# United Food and Commercial Workers Unions
# and Participating Employers
# Pension Fund

911 RIDGEBROOK ROAD
SPARKS, MARYLAND 21152-9451
TELEPHONE: (410) 683-6500
(800) 638-2972

4301 GARDEN CITY DRIVE
SUITE 201
LANDOVER, MARYLAND 20785-2210
TELEPHONE: (301) 459-3020

## MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE UFCW UNIONS AND PARTICIPATING EMPLOYERS PENSION FUND DECEMBER 11, 2012 IN NATIONAL HARBOR, MARYLAND

The following Trustees were present:

**UNION TRUSTEES**
H. Manley - Secretary
M. Federici
T. Hipkins

**EMPLOYER TRUSTEES**
A. Samad-Salameh – Chairperson
D. Gwin
S. Habermehl
D. Whitney

Also present were:

G. Anderson - Kroger
H. Burton – Morgan, Lewis, & Bockius LLP
J. Chorpenning – UFCW Local 27
M. Christle - Kroger
M. Eubank – UFCW Local 27
M. Harris – UFCW Local 400
M. Herwig – PNC Bank
W. Jensen – Associated Administrators, LLC
C. Mietlicki – Cheiron
D. Russell – Investment Performance Services, LLC
J. Sears – Associated Administrators, LLC
B. Slevin – Slevin & Hart, P.C.

## I. CALL TO ORDER

Noting the presence of a quorum, the Chairman called the meeting to order.

## II. NEW TRUSTEES

Mr. Sears reported that Carol Wiszynski and Jim Slivosky have been appointed as Union Trustees, replacing Christian Sauter and Tom McNutt, effective November 28, 2012.

## III. MINUTES

The Trustees reviewed the minutes of the meeting of April 24, 2012, which were pre-circulated. After discussion,

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

> **RESOLVED that the minutes of the April 24, 2012 meeting were approved as presented.**

## IV. FINANCIAL REPORT

### A. PNC Bank

The Trustees welcomed Mr. Michael Herwig of PNC Bank to the meeting. Mr. Herwig presented a summary of activity report for the period January 1, 2012 through September 30, 2012. Such report indicated a beginning market value of $82,201,564, receipts of $3,847,381, expenses of $8,103,619, and investment return of $8,524,553, producing an ending market balance of $86,469,879 as of September 30, 2012.

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

### B. Investment Consultant's Report

The Trustees welcomed Mr. David Russell from Investment Performance Services to the meeting.

#### 1. Performance Update

Mr. Russell distributed the "Master Consulting Report" for the period ended December 31, 2011. He reported that the market value as of September 30, 2012 totaled $86,469,878. The Fund had a gain of 10.8% for the year ended through September 30, 2012. Updated reports show the Fund had a gain of 10.6% through October 31, 2012 and 10.5% through December 7, 2012.

#### 2. Asset Allocation

Mr. Russell presented an amendment to the investment policy statement, modifying the Fund's asset allocation by decreasing the target for international funds to 7.5% while increasing the target for real estate holdings to 15%. This change was approved at the last meeting. Trustees Samad-Salameh and Manley signed the amendment on behalf of the Board.

Mr. Russell said that no asset reallocation was needed at this time, as all investments currently comply with the investment policy statement.

**3. Investment Manager Review**

Mr. Russell said that eight of the eleven investment managers were below their benchmarks for the year. He said that he does not have any major concerns but will continue monitoring each manager.

Mr. Russell said that Westfield Capital Management, hired by the Fund in 2010, had a subpar performance in 2011, but has rebounded in 2012. There was no change to their investment strategy. For the year to date through September 30, 2012, the returns were 17.6%, compared to 16.8% for their index.

Mr. Russell said that Loomis Sayles also had poor performance in 2011, but has rebounded in 2012. Year-to-date return, through September 30, 2012, was 16.1% compared to their index of 10.7%.

Lastly, Mr. Russell discussed Wellington Trust. They had poor performance in 2011, but returns have rebounded in 2012. Year-to-date return in 2012 was 11.3%, compared to 9.9% for their index.

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

## V. AUDITOR REPORT

Mr. Jensen said the Fund auditor, Mr. Brian Garstecki of Bond Beebe, was unable to attend the meeting and will present the annual audit at the next meeting. He said that Mr. Garstecki had no concerns about the audit and it was precirculated to the Trustees in advance of this meeting.

## VI. ACTUARY'S REPORT

The Trustees welcomed Mr. Chris Mietlicki from Cheiron to the meeting.

Mr. Mietlicki reviewed the "Actuarial Valuation Report" as of January 1, 2012. Such report indicated 7,875 active employees, 4,180 inactive vested employees and 2,445 retirees as of January 1, 2012. He reported that the market value of the assets totaled $86,037,616, the actuarial value of assets was $103,245,139, and the unfunded vested benefits were $49,267,788.

Mr. Mietlicki said the market value of assets returned (2.3%) during 2011, compared to the assumption of 8.0%. He said the Fund's funding ratio decreased from 76.5% as of January 1, 2011 to 66.3% as of January 1, 2012. He said the Fund's available credit balance is approximately $9.8 million as of January 1, 2012.

