# 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 VIA TELECONFERENCE APRIL 16, 2020

The following Trustees were present

**UNION TRUSTEES**
M. Federici - Chairman
D. Blitzstein
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
L. DuVall - Associated Administrators, LLC
J. Hack - UFCW Local 27
A. Hanson - UFCW Local 400
J. Harrison - UFCW Local 27
J. Herishen - Calibre CPA Group
N. Hill - UFCW Local 27
N. Jacobs - UFCW Local 400
D. Jensen - Associated Administrators, LLC
W. Jensen - Associated Administrators, LLC
G. Kalwarski - Cheiron
M. Kreps - Groom Law Group
E. Masten - UFCW Local 27
C. McDonough - Investment Performance Services
R. McKnight - Associated Administrators, LLC
C. Murphy - Associated Administrators, LLC
S. Sanchez - Slevin & Hart, P.C.
R. Sichel - Investment Performance Services
B. Slevin - Slevin & Hart, P.C.
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.

### A. Appointment of Trustee

Mr. Jensen reported that he had received correspondence from UFCW Local 27 removing George Murphy, Jr. as a Trustee and appointing Mr. David Blitzstein as a successor Trustee effective April 16, 2020.

## II. MINUTES

The Trustees reviewed the minutes of the regular meeting held on September 25, 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 September 25, 2019 are approved as presented.**

## III. FINANCIAL REPORT

### A. PNC Bank

#### 1. Summary of Activity – December 31, 2019

Mr. Jensen presented the PNC Summary of Activity Report for the period January 1, 2019 through December 31, 2019. Such report indicated a beginning balance of $91,996,742, earnings of $17,833,126, receipts of $17,841,426, and disbursements of $3,877,081, producing an ending balance of $123,794,213 as of December 31, 2019.

### B. Investment Performance Services

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

#### 1. Preliminary Performance Update - February 29, 2020

Mr. Sichel reviewed the Preliminary Performance Report for the period ending February 29, 2020. Such report indicated a beginning market value of $123,014,462, net cash flow of ($3,200,312), net investment change of negative $6,059,977, resulting in an ending market value of $120,154,797. The year-to-date performance through February 29, 2020 was negative 4.9% gross of fees.

**2. Asset Allocation**

Mr. Sichel reported on the Fund's asset allocations, noting the Investment Policy currently provides for a 7.5% allocation to Private Equity ("PE"). He stated that, in light of the tentative agreement by the Locals and the Employers, the Fund, the MAP Fund, and PBGC (the "Tentative Agreement"), IPS recommends that the Fund not add any additional PE managers at this time. Mr. Sichel also advised that IPS recommends that the Trustees submit redemption requests to the Fund's real estate managers.

After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED, to submit redemption requests to the Fund's real estate managers in the event the Tentative Agreement is finalized.**

**3. Investment Managers**

Mr. Sichel reported on the asset allocation decisions and manager hiring decisions made by the Board at the September 25, 2019 Board meeting.

**a. Wedge.** At the September 2019 Board meeting, the Trustees agreed to IPS's recommendation to invest $15 million in Wedge's Large Cap Value portfolio. This investment has not yet been funded and, in light of the Tentative Agreement, Mr. Sichel advised that IPS recommends rescinding this investment decision.

After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED, to rescind the Board's decision at the September 2019 Board meeting to invest in the Wedge Large Cap Value Fund.**

**b. Northern Trust.** At the September 2019 Board meeting, the Trustees agreed to IPS's recommendation to invest $15 million in Northern Trust's Large Cap Growth portfolio. This investment has not yet been funded and, in light of the Tentative Agreement, Mr. Sichel advised that IPS recommends rescinding this investment decision.

After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

**RESOLVED, to rescind the Board's decision at the September 2019 Board meeting to invest in the Northern Trust Large Cap Growth Index Fund.**

**c. RBC.** At the September 2019 Board meeting, the Trustees agreed to IPS's recommendation to invest $3 million in RBC's Global Asset Management portfolio. This investment has not yet been funded and, in light of the Tentative Agreement, Mr. Sichel advised that IPS recommends rescinding this investment decision.

After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

**RESOLVED, to rescind the Board's decision at the September 2019 Board meeting to invest in the RBC Global Asset Management Fund.**

**d. Segall Bryant.** Mr. Sichel reported that Segal Bryant and Hamill ("SBH") will be funded in the amount of $5.5 million from the GTAA portfolio and cash reserves.

Mr. Sichel reported on the ongoing funding of the GCM Grosvenor portfolio, noting that another $2 million commitment of the $8 million total commitment had been called by the manager.

