United Food and Commercial Workers Unions
and Participating Employers
Pension Fund

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MINUTES OF THE MEETING OF THE
BOARD OF TRUSTEES OF THE
UFCW UNIONS AND PARTICIPATING EMPLOYERS
PENSION FUND
APRIL 24, 2012 IN
TYSONS CORNER, VIRGINIA

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
H. Manley - Secretary	A. Samad-Salameh – Chairperson
M. Fedirici	S. Habermehl
T. Hipkins	S. Loeffler
T. McNutt	J. McWilliams

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
D. Gwin – SuperValu
M. Harris – UFCW Local 400
M. Herwig – PNC Bank
W. Jensen – Associated Administrators, LLC
G. Kalwarski - Cheiron
C. Mietlicki – Cheiron
J. Mink – Investment Performance Services, LLC
J. Sears – Associated Administrators, LLC
B. Slevin – Slevin & Hart, P.C.
D. Whitney - SuperValu

I. CALL TO ORDER

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

II. APPOINTMENT OF TRUSTEES/SECRETARY

Mr. Sears reported that Thomas Hipkins has been appointed as a Union Trustee, replacing George Murphy, effective January 1, 2012.

Mr. Sears reported that Mr. Duane Whitney and Ms. Donna Gwin have been appointed as Employer Trustees, replacing Mr. William Seehafer and Ms. Julie McWilliams, effective April 25, 2012.

Mr. Sears advised that a new Secretary would need to be appointed.

Trustee Hipkins nominated Trustee Manley as Fund Secretary, replacing George Murphy.

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

> **RESOLVED to appoint Trustee Manley as Secretary of the UFCW Unions and Participating Employers Pension Fund.**

III. MINUTES

The Trustees reviewed the minutes of the special investment meeting of December 12, 2011 and the regular meeting of December 13, 2011 meetings, 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 special investment meeting of December 12, 2011 meeting were approved as presented.**

On Motion made and seconded, the Employer Trustees voted to approve the minutes of the regular meeting of December 13, 2011. The Union Trustees voted against the Motion, resulting in a deadlock. The Union Trustees advised of their intent to arbitrate the dispute over the minutes, if language cannot be agreed upon.

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 March 31, 2012. Such report indicated a beginning market value of $82,201,564, receipts of

$1,349,314, expenses of $2,751,689, and investment return of $6,894,398, producing an ending market balance of $87,693,587 as of March 31, 2012.

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

B. <u>Investment Consultant's Report</u>

The Trustees welcomed Ms. Jennifer Mink from Investment Performance Services to the meeting.

1. Performance Update

Ms. Mink distributed the "Master Consulting Report" for the period ended December 31, 2011. She reported that the market value as of December 31, 2011 totaled $82,188,305. The Fund lost 0.6% for the year ended December 31, 2011.

Ms. Mink distributed a performance update through March 31, 2012, which indicated a market value of assets of $87,693,588, reflecting an 8.5% gain for the 3-month period.

2. Exception to Investment Policy – Segall Bryant & Hamill

Ms. Mink stated that Segall Bryant & Hamill ("Segall") requested an exception to the Fund's investment policy, increasing the limit on "BBB" rated securities from 20% to 25%, due to current economic factors and to provide better diversification. In addition, Segall requested increasing the limit on Yankee bonds from 10% to 15% to increase flexibility. IPS recommended granting the investment policy changes outlined by Segall.

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

> **RESOLVED that limit on "BBB" securities be raised to 25%, and the limit on Yankee bonds be increased to 15% for Segall Bryant & Hamill's investment policy statement, in accordance with the recommendation of IPS.**

Ms. Mink presented an addendum to the Investment Policy Statement for Segall, which had been reviewed by Co-Counsel. The Chairperson and Secretary executed the addendum to the policy statement.