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

## VII. ATTORNEY'S REPORT

### A. Rehabilitation Plan Update ("RP")

Mr. Slevin discussed the update to the Rehabilitation Plan.

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

> **RESOLVED to update the Rehabilitation Plan to reflect the contribution rates negotiated by Shoppers and Local 27 and 400 and to state that a schedule negotiated by a Local Union that includes an increased contribution without proposed increased benefits will be adopted by the Board as an alternative schedule. Chairman and Secretary are authorized to adopt the amendment reflecting these changes.**

### B. Syms Bankruptcy

Mr. Slevin reported on the Syms bankruptcy.

### C. IRS 408(b)(2) Indirect Compensation

Mr. Slevin discussed the IRS 408(b)(2) indirect compensation requirements.

### D. Comingled Funds

Mr. Slevin reviewed the provisions of the agreement with SEI, which acts as Trustee for the Winslow LCG Fund.

### E. Attorney/Client Privilege

Mr. Slevin discussed attorney/client privilege.

## VIII. ADMINISTRATIVE MANAGER'S REPORT

### A. First, Second, and Third Quarter 2012 Reports

Mr. Sears presented the administrative manager's report for the first, second and third quarters of 2012, which had been pre-circulated to the Trustees. He reviewed the third quarter report in detail. Such report indicated contribution income of $1,275,703, miscellaneous income of $3,860, interest and dividend income of $414,971, producing total income of $1,694,534. Expenses totaled $2,798,084, producing a net deficit of $1,103,550 for the quarter ended September 30, 2012. He noted that contributions were made on behalf of 6,746 active plan participants.

Year to date through the third quarter, contribution income was $3,637,406, miscellaneous income was $8,493, and interest and dividend income was $785,879, producing total income of $4,431,778. Expenses totaled $8,298,170, producing a net deficit of $3,866,392 for the year through September 30, 2012. He noted that contributions were made on behalf of an average of 6,849 participants.

### B. First, Second and Third Quarter 2012 Pension Applications

Mr. Sears reviewed the list of pension applications.

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 first, second and third quarter 2012 report were approved for payment.**

## IX. INVOICES

Mr. Sears presented a list of invoices dated December 11, 2012. He noted there were no additions, deletions, or changes to the list and that all invoices represented proper Fund expenses.

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

**RESOLVED that the list of invoices dated December 11, 2012 was approved for payment.**

## X. OTHER FUND BUSINESS

### A. Shoppers Food Warehouse Collective Bargaining Agreements

Mr. Sears said Collective Bargaining Agreements between Shoppers Food Warehouse and UFCW Locals 27 and 400 were completed.

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

**RESOLVED to approve the Collective Bargaining Agreements between Shoppers Food Warehouse and UFCW Locals 27 and 400.**

### B. Annual Funding Notice and Notice of Critical Status

Mr. Sears said the Annual Funding Notice and Notice of Critical Status were mailed to 14,601 participants on April 30, 2012.

### C. Withdrawal Estimates

Mr. Sears said requests for withdrawal estimates were received from Boars Head, AM Briggs, SuperValu, and Alleghany County.

**D. PBGC Refund**

Mr. Sears said a refund of $2,385 was received for PBGC premiums.

**E. Canada Dry Withdrawal Liability**

Mr. Sears said quarterly withdrawal liability payments of $17,251 were received from Canada Dry in April and August, 2012.

**F. Chessie Federal Credit Union Withdrawal Liability**

Mr. Sears said a payment of $240,000 was received from Chessie Federal Credit Union in October 2012, and this was the first of three annual payments.

**G. Payroll Audit - Giant**

Mr. Sears said the payroll audit for Giant is in process with the Fund auditor.

**H. Payroll Audit - Magruders**

Mr. Sears said a payment of $2,664.76 was received from Magruders to satisfy the payroll audit for the period January 2009 through December 2011.

**I. Payroll Audit – Delmarva Benefit Administrators**

Mr. Sears said a payment of $200.00 was received from Delmarva Benefit Administrators to satisfy the payroll audit for the period January 2009 through December 2010.

**J. Payroll Audit – Associated Administrators, LLC**

Mr. Sears said a payroll audit of Associated Administrators, LLC found no defiency for the period January 2009 through December 2011.

**K. Payroll Audit - Bestway**

Mr. Sears said a payroll audit of Bestway revealed a deficiency of $240.87 for the period January 2009 through December 2011. A demand letter was sent to the employer and was not paid, so it was referred to Counsel.

### K. Payroll Audit - Syms

Mr. Sears said a payroll audit of Syms revealed a deficiency of $2,285.88 for the period January 2010 through December 2011. A demand letter was sent to the employer and was not paid, so it was referred to Counsel.

## XI. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the following dates for the next meeting:

April 8 – 1:00 p.m. – Pension meeting

## XII. ADJOURNMENT

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

Respectfully submitted,
Harry Manley - Secretary