12.6M	$8.5M	$5.7M	$3.4M
$2.6M lump sum (4% discount)	$22.1M	$13.1M	$8.9M	$5.9M	$3.5M
$2.7M lump sum (3.6% discount)	$23.0M	$13.7M	$9.2M	$6.2M	$3.7M
$2.8M lump sum (3% discount) **(Trustees' current offer)**	$23.9M	$14.2M	$9.6M	$6.4M	$3.8M

►pages 6 and 7 of the SEI Report show deterministic projections for three scenarios (baseline 20 years of monthly payments; $2.25M lump sum, and $2.8M lump sum). Page 6 assumes a 7.3% per annum return each year and page 7 assumes a 2.1% per annum return each year.

SEI will answer any questions you have about its analysis, and we will discuss with you a response to CulinArt's offer.

II. College of New Rochelle ("CNR")

In August of 2019, following the cessation of CNR's covered operations under the Fund, the Fund assessed estimated withdrawal liability in the amount of **$3,972,338** against CNR. CNR also owes the Fund $135,431.40 in retroactive contributions due under its recently ratified collective bargaining agreement and $588.84 in late fees. On September 20, 2019, CNR filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. According to its filing, CNR expects funds to be available for distribution to unsecured creditors. It estimated both its assets and liabilities to each be in the range of $50,000,001 and $100,000,000. We will attend the initial meeting of creditors which is scheduled for November 4th. We will also seek to have the Fund appointed to the creditors' committee. A creditors' committee is appointed by the U.S. trustee and ordinarily consists of unsecured creditors who hold the seven largest unsecured claims against the debtor. Based on CNR's filings, the Fund appears to be the largest unsecured creditor. We will continue to monitor the case and report back with updates as available. We note that CNR has been marketing its 15.6 acres of real estate since the spring and is in the process of seeking the permission of the bankruptcy court for proposed bidding procedures and other matters pertaining to the sale.

Industry & Local 338 Pension Plan

Culinart

for a Complete Withdrawal in the 2018 - 2019 Plan Year

Amounts:

1.	Withdrawal liability	3,207,145
2.	Annual payment	187,126
3.	Monthly payment	15,690
4.	Number of payments	240

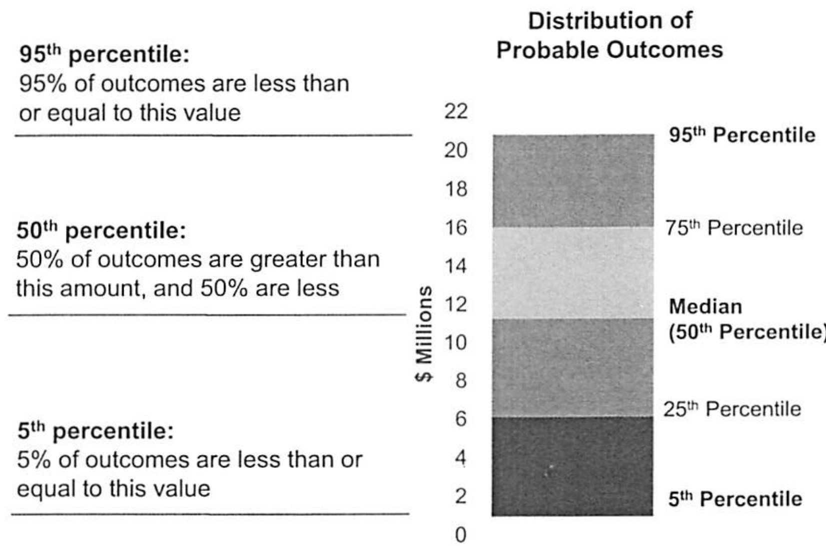
		Present Value Monthly Pmts
Funding interest rate	7.50%	$ 1,966,710
	7.00%	2,041,792
	6.50%	2,121,519
	6.00%	2,206,244
	5.50%	2,296,126
	5.00%	2,391,538
	4.50%	2,492,884
	4.00%	2,600,869
	3.50%	2,715,729
	3.00%	2,837,978
	2.50%	2,968,495
PBGC 6/2018	2.27%	3,031,411
total all pmts, no discount	0.00%	3,765,600