Mr. Sichel recommended termination of the Fund's investment with Rothschild based on the manager's performance and recommended that the assets invested with this manager be moved to the Vanguard Index Fund.

After discussion, upon motion made and seconded, the Trustees voted unanimous approval of the following resolution:

**RESOLVED, to terminate the Fund's investment in Rothschild and move the assets currently invested with this manager to the Vanguard Index Fund.**

**4. Investment Policy**

Mr. Sichel reported that Segal Bryant & Hamill ("SBH") requested a change to its Investment Policy Addendum with the Fund to allow for a maximum of 25% of the fixed income portfolio to be invested in non-rated bonds and bonds rated below A-. IPS recommended that the Trustees approve the manager's request. After discussion, and

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

**RESOLVED, to approve amending SBH's Investment Policy Addendum to increase to 25% the maximum amount of the portfolio that the manager may invest in non-rated bonds and bonds rated below A-.**

Mr. Sichel reported that IPS is preparing a proposed amendment to the Investment Policy to reflect a target rate of return of 7.5%.

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

**C. <u>Auditor's Report</u>**

The Trustees welcomed Mr. Joseph Herishen of Calibre CPA Group ("Calibre") to the meeting.

**1. Financial Statements – December 31, 2018**

Mr. Herishen presented the Financial Statements for the period ended December 31, 2018. He stated that the auditor's opinion was unmodified and that the financial statements were in conformity with generally accepted accounting principles.

Mr. Herishen reported that total assets were $95,328,913 and total liabilities were $54,854, producing net assets available for benefits of $95,274,059. Mr. Herishen reviewed the Notes to Financial Statements, Schedule of Assets Held for Investment Purposes, Schedule of Employer Contributions, and Schedule of Administrative Expenses.

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

> **RESOLVED, to accept the Auditor's 2018 Financial Statements as presented.**

**2. Calibre's Engagement Proposal**

Mr. Herishen presented Calibre's engagement proposal and proposed side letter relating to the 2019 audit, along with Calibre's planning letters related to the audit. Mr. Herishen stated that the estimated retainer fees for the 2019 audit would not exceed $34,645, which reflects a 2.5% increase compared to the prior year. Non-retainer fees would range from $90.00 to $345.00 per hour.

The Trustees thanked Mr. Herishen for his report and excused him from the meeting.

The Trustees reviewed the engagement proposal submitted by Calibre.

After discussion and, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED, to approve the engagement proposal submitted by Calibre to perform the 2019 audit at a fee not to exceed $34,645.**

## IV. ACTUARY'S REPORT

The Trustees welcomed Mr. Gene Kalwarski and Mr. Kevin Woodrich of Cheiron to the meeting.

### A. 2019 Actuarial Valuation Results

Mr. Woodrich presented the 2019 Actuarial Valuation Results. Mr. Woodrich noted that the Fund was 108% funded. Mr. Woodrich reported that the total market value of assets was $95,274,059 as of January 1, 2019 and the total actuarial value of assets was $105,551,588. The actuarial liability was $97,582,034, an increase of $21,198,415 compared to 2018. The actuarially smoothed investment return was 5.90% as of January 1, 2019.

Mr. Woodrich reported the Actuary had changed the discount rate used by the Fund from 8% to 7.5% beginning in 2019.

**B. Cheiron's 2020 Retainer Fee**

Mr. Woodrich presented Cheiron's retainer fee request for 2020. He noted that Cheiron proposed a retainer fee of $54,540 ($4,545 per month), which represented an increase of approximately 1.6%, with the non-retainer fees ranging from $150 to $510 per hour for 2020.

The Trustees thanked the representatives of Cheiron for their report and they were excused from the meeting.

The Trustees discussed Cheiron's 2020 engagement proposal.

After discussion and, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

**RESOLVED, to approve Cheiron's 2020 engagement proposal as presented.**

## V. ATTORNEY'S REPORT

**A. Memoranda of Agreement ("MOA")**

Mr. Slevin discussed the agreements reached by the Locals and Giant, Safeway and Acme (collectively, the "Employers"). He then summarized the key terms of a tentative agreement by the Locals and the Employers, the Fund, the FELRA Fund, and PBGC (the "Tentative Agreement").

Mr. Slevin explained how the Tentative Agreement, if implemented, would impact the Fund, the FELRA Fund, and participants and beneficiaries. He further summarized issues still being negotiated. Finally, Mr. Slevin discussed the goals of the parties regarding the timing of entering into a final agreement and the administrative steps that would have to be taken by the Fund to implement a final agreement.

