Mid-Atlantic UFCW and Participating Employers Pension Fund

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE MID-ATLANTIC UFCW AND PARTICIPATING EMPLOYERS PENSION FUND
SEPTEMBER 25, 2019
LANDOVER, MARYLAND

The following Trustees were present

UNION TRUSTEES
M. Federici - Chairman
T. Hipkins
C. Hoffmann

EMPLOYER TRUSTEES
J. Paradis - Secretary
D. Dosenbach
M. Goble

Also present were:

Y. Anwar - UFCW Local 400
J. Chorpenning - UFCW Local 27
J. Hack - UFCW Local 27
A. Hanson - UFCW Local 400
N. Jacobs - UFCW Local 400
D. Jensen - Associated Administrators, LLC
W. Jensen - Associated Administrators, LLC
G. Kalwarski - Cheiron
R. Keenan - Hardman Johnston
M. Kreps – Groom Law Group
E. Masten - UFCW Local 27
M. Matts - Foundry Partners
C. McDonough - Investment Performance Services
R. McKnight - Associated Administrators, LLC
S. Murphy - Foundry Partners
L. Nanne - RBC Global Asset Management
R. Richman - Schulte, Roth & Zabel
S. Sanchez – Slevin & Hart, P.C.
R. Sichel - Investment Performance Services
B. Slevin - Slevin & Hart, P.C.
M. Swartz - RBC Global Asset Management
L. Walsh - Associated Administrators, LLC
M. Wilson - UFCW Local 400

K. Woodrich - Cheiron

I. CALL TO ORDER

A quorum being present, the Chairman called the meeting to order.

II. MINUTES

The Trustees reviewed the minutes of the regular meeting held on July 18, 2019, which were pre-circulated.

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED that the minutes of the regular meeting held on July 18, 2019 are approved as presented.**

III. FINANCIAL REPORT

A. PNC Bank

1. Summary of Activity – June 30, 2019

Mr. Jensen presented the PNC Summary of Activity Report for the period January 1, 2019 through June 30, 2019. Such report indicated a beginning balance of $91,996,742, receipts of $8,670,200, disbursements of $1,477,072, and earnings of $10,913,294, producing an ending balance of $110,103,164 as of June 30, 2019.

B. Investment Performance Services

The Trustees welcomed Mr. Rich Sichel and Mr. Chris McDonough of Investment Performance Services to the meeting.

1. Master Consulting Report – June 30, 2019

Mr. Sichel reviewed the Master Consulting Report for the period ended June 30, 2019. Such report indicated a beginning market value of $103,486,814, net cash flow of $3,589,963 and a net Investment change of $3,023,860, producing an ending market value of $110,100,636 for the second quarter 2019. The performance for the Second Quarter 2019 was 3.0% gross of fees. Mr. Sichel then reviewed the individual manager summaries.

2. Manager Search Presentations

Mr. Sichel said that, as directed by the Trustees, he invited investment managers to the meeting to make presentations to the Trustees.

a. Foundry Partners

The Trustees welcomed Ms. Mary Jane Matts and Mr. Seamus Murphy of Foundry Partners to the meeting to present their large cap value equity product. Ms. Matts provided an overview of Foundry, noting that it is headquartered in Minneapolis, Minnesota with an additional office in Cleveland, Ohio. She said Foundry has 26 employees, 11 of which are CFA Charterholders and 11 of which are MBA graduates. Foundry handles $3.41 billion in total assets. Foundry's U.S. Equity product offers Value, Core and Growth products. She noted that Foundry's investment selection process reviews stocks for three essential criteria: statistical cheapness, undervaluation, and timeliness. The returns for the product were 4.62% gross of fees for the one year ending June 28, 2019. Ms. Matts noted that their proposed performance based fee is 25 basis points for each 100 basis points above their benchmark.

The Trustees thanked the representatives of Foundry Partners for their presentation and they were excused from the meeting.

b. Hardman Johnston

The Trustees welcomed Mr. Richard Keenan of Hardman Johnston to the meeting to present their international equity product.

Mr. Keenan noted that Hardman Johnston was founded in 1985 and is an independent, global equity boutique, investing in high-quality growth companies at value prices. He said they have 22 employees and 9 investment professionals based in Stamford, Connecticut, with $6.1 billion in assets under management. The firm currently manages assets for 67 Taft-Hartley relationships totaling $1.8 billion. The firm was founded on a Taft-Hartley relationship that remains a client today. The majority of Hardman Johnston's Taft Harley clients are invested in the International Equity product. Hardman Johnston's approach is to take advantage of short-term inefficiencies in the market that create attractive entry points. Returns for the one-year period ending June 30, 2019 were 3.11%. Proposed fees would be 75 basis points.

