Industry And Local 338
Pension Fund

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Minutes of the Meeting of the Board of Trustees

Held on September 29, 2016
at
Teamsters Local 445 Union Office
Rock Tavern, New York

The following Trustees were present:

UNION TRUSTEES	**EMPLOYER TRUSTEES**
Roberta Dunker	Theresa Bresten
Barry Russell	Chris Palmer
Mickey Smith – via conference call	JoEllen Vavasour

Also present were:

Alicia Cochran – Associated Administrators, LLC
Tony Ghabour – Horizon Actuarial Services, LLC
Ryan McKnight – Associated Administrators, LLC
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP

Also present for a portion of the meeting was:

Pat Blizzard – SEI Institutional Group

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

David Aniloff– SEI Institutional Group
Mary Ann Dunleavy – Horizon Actuarial Services, LLC

I. CALL TO ORDER

The meeting was called to order at 10:00 a.m.

II. ACTUARIAL REPORT

Mr. Tony Ghabour was welcomed to the meeting and Ms. Mary Ann Dunleavy joined the meeting by conference call. Prior to the Actuary's Report, there was a discussion of contribution surcharges required for a plan operating in critical status (red zone). It was noted that the Plan is projected to be in critical status within 5 years, and the Trustees have the option of electing to be in critical status for the current plan year. Fund Counsel provided detail on contribution surcharge requirements in an email to the Trustees dated September 28, 2016. It was noted that critical status surcharges are not benefit-bearing and that they are effective immediately (30 days after notice to contributing employers). The Trustees discussed possible consequences of requiring immediate, non-negotiable, non-benefit-bearing contribution increases should the Trustees make an election to be in critical status early.

Mr. Ghabour discussed the annual zone certification required by the Pension Protection Act (PPA) for the July 1, 2016 – June 30, 2017 plan year, which was filed on September 28, 2016 and the action required by the Trustees due to the Endangered Status of the Plan.

Mr. Ghabour reviewed the PPA zone certification for the July 1, 2015 – June 30, 2016 plan year, which reported that the Plan is in Endangered Status and projected to be in Critical Status within five years. He reviewed the basis of the certification, including the benefit formula amendment effective July 1, 2016, the -0.79% return on investments for the plan year ending June 30, 2016, and the projected work level of 250 active participants each year in the future provided by the Trustees at the August 19, 2016 Board Meeting. It was noted that the PPA zone status of the Plan will be public information.

The Trustees reviewed a timeline of the action required for the initial year of a plan operating in either Endangered or Critical Status. This includes developing a plan to improve the funded position of the Plan over a 10-year period; a Funding Improvement Plan for Endangered status or a Rehabilitation Plan for Critical status. The Trustees also discussed the options available for a plan that has been certified as projected to be in Critical Status within 5 years, which are to develop a Funding Improvement Plan or elect to be in critical status for the current plan year and instead develop a Rehabilitation Plan. It was noted that the election to be in critical status early is an option for any year in which such a PPA zone certification applies. Projections show that it is likely that the Trustees will have the opportunity to elect to be in critical status early for the July 1, 2017- June 30, 2018 plan year. It was noted that it is possible to take action during the July 1, 2016 – June 30, 2017 Plan year to develop a plan to improve the funded position of the Plan that would address the Funding Improvement Plan requirements for the 2016-2017 plan year as well as expected Rehabilitation Plan requirements for the 2017-2018 plan year.

Ms. Dunleavy reported that the Funding Improvement or Rehabilitation Plan must be adopted by May 25, 2017, i.e., within 240 days of the certification due date, or. The remediation plan must be sent to the bargaining parties by June 24, 2017. It was noted that the PPA zone certification for the July 1, 2017 – June 30, 2018 plan year will be issued three months following the distribution of the remediation plan.

Ms. Dunleavy then reviewed the requirements for a Rehabilitation Plan, which include benefit changes, including changes to adjustable benefits, and contribution increases so that the Plan is expected to emerge from Critical status by the end of the 10-year rehabilitation period. Critical status plans have the option of declaring that all reasonable measures have been taken and extend the rehabilitation period such that the plan emerges from Critical status at a later date or forestalls insolvency.