After discussion, and upon a Motion duly made and seconded, the Trustees voted unanimous approval of the following resolution:

**RESOLVED, to agree to enter into a final written agreement consistent with the following key terms in the Tentative Agreement: (a) a requirement that the Fund be combined with the FELRA Fund, (b) an agreement by PBGC to provide financial assistance to pay guaranteed benefits upon insolvency of the combined fund, (c) an obligation for the Employers to make an aggregate, annual contribution to the combined fund in the amount of $56 million for 25 years, and (d) a release and discharge of any and all claims that could or would arise as a consequence of the Employers' participation in, contributions to, or withdrawal from the Fund, FELRA Fund, and the combined fund, including withdrawal liability and mass withdrawal liability.**

**FURTHER RESOLVED, to establish a committee comprised of Mr. Federici, Mr. Hipkins, Mr. Paradis, and Mr. Dosenbach and delegate to such committee the authority to enter into and implement a final written agreement consistent with the key terms of the Tentative Agreement.**

**B. <u>Calibre Retainer and Side Letters</u>**

Mr. Slevin reported on the Calibre engagement letter and side letter.

**C. <u>Investment Manager Agreements</u>**

Ms. Sanchez reported on the Fund's investment management agreements with American Realty Advisors, Hardman Johnston and Segall Bryant.

**D. <u>Setting Every Community Up for Retirement Enhancement Act ("SECURE" Act)</u>**

Ms. Sanchez discussed Slevin and Hart's memorandum dated February 21, 2020 regarding the SECURE Act.

**E. <u>Age 70.5 Required Minimum Distributions</u>**

Ms. Sanchez reported on the calculation of pension benefits relating to participants who worked past age 70.5. Mr. Kreps stated that this matter is under review by the Employer Trustees.

**F. <u>Stop Hacks and Improve Electronic Data Security ("SHIELD") Act</u>.**

Ms. Sanchez discussed the New York State SHIELD Act.

**G. <u>Department of Labor ("DOL") Proposed Electronic Disclosure Regulations</u>**

Ms. Sanchez reported on the DOL's proposed electronic disclosure regulations.

## VI. ADMINISTRATIVE MANAGER'S REPORT

### A. Associated Administrators, LLC ("Associated")

Ms. Laura Walsh stated that as previously announced, Mr. Jensen will retire April 30, 2020. The Associated team to provide administrative services to this Fund will be Account Executives Ms. Linda DuVall and Mr. David Jensen, along with Account Managers Ms. Colleen Murphy and Mr. Ryan McKnight. She reviewed their years of employment with Associated and their backgrounds in Taft-Hartley benefits administration and client relations, noting a summary of their experience and qualifications is available on the portal.

### B. Third Quarter 2019

Mr. Jensen presented the Administrative Manager's Report for the Third Quarter 2019, which was pre-circulated. Such report indicated contribution income of $4,171,068 and interest and dividend income of $483,907, resulting in a total income of $4,654,975. Total expenses were $908,390, producing a surplus of $3,746,585 for the third quarter 2019. Mr. Jensen reported that contributions were remitted on behalf of 15,787 Plan participants.

Mr. Jensen reviewed the pension applications contained in the Administrative Manager's Third 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 Third Quarter 2019 report are approved for payment.**

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

### C. Fourth Quarter 2019

Mr. Jensen presented the Administrative Manager's Report for the Fourth Quarter 2019, which was pre-circulated. Such report indicated contribution income of $4,242,366 and interest and dividend income of $569,821, resulting in a total income of $4,812,187. Total expenses were

$1,590,077, producing a surplus of $3,222,110 for the fourth quarter 2019. Mr. Jensen reported that contributions were remitted on behalf of 15,789 Plan participants.

Mr. Jensen reviewed the pension applications contained in the Administrative Manager's Fourth 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 Fourth Quarter 2019 report are approved for payment.**

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

## VII. INVOICES

The Trustees reviewed the list of invoices dated April 16, 2020. 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 April 16, 2020 are approved for payment.**

## VIII. OTHER FUND BUSINESS

### A. Miscellaneous Correspondence

**1. Fidelity Bond Renewal**

Mr. Jensen reported that the Fund's fidelity bond was renewed through Chubb for the policy period November 30, 2019 through November 30, 2022.

**2. Individual Waiver of Recourse Premiums**

Mr. Jensen noted that the Individual Waiver of Recourse invoices to complete the fiduciary insurance coverage for both the regular policy and the excess risk policy had been forwarded to the Trustees on October 3, 2019 and that all Trustees had remitted payment.

## IX. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees decided to hold their next regular meeting on July 23, 2020 in Landover, Maryland, immediately following the meeting of the FELRA and UFCW Pension Fund.

## X. ADJOURNMENT

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

Respectfully Submitted,

Jason Paradis, Secretary

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