The Trustees thanked the representative of Hardman Johnson for their presentation and they were excused from the meeting.

c. <u>RBC Global Asset Management, Inc. ("RBC")</u>

The Trustees welcomed Mr. Lou Nanne and Mr. Michael Swartz of RBC to the meeting to present their International Equity product. Mr. Nanne said that RBC has a global presence throughout the United States, Canada, and Europe with 23 specialist investment teams, and over 340 investment professionals. RBC's investment objective and philosophy is to seek superior returns and lower- than-benchmark risk. Returns for 2018 were negative 12.89%, gross of fees. The proposed fee is 95 basis points.

The Trustees thanked the representatives of RBC Global Asset Management, Inc. for their presentation and they were excused from the meeting.

C. <u>Discussion</u>

Mr. Sichel said the Trustees previously decided to consider active management for all or a portion of the US equity allocation. Mr. Sichel recommended a $15 million allocation to large cap value. He reported that Wedge has had higher relative performance.

The Trustees reviewed the IPS reports regarding Foundry and Wedge. After discussion,

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve a $15.0 million allocation to Wedge's large cap value investment, subject to adoption of an acceptable agreement.**

Mr. Sichel recommended a $15.0 million allocation to Northern Trust's index fund for large cap growth equities. After discussion, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve a $15.0 million allocation to Northern Trust's index fund for large cap growth equities.**

For International equity, Mr. Sichel recommended $3.0 million allocations to each of each RBC's international value equity product and Hardman Johnston's international growth equity product. After discussion,

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve allocations of $3.0 million each to RBC's international value equity product and Hardman Johnston's international growth equity product, subject to adoption of acceptable agreements.**

Mr. Sichel made the following investment reallocation recommendations: (a) retain Segall, Bryant and Hamill for an intermediate fixed income allocation; (b) increase the commitment to ARA core real estate by $2.0 million; (c) increase the commitment to Intercontinental by $7.0 million; (d) reduce the allocation from First Eagle GTAA as needed to fund the other allocations; and (e) allocate $8 million to Hamilton Lane's private equity portfolio.

Mr. Sichel also recommended revising the investment allocation targets in the Fund's investment policy to be: 25% large cap, 10% small to mid-cap, 5% international, 5% IG fixed, 10% Short Duration High Yield, 10% core real estate, 10% value added, 7.5% opportunistic, 10% GTAA and 7.5% in private equity. After discussion regarding the liquidity of private equity investments,

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to approve IPS's the IPS's above described allocation recommendations except the proposed $8 million allocation to Hamilton Lane; and**

FURTHER RESOLVED to approve IPS's above described investment policy allocation target amendment recommendations except that the allocation to private equity will remain at 5% and the allocation to GTAA will be 12.5%.

At the next meeting, IPS will provide additional asset allocation scenarios for discussion.

The Trustees thanked Mr. Sichel and Mr. McDonough for their report and they were excused from the meeting.

IV. ATTORNEY'S REPORT

A. Fund Co-Counsel

Mr. Slevin reported that, between meetings, the Trustees terminated Morgan, Lewis & Bockius as Fund Co-Counsel and hired Groom Law Group as Fund Co-Counsel. The Groom Law Group executed an engagement letter with the Fund. The Trustees welcomed Mr. Michael Kreps of Groom to the Fund.

B. Age 70.5 Required Minimum Distributions

Mr. Slevin reported on the Plan's required minimum distribution rules.

V. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2019 Report

Mr. Jensen presented the Administrative Manager's Report for the Second Quarter 2019, which was pre-circulated. Such report indicated contribution income of $4,314,149 and interest and dividend income of $398,688, resulting in a total income of $4,712,837. Total expenses were $841,373, producing a surplus of $3,871,464 for the second quarter 2019. Contributions were remitted on behalf of 15,921 Plan participants.

Mr. Jensen reviewed the pension applications contained in the Administrative Manager's Second Quarter 2019 report.

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED that the pension applications contained in the Administrative Manager's Second Quarter 2019 report are approved for payment.

Mr. Jensen presented a snapshot of Fund work performed by Associated Administrators during the second quarter 2019.

VI. INVOICES

The Trustees reviewed the list of invoices dated September 25, 2019. It was noted there were no additions, deletions or changes to the list.

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED that the invoices on the list dated September 25, 2019 are approved for payment.

VII. OTHER FUND BUSINESS

A. Renewal of Fiduciary Liability Policy

Mr. Slevin reported that Chubb has offered the Fund enhanced fiduciary liability insurance coverage for $253.00 inadditional premium cost per year. After discussion,

On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED that the Chubb offer of enhanced fiduciary coverage is approved as presented.

VIII. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees decided to hold their next regular meeting on December 13, 2019 in Landover, Maryland.

IX. ADJOURNMENT

There being no further business to come before the Trustees, the meeting was adjourned.

Respectfully Submitted,

Jason Paradis, Secretary

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