The requirements for a Funding Improvement Plan were reviewed. During the 10-year funding improvement period, benefit changes and contribution increases must improve the plan's funding by one-third and the credit balance in the Plan's funding standard account must be positive at the end of the period. Ms. Dunleavy noted benefit changes are limited to those not protected by IRC 411(d)(6).

Ms. Dunleavy reviewed several funding status projection scenarios, showing the range of contribution rate increase (one-time and annual, compounding increases) that could be required as part of a remediation plan. One option which allows the Plan to emerge from critical status over a 15-year rehabilitation period is only available for a critical status plan that declares that all reasonable measures have been taken and it is still not able to emerge from critical status within the 10-year rehabilitation period.

Ms. Dunleavy reviewed a high-level summary of plan provisions that may be changed as part of either a Funding Improvement or Rehabilitation Plan. Further, the Trustees reviewed the estimated impact of certain benefit changes on contribution rate increase requirements previously discussed.

It was noted that development of a funding remediation plan should include consideration of the administration of benefit changes as well as contribution increases. Trustee Bresten suggested that the Trustees review the Plan provisions in detail before making decisions on changes. She also agreed with the suggestion not to complicate administration and further suggested that the Trustees consider making benefit changes that both simplify the Plan and limit the risk of future liability losses, perhaps by limiting benefit subsidies.

On a separate issue, Trustees Dunker and Russell requested the Fund professionals provide information on the Plan rules regarding participants working after normal retirement age and / or working while in receipt of a pension from the Plan. Trustee Smith also noted a desire to consider changes to rectify inequities in contribution rates resulting from delays in implementation of supplemental contribution rate increases.

It was noted that, with either a Funding Improvement or Rehabilitation Plan, the Trustees will have the obligation and authority to enforce contribution increases on new contracts by imposing the “default” schedule of a Funding Improvement or Rehabilitation Plan on contracts in existence at the time of the certification of Endangered or Critical Status 180 days after the expiration of that contract.

There followed a discussion on whether to act on the previously discussed intention to declare critical status for the July 1, 2016 – June 30, 2017 plan year. This was discussed at the August 19, 2016 Board meeting.

MOTION was made, seconded and unanimously adopted not to declare critical status for the July 1, 2016 – June 30, 2017 plan year and to therefore act to develop a Funding Improvement Plan as required by the Pension Protection Act for a plan in Endangered Status.

Mr. Ghabour noted that Horizon Actuarial will work with Associated Administrators to complete and issue the required Notice of Endangered Status, Annual Funding Notice and Notice of Projected Critical Status.

The Trustees continued discussion on the development of the Funding Improvement Plan. They discussed interest in coordinating the development of the Funding Improvement Plan with the 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 noted that additional meetings may be necessary to develop a Funding Improvement Plan.

The Trustees thanked Mr. Ghabour and Ms. Dunleavy for their report and Ms. Dunleavy exited the conference call.

III. INVESTMENT CONSULTANT REPORT

Mr. Patrick Blizzard was invited into the meeting. Mr. Blizzard distributed and reviewed the SEI reports for the period ending August 31, 2016.

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

Mr. Blizzard reported that the ending market value as of August 31, 2016 was $85,154,916 and the fiscal year-to-date total rate of return was 3.49% compared to 3.27% for the index. Since inception with SEI (01/31/2011), the rate of return was 7.43%, compared to the 6.75% index return for that period. The current portfolio allocation as of August 31, 2016 is 12.3% Large Cap Fund, 7.30% Small Cap Fund, 17.60% World equity - US, 6.90% Dynamic Asset Allocation Fund, 4.60% 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, 3.70% Special Situations Fund CIT, 1.30% Structured Credit Collective Fund, 11.90% Large Cap Index Fund, and 13.30% Core Property Collective Invest TR, 0% cash and equivalents.

Mr. Aniloff joined the meeting by conference call to discuss the report titled "Energy Debt Strategy" which was distributed by Mr. Blizzard. He discussed the energy debt sectors and stated that the massive universe of energy debt combined with the recent drop in prices provides an attractive investment opportunity for skilled investors with a long-term investment horizon. Mr. Blizzard directed the Trustees to the report titled "Asset Allocation Review" which contained the recommended portfolio modifications including the Energy Debt asset allocation.

The Trustees discussed in detail the terms of SEI's Energy Debt Strategy, including its commingled fund structure, monthly subscriptions, three-year lockup (50% available after lockup, then 25% available for each of the next two semi-annual periods), redemption requirements (semi-annually with a 95-day notice period, subject to fund director consent and certain gate, holdback and suspension restrictions), monthly valuation, a management fee of 1% and a performance fee of 20% over an annualized hurdle of 6% with a 50/50 catch-up. After extensive consideration, and review of the expected return distribution, the Trustees determined that an allocation to SEI's Energy Debt Strategy would be an appropriate alternative investment for the Fund, subject to counsel's review of the legal documents for this investment.

After a further 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, which includes a 4% allocation to the Energy Debt Strategy.**

The Trustees thanked Messrs. Blizzard and Aniloff for their reports and they were excused from the meeting.

IV. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Minutes

Ms. Cochran referred the Trustees to the draft minutes of the Board of Trustees meeting held on August 19, 2016. She suggested that the Trustees defer adoption of the minutes until the next meeting to allow sufficient time for review. The Trustees agreed with this suggestion.

B. Pension Applications

Ms. Cochran requested the Trustees' approval of four (4) pension applications. The pension applications, per the report of September 29, 2016, are annexed hereto as Exhibit "A."

> **MOTION was made, seconded and unanimously adopted to approve the four (4) pensions listed on Exhibit "A."**

C. Cash Operating Statement

Ms. Cochran submitted the Cash Operating Statement from July 1, 2015 through June 30, 2016. The report is attached hereto as Exhibit "B."

D. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for the months of April, May, and June 2016. The reports are attached hereto as Exhibit "C".

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

E. Delinquency Report

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

Ms. Cochran reported that late fees and delinquent contributions were paid by the College of New Rochelle in accordance with the repayment plan approved by the Trustees at the August 19, 2016 meeting.

F. Withdrawal Liability

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

G. Employer Contribution Rate Report

Ms. Cochran reviewed this report in detail. It was noted that the Town of Harpersfield had never contributed to the Pension Fund and should not be included in this report. The report is attached hereto as Exhibit "E."

H. Active Members & Retirees Receiving Benefits

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

I. Administrative Manager's Report

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

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

Ms. Cochran reported the receipt of a MOA between HP Hood LLC and Teamster Local Union 687 regarding a revised pension contribution rate effective November 1, 2016. The MOA states, "*The Company and the Union have agreed that the contribution effective November 1, 2016 through and including October 31, 2017 will be $286.43 per week*." Ms. Cochran stated, due to the reduction in the contribution rate from $300.07 to $286.43 per week, an ERISA Section 204(h) notice would be sent to affected participants. She said that Fund Counsel had drafted the notice and that the notice would be mailed to participants no later than 15 days prior to November 1, 2016.

K. Collective Bargaining Agreement ("CBA") – FreislandCampina

Ms. Cochran reported the receipt of the CBA between FrieslandCampina Ingredients NA Inc. and Teamsters Local Union 317 for the period January 1, 2016 through December 31, 2018.

V. COUNSEL REPORT

Ms. O'Leary referred the Trustees to her memo dated September 28, 2016 which reviews the definition of critical status and the voluntary election of critical status, requirements for critical status plans, and the timeline of events for critical status plans. She asked the Trustees to advise her if they would like more detail on any particular issue covered in the memo.

VI. <u>NEXT MEETING DATE/ADJOURNMENT</u>

The next regular meeting of the Board of Trustees is scheduled for Wednesday, December 7, 2016 at 10:00 a.m. With no further business to come before the Board, the meeting was adjourned at 12:44 p.m.

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Union Trustee	Employer Trustee
___________________________	___________________________
Union Trustee	Employer Trustee
___________________________	___________________________
Union Trustee	Employer Trustee

Exhibits:

A – Pension Applications

B – Cash Operating Statement

C – Authorization for Disbursements

D – Delinquency Report

E – Employer Contribution Rate Report

F – Active Members & Pensioners Receiving Benefits Report

G – Administrative Manager's Report