3. Asset Allocation Review

Ms. Mink reviewed the Asset Allocation of the Fund. She recommended a change decreasing the target for international stocks from 10% to 7.5% and increasing the target for real estate from 12.5% to 15%. She felt this change would lower the risk to the Fund while increasing potential returns. She said that no immediate rebalancing was necessary.

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

> **RESOLVED to modify the Fund's asset allocation target ranges by decreasing the target for international funds to 7.5% and increasing the target for real estate holdings to 15%.**

Ms. Mink said she would prepare an amendment to the investment policy statement for presentation at the next meeting reflecting the change in asset allocation targets.

4. Contract Addendum

Ms. Mink presented an addendum to the IPS contract, reflecting the three year, $75,000 per year fee approved at the last meeting for 2012-2014. Chairman and Secretary executed the addendum on behalf of the Board.

The Trustees thanked Ms. Mink for her report and she was excused from the meeting.

V. ACTUARY'S REPORT

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

A. 2012 Engagement Letter

Mr. Kalwarski presented an engagement letter for the 2012 plan year, which reflected a 3.4% increase in the annual retainer from $34,800 to $36,000.

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

RESOLVED to approve the 2012 Cheiron engagement request of an annual retainer of $36,000.

B. Withdrawal Liabilty – KELCO Federal Credit Union

Mr. Sears said he received a letter from KELCO Federal Credit Union, announcing their withdrawal from the Fund effective March 1, 2012. Mr. Mietlicki said final withdrawal liability calculations could not be made until the end of the year. An estimated amount could be provided now and adjusted at the end of the year. The Trustees discussed sending a demand for an estimated amount with counsel.

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

RESOLVED to direct the actuary to provide an estimated withdrawal liability calculation for KELCO Federal Credit Union, send a demand for such amount, and to adjust the amount when the final calculation has been completed.

C. Withdrawal Estimates

Mr. Sears said withdrawal liability requests from four participating employers, Syms, Giant, Magruders, and Supervalu were forwarded to the actuary for review.

VI. ATTORNEY'S REPORT

A. Rehabilitation Plan Update

Mr. Slevin discussed the conference calls of the Pension Sub-Committee held on December 28 and 30, 2011 regarding the updating of the Rehabilitation Plan required by the statute. The Board agreed that minutes should be prepared of those meetings.

B. Rehabilitation Plan Changes

Mr. Slevin discussed changes to the 2010 Rehabilitation Plan. The Pension sub-committee agreed to changes to correct a scrivener's error in a chart and add conversion factors for the Meat & Poultry employers monthly contribution, and to recommend adoption by the full Board of Trustees.

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

RESOLVED to approve modification of the 2010 Rehabilitation Plan, correcting a scrivener's error and adding conversion factors for the Meat & Poultry employers.

Mr. Slevin presented an amendment, which Chairman and Secretary executed on behalf of the Board.

C. Syms Bankruptcy

Mr. Slevin reported on the Syms bankruptcy.

D. LM-10 and LM-30 Requirements

Mr. Slevin reviewed the LM-30 requirements.

E. IRS 5500 Form Schedule C Instructions

Mr. Slevin reviewed the IRS Form 5500 Schedule C instructions.

F. IRS 408(b)(2) Indirect Compensation

Mr. Slevin reviewed DOL regulations under Section 408 (b)(2).

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

RESOLVED to authorize the Chairperson and Secretary to work with Co-Counsel and the Administrative Manager on all steps necessary to comply with the Section 408(b)(2) regulations.

G. InvestorForce

Mr. Slevin discussed the Fund's Investment Consultant change in subcontractors for data gathering to InvestorForce. A contract amendment to the IPS contract was signed.

H. Fiduciary Liability Insurance

Mr. Slevin reviewed the fiduciary liability insurance renewal with Chubb.

I. Deferred Vested Benefit Letters

Mr. Slevin discussed the deferred vested benefit statement being used by Associated Administrators.

J. Non-Discrimination Questionniare

Mr. Slevin discussed the non-discrimination questionