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
JANUARY 10, 2018
LANDOVER, MARYLAND

The following Trustees were present

UNION TRUSTEES
M. Federici - Chairman
T. Hipkins
C. Hoffmann
G. Murphy, Jr.

EMPLOYER TRUSTEES
J. Paradis - Secretary
D. Dosenbach

Also present were:
Y. Anwar - UFCW Local 400
H. Burton - Morgan, Lewis & Bockius, LLP
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 - Salter & Company
N. Hill - UFCW Local 27
N. Jacobs - UFCW Local 400
W. Jensen - Associated Administrators, LLC
G. Kalwarski - Cheiron
C. Mietlicki - Cheiron
C. Murphy - Associated Administrators, LLC
S. Ridore - Safeway
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. Mr. Jensen noted that Trustee Meisen had retired, resulting in two employer vacancies on the Fund. Mr. Paradis said the Food Employers Labor Relations Association would appoint Mr. Michael Goble to the Board of Trustees, replacing Mr. Meisen.

II. MINUTES

The Trustees reviewed the minutes of the regular meeting held on July 12, 2017, the special meeting held on July 13, 2017, and the special meeting held on July 19, 2017, 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 12, 2017, the special meeting held on July 13, 2017 and the special meeting held on July 19, 2017 were approved as presented.**

III. FINANCIAL REPORT

A. PNC Bank

Mr. Jensen presented the PNC Summary of Activity Report for the period January 1, 2017 through November 30, 2017. Such report indicated a beginning balance of $59,302,613, receipts of $16,516,239, disbursements of $2,875,014, and earnings of $8,097,329, producing an ending balance of $81,041,167 as of November 30, 2017.

B. Investment Performance Services

The Trustees welcomed Mr. Richard Sichel of Investment Performance Services to the meeting.

1. Preliminary Update – November 30, 2017

Mr. Sichel reviewed the Preliminary Performance Report for the period ending November 30, 2017. Such report indicated an ending market value of $81,041,167. The year-to-date estimated performance through November 30, 2017 was 12.9% gross of fees.

2. Master Consulting Report – September 30, 2017

Mr. Sichel reviewed the Master Consulting Report for the period ended September 30, 2017. Such report indicated an ending market value of $76,392,509. The year-to-date performance through September 30, 2017 was 9.9% gross of fees. Mr. Sichel then reviewed the individual manager summaries. Mr. Sichel also reviewed the current asset allocations.

3. Grosvenor

On October 1, 2017 a $255,694 Capital Call by Grosvenor was funded.

The Trustees thanked Mr. Sichel for his report and he was excused from the meeting.

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

1. Financial Statements – December 31, 2016

The Trustees welcomed Mr. Joseph Herishen of Salter & Company to the meeting. Mr. Herishen presented the Financial Statements for the period ended December 31, 2016. He noted that the opinion was unmodified and the financial statements were in conformity with generally accepted accounting principles.

Mr. Herishen reported that total assets were $62,731,102 and total liabilities were $55,738 producing net assets available for benefits of $62,675,364. 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 2016 Financial Statements as presented.

2. Engagement Proposals

Mr. Herishen presented Salter's engagement letter for the 2017 audit. Mr. Herishen stated that the estimated retainer fees for the 2017 audit would not exceed $33,500, which reflects an increase of $5,560 compared to the prior year. Non-retainer fees would range from $75.00 to $245.00 per hour.

In addition, Mr. Herishen presented an engagement letter for Payroll Compliance Services for the 2018 and 2019 Plan years. He noted that Salter's fees for services would range from $70.00 to $245.00 per hour, which would be capped for each company size as follows: Less than 100 employees - $1,200 - $1,600; 100 -499 employees - $1,700 - $2,550; 500 – 999 employees - $2,600 - $3,550; more than 1,000 employees - $3,600 - $8,500. Mr. Herishen further noted that should the payroll headquarters be located greater than 50 miles outside the D.C. metro area, it may be necessary to bill additional out-of-pocket costs using the standard IRS mileage rate or coach airfare.

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

The Trustees reviewed the proposed engagements. They asked Mr. Jensen to discuss the requests in detail with Salter and provide Chairman and Secretary with Salter's response.

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

RESOLVED to authorize Chairman and Secretary to review and take action on the engagement proposals submitted by Salter & Company.

IV. ACTUARY'S REPORT

A. 2017 Preliminary Valuation Results

The Trustees welcomed Mr. Gene Kalwarski, Mr. Kevin Woodrich, and Mr. Chris Mietlicki of Cheiron to the meeting. They presented the draft 2017 Preliminary Actuarial Valuation Results. Mr. Woodrich reported that there were 16,901 active participants as of January 1, 2017. There were 2,095 terminated vested participants, and 831 participants in pay status as of January 1, 2017. The total market value of assets was $62,675,364 as of January 1, 2017 and the total actuarial value was $66,126,587. The actuarial liability was $60,656,739, resulting in a funding ratio on an actuarial value of asset basis of 109.0%. Mr. Woodrich said the formal valuation would be available in the near future.

B. Engagement Proposal

Mr. Woodrich presented Cheiron's retainer fee request for 2018. He noted that Cheiron proposed a retainer fee of $52,464 ($4,372 per month), with the non-retainer fees ranging from $149 to $496 per hour.

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

After discussion,

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

RESOLVED to approve Cheiron's 2018 engagement proposal.

V. ATTORNEY'S REPORT

A. Benefit Calculation Issues

Mr. Slevin reported on administration of the required minimum distribution rules and benefit calculation rules under the Plan relating to participants continuing in covered employment past age 70.5.

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

> **RESOLVED to delegate to Chairman and Secretary the authority to take any action necessary relating to administration of the required minimum distribution rules and benefit calculation rules under the Plan relating to participants continuing in covered employment past age 70.5.**

B. Final Regulations Regarding Claims and Appeals Procedures for Disability Benefits

Mr. Slevin reported on the Department of Labor Regulations Regarding Claims and Appeals Procedures for Disability Benefits.

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

> **RESOLVED to authorize Chairman and Secretary to take any action necessary to comply with disability regulations effective April 1, 2018.**

C. Investment Agreements

Mr. Slevin reported on the investment management agreements with the following managers: EnTrust, Corbin, Grosvenor, Rothschild and USREIT.

Mr. Slevin reported on Grosvenor's proposed amendment to its operating documents, which has a negative consent provision. The Trustees stated that they did not object to the amendment.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2017 Report

Mr. Jensen presented the Administrative Manager's Report for the second quarter 2017, which was pre-circulated. Such report indicated contribution income of $4,184,833 and interest and dividend income of $254,048, resulting in a total income of $4,438,881. Total expenses were $513,706, producing a surplus of $3,925,175 for the second quarter 2017. Contributions were remitted on behalf of 16,415 Plan participants.

Mr. Jensen reviewed the pension applications contained in the administrative manager's Second Quarter 2017 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 2017 report are approved for payment.**

B. Third Quarter 2017 Report

Mr. Jensen presented the Administrative Manager's Report for the third quarter 2017, which was pre-circulated. Such report indicated contribution income of $4,216,585 and interest and dividend income of $214,746, resulting in a total income of $4,431,331. Total expenses were $617,817, producing a surplus of $3,813,514 for the second quarter 2017. Contributions were remitted on behalf of 16,343 Plan participants.

Mr. Jensen reviewed the pension applications contained in the administrative manager's Third Quarter 2017 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 2017 report are approved for payment.**

VII. INVOICES

The Trustees reviewed the list of invoices dated January 10, 2018. 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 January 10, 2018 are approved for payment.**

VIII. OTHER FUND BUSINESS

A. Contribution Increase Allocation for Participating Employers

The Trustees advised that the bargaining parties recently directed a three cent increase in the Giant Food Tier 2 hourly contribution rate effective April 1, 2017, and three cent increase in the Safeway Tier 2 contribution rate effective November 1, 2016, as well as concomitant increases in the other rates applicable to each such employer.

B. Voluntary Separation Incentive Plan ("VSIP")

Mr. Jensen said that Giant Food had offered a VSIP Plan to its Tier I associates. The VSIP requires a response from interested employees by early February. The Fund office is assisting in the process.

C. <u>Miscellaneous Correspondence</u>

1. Fiduciary Insurance – Elimination of Recourse Premium

Mr. Jensen noted that the invoice for the Elimination of Recourse premium to complete the fiduciary insurance renewal had been sent to the Trustees on October 18, 2017.

IX. MEETING DATE AND LOCATION

After discussion the Trustees selected the following meetings dates: March 2, 2018 at a location near BWI airport, June 28, 2018 in Landover, Maryland, September 25, 2018 at a location near BWI airport, and December 12, 2018 in Landover, Maryland.

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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