Withdrawal Liability Analysis

SEI New ways. New answers.®

How we create probability distributions and what they mean

- The probability distribution graphs and / or tables that follow are meant to provide an overview of the range of possible outcomes for a given variable (e.g., returns, pension contributions, expense) for a given asset allocation.
- The probability distributions are generated using SEI's proprietary modeling tool and simulated capital market behavior.
- Capital market behavior is simulated for 1,000 possible scenarios based on expected performance of each asset class and reflecting current economic conditions. Capital market assumptions such as return, standard deviation and covariances are inputs into this process, combining with model parameters to create market scenarios.
- We use these 1,000 capital market scenarios to create 1,000 output scenarios for each variable being considered.
- A 90% confidence interval should be interpreted as 90% of the projected output variables, falling between the 5% and 95% results, based on SEI Capital Market Assumptions.
- This projection is hypothetical in nature, does not reflect actual investment results and is not a guarantee of future results.

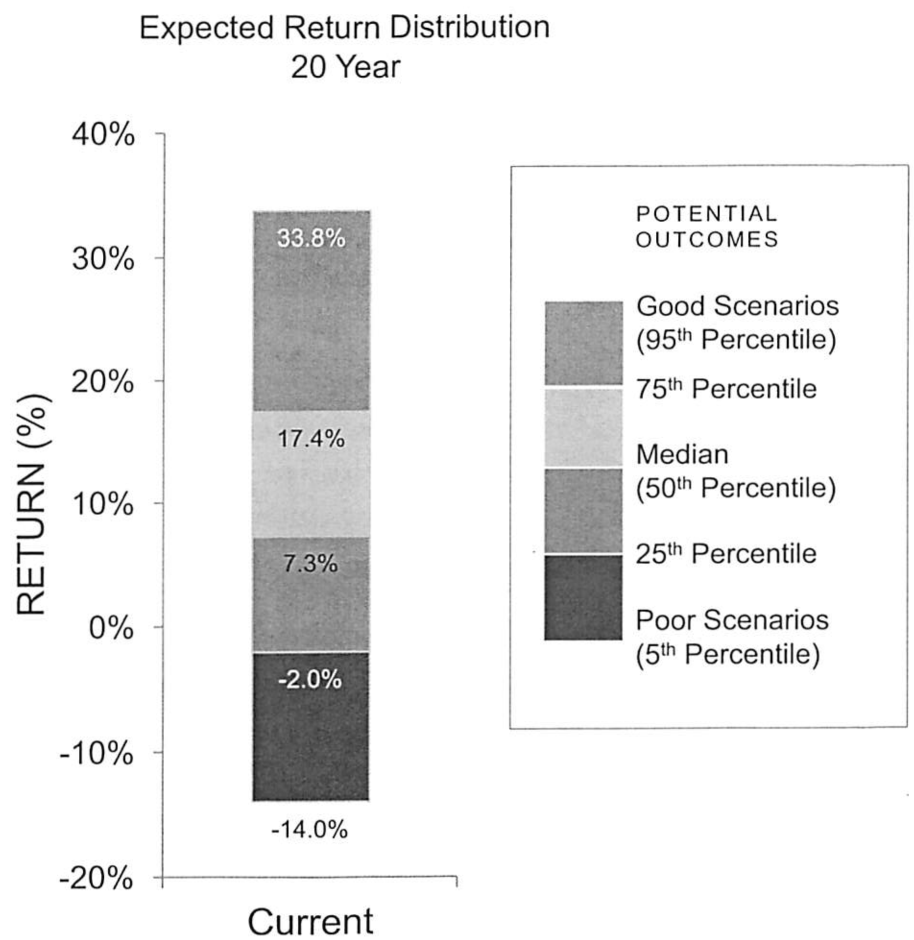


About Capital Market Assumptions

- SEI Investments Management Corporation develops forward-looking, long-term capital market assumptions for risk, return, and correlations for a variety of global asset classes, currencies, interest rates, and inflation.
- These assumptions are created using a combination of historical analysis, future market environment expectations and by applying our own judgment. In certain cases, alpha and tracking error estimates for a particular asset class are also factored into the assumptions.
- We believe this approach is less biased than using pure historical data, which may be affected by unsustainable trends or permanent material shifts in market conditions.

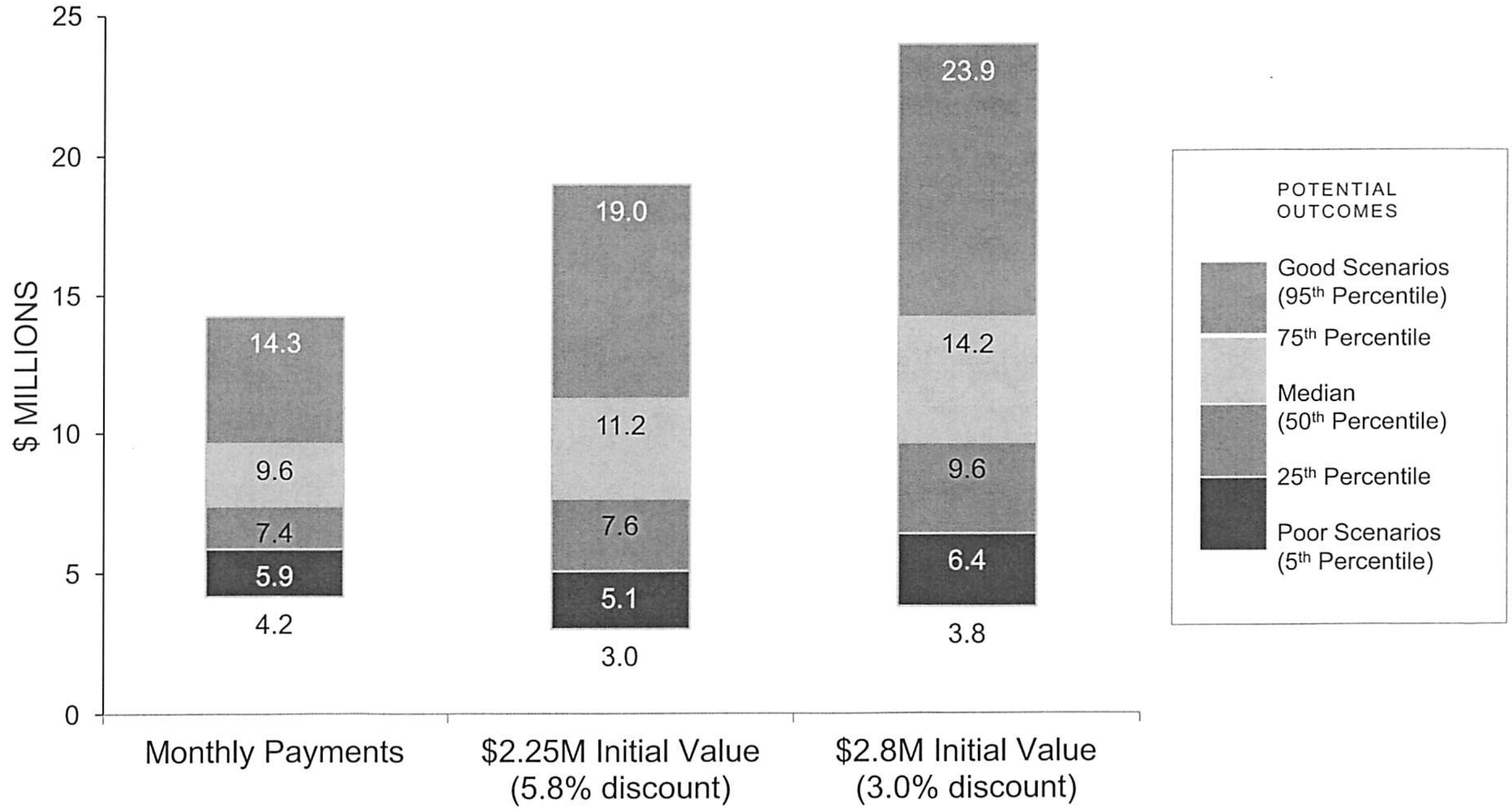
Current Portfolio

Asset Class	Current
Russell 1000 US Large Cap Index	10.0%
US Small Cap Equity	3.0%
World Equity ex-US	20.0%
Emerging Markets Equity (+ Frontier)	3.0%
U.S. High Yield	4.0%
Emerging Markets Debt	3.0%
US Equity Factor	14.0%
Dynamic Asset Allocation	7.0%
Total Return Enhancement Exposure	**64.0%**
Diversified Short Term Fixed Income	4.0%
Short Term Corporate Fixed Income	2.5%
Limited Duration Fixed Income	5.0%
Core Fixed Income	10.0%
Total Risk Management Exposure	**21.5%**
Directional Hedge	3.5%
Structured Credit	1.0%
Private Real Estate	10.0%
Total Alternatives/Other Exposure	**14.5%**
Portfolio Metrics (net of fees)	
Expected Return (20 year)	7.3%
Risk	14.6%
Poor Scenario Return (short term)	-14.0%



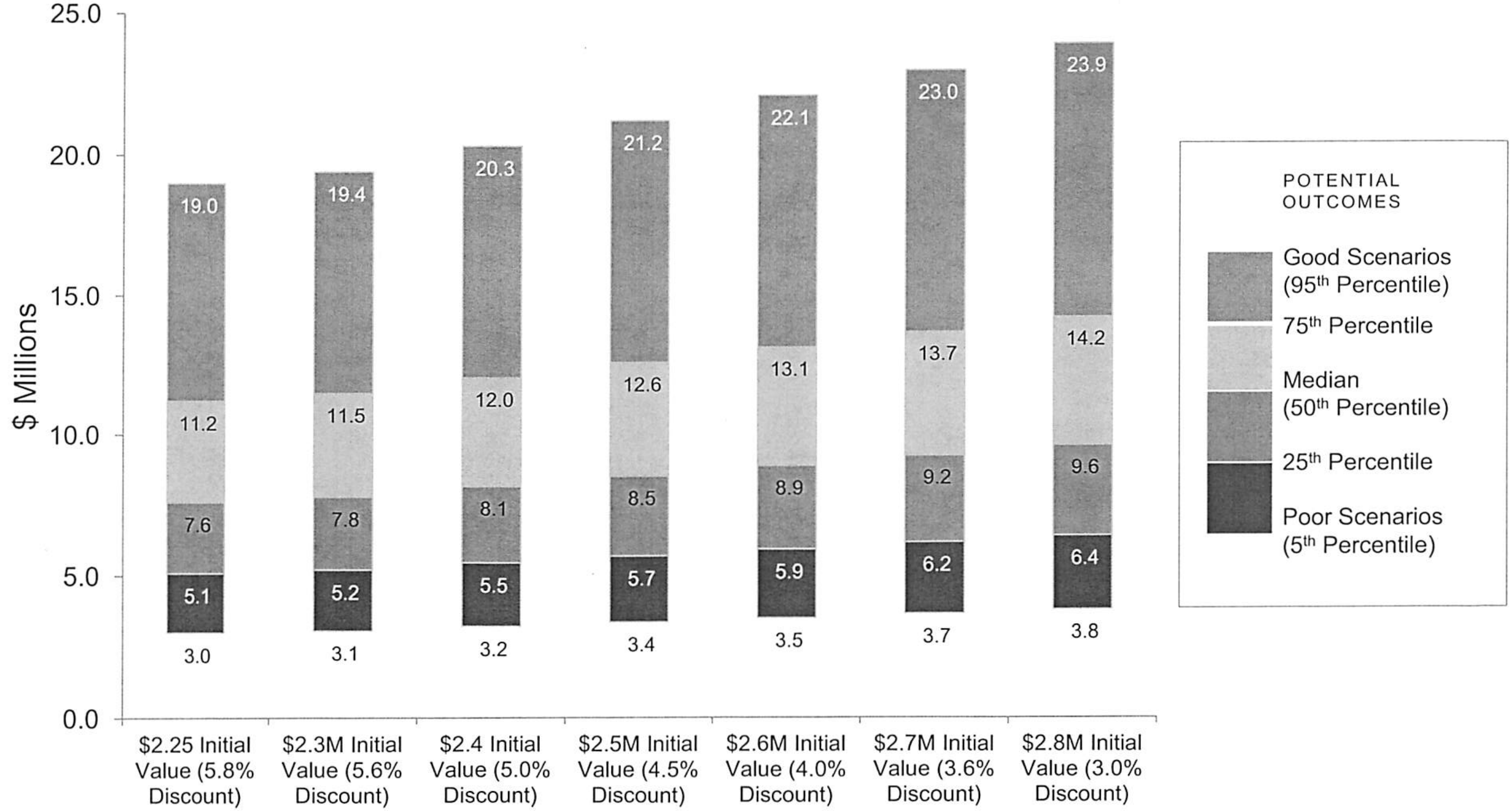
Source: SEI Capital Market Assumptions.
Please see important disclosures at the beginning of this section and at the back of the presentation.

Market Value of Assets Projection - 2039



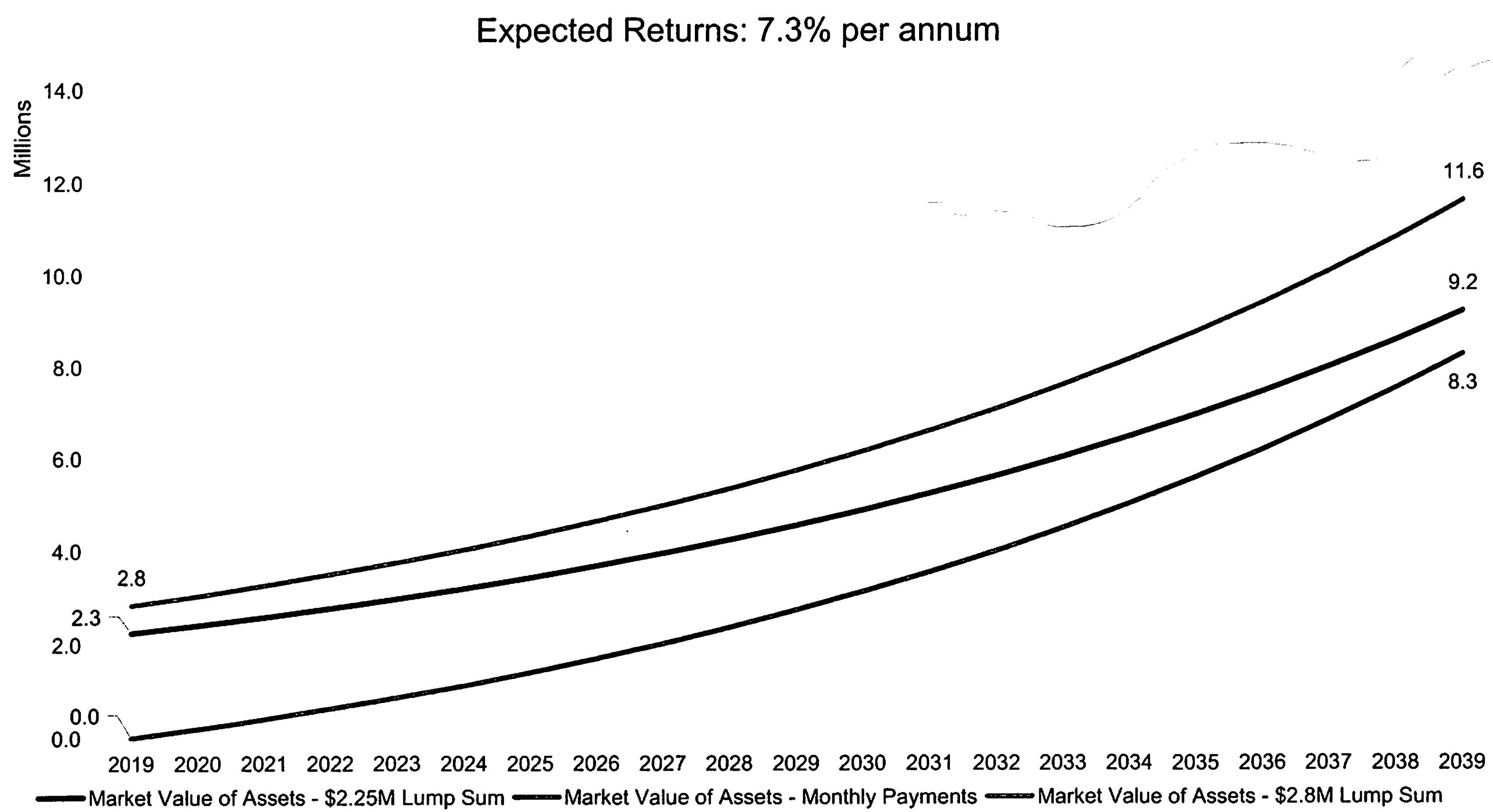
Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

Market Value of Assets Projection - 2039



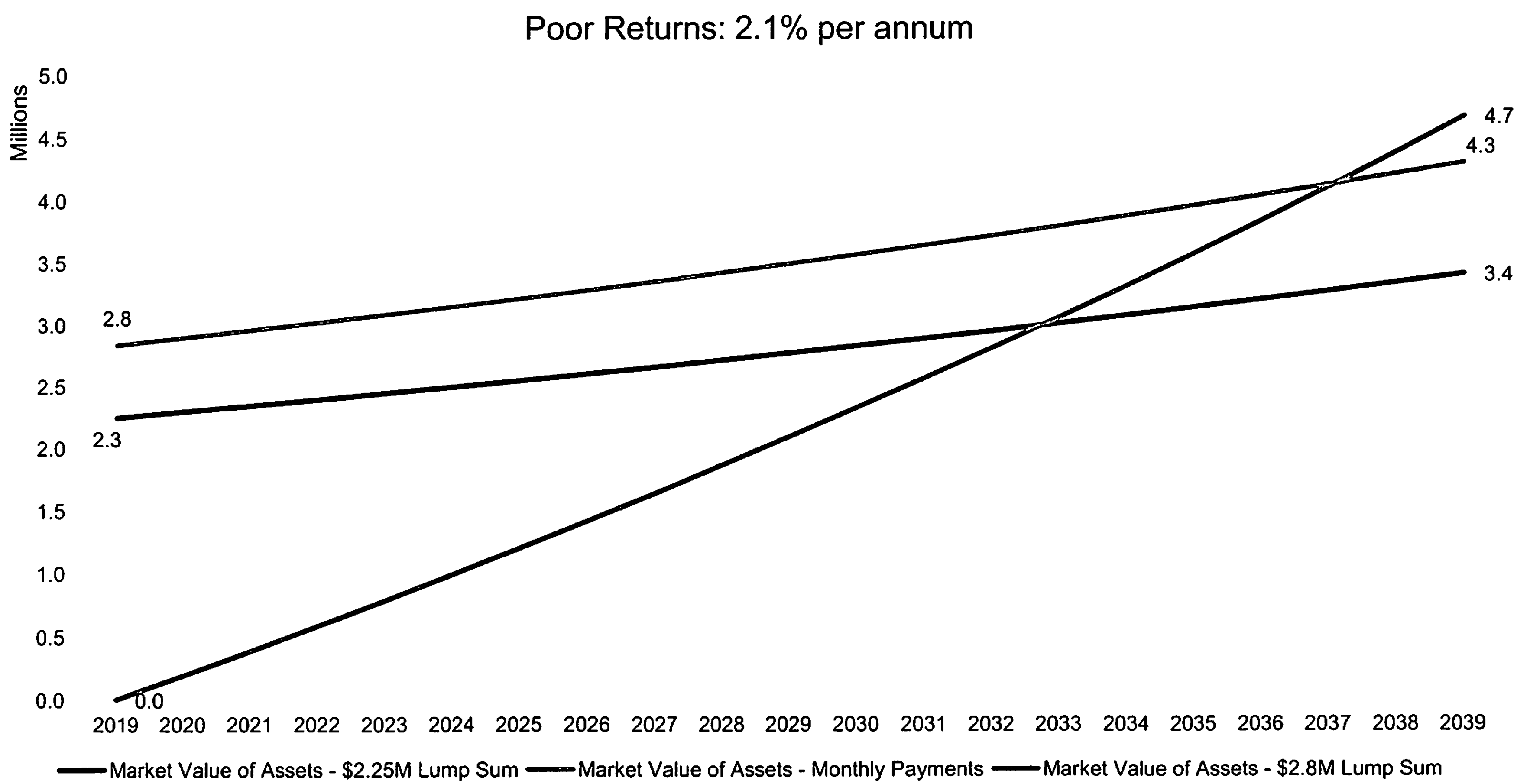
Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

Market Value of Assets Deterministic Projection - 2039



Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

Market Value of Assets Deterministic Projection - 2039



Source: SEI Capital Market Assumptions. Please see important disclosures at the beginning of this section and at the back of the presentation.

SEI Capital Market Assumptions - Intermediate Term -March 2019

	Compound Return	Risk	Arithmetic Return
Emerging Markets Equity (+ Frontier)	8.43%	29.27%	12.71%
World Equity ex-US	8.68%	22.63%	11.24%
Core Fixed Income	5.37%	6.62%	5.59%
U.S. High Yield	6.50%	12.75%	7.31%
Emerging Markets Debt	7.36%	15.52%	8.57%
Directional Hedge	7.99%	12.60%	8.78%
US Small Cap Equity	8.93%	23.44%	11.68%
Short Term Corporate Fixed Income	3.96%	4.07%	4.04%
Diversified Short Term Fixed Income	4.76%	5.72%	4.92%
Structured Credit	9.05%	21.84%	11.44%
S&P 500 Index	6.79%	19.00%	8.60%
Limited Duration Fixed Income	4.62%	2.62%	4.66%
Dynamic Asset Allocation	9.11%	19.92%	11.10%
Private Real Estate	6.28%	19.26%	8.14%
US Equity Factor	7.76%	19.29%	9.63%

Inflation: 2.50%

Please see important disclosures at the beginning of this section and at the back of the presentation.

SEI Capital Market Assumptions - Intermediate Term -March 2019

Correlations	Emerging Markets Equity (+ Frontier)	World Equity ex-US	Core Fixed Income	U.S. High Yield	Emerging Markets Debt	Directional Hedge	US Small Cap Equity	Short Term Corporate Fixed Income	Diversified Short Term Fixed Income	Structured Credit	S&P 500 Index	Limited Duration Fixed Income	Dynamic Asset Allocation	Private Real Estate	US Equity Factor
Emerging Markets Equity (+ Frontier)	1.00														
World Equity ex-US	0.74	1.00													
Core Fixed Income	0.00	0.18	1.00												
U.S. High Yield	0.65	0.59	0.45	1.00											
Emerging Markets Debt	0.80	0.59	0.45	0.75	1.00										
Directional Hedge	0.90	0.79	0.00	0.82	0.70	1.00									
US Small Cap Equity	0.70	0.80	0.15	0.65	0.60	0.86	1.00								
Short Term Corporate Fixed Income	0.35	0.26	0.65	0.60	0.40	0.75	0.25	1.00							
Diversified Short Term Fixed Income	0.45	0.41	0.35	0.80	0.50	0.86	0.45	0.89	1.00						
Structured Credit	0.45	0.46	0.00	0.80	0.50	0.80	0.55	0.60	0.90	1.00					
S&P 500 Index	0.75	0.87	0.25	0.65	0.65	0.86	0.90	0.25	0.45	0.55	1.00				
Limited Duration Fixed Income	0.15	0.23	0.92	0.55	0.45	0.00	0.10	0.65	0.45	0.15	0.30	1.00			
Dynamic Asset Allocation	0.75	0.87	0.25	0.65	0.65	0.86	0.90	0.25	0.45	0.55	1.00	0.30	1.00		
Private Real Estate	0.55	0.67	0.35	0.65	0.60	0.70	0.80	0.40	0.50	0.50	0.75	0.25	0.75	1.00	
US Equity Factor	0.75	0.87	0.25	0.65	0.65	0.87	0.92	0.25	0.45	0.55	1.00	0.30	1.00	0.75	1.00

Please see important disclosures at the beginning of this section and at the back of the presentation.

Important information

SIMC develops forward-looking, long-term capital market assumptions for risk, return, and correlations for a variety of global asset classes, interest rates, and inflation. These assumptions are created using a combination of historical analysis, current market environment assessment and by applying our own judgment. In certain cases, alpha and tracking error estimates for a particular asset class are also factored into the assumptions. We believe this approach is less biased than using pure historical data, which is often biased by a particular time period or event.

The asset class assumptions are aggregated into a diversified portfolio, so that each portfolio can then be simulated through time using a monte-carlo simulation approach. This approach enables us to develop scenarios across a wide variety of market environments so that we can educate our clients with regard to the potential impact of market variability over time. Ultimately, the value of these assumptions is not in their accuracy as point estimates, but in their ability to capture relevant relationships and changes in those relationships as a function of economic and market influences.

The projections or other scenarios in this presentation are purely hypothetical and do not represent all possible outcomes. They do not reflect actual investment results and are not guarantees of future results. All opinions and estimates provided herein, including forecast of returns, reflect our judgment on the date of this report and are subject to change without notice. These opinions and analyses involve a number of assumptions which may not prove valid. The performance numbers are not necessarily indicative of the results you would obtain as a client of SIMC.

We believe our approach enables our clients to make more informed decisions related to the selection of their investment strategies.

For more information on how SIMC develops capital market assumptions, please refer to the SEI paper entitled *"Executive Summary: Developing Capital Market Assumptions for Asset Allocation Modeling."* For more information on how SIMC develops capital market assumptions or the actual assumptions utilized, please contact your SEI representative.

Important information

This presentation is provided by SEI Investments Management Corporation (SIMC), a registered investment adviser and wholly owned subsidiary of SEI Investments Company. The material included herein is based on the views of SIMC. Statements that are not factual in nature, including opinions, projections and estimates, assume certain economic conditions and industry developments and constitute only current opinions that are subject to change without notice. Nothing herein is intended to be a forecast of future events, or a guarantee of future results. This presentation should not be relied upon by the reader as research or investment advice (unless SIMC has otherwise separately entered into a written agreement for the provision of investment advice).

There are risks involved with investing including loss of principal. There is no assurance that the objectives of any strategy or fund will be achieved or will be successful. No investment strategy, including diversification, can protect against market risk or loss. Current and future portfolio holdings are subject to risk. Past performance does not guarantee future results.

For those SEI products which employ a multi-manager structure, SIMC is responsible for overseeing the sub-advisers and recommending their hiring, termination, and replacement. References to specific securities, if any, are provided solely to illustrate SIMC's investment advisory services and do not constitute an offer or recommendation to buy, sell or hold such securities.

Certain economic and market information contained herein has been obtained from published sources prepared by other parties, which in certain cases have not been updated through the date hereof. While such sources are believed to be reliable, neither SEI nor its affiliates assumes any responsibility for the accuracy or completeness of such information and such information has not been independently verified by SEI.

Index returns are for illustrative purposes only and do not represent actual portfolio performance. Index performance returns do not reflect any management fees, transaction costs, or expenses, which would reduce returns. Indexes are unmanaged and one cannot invest directly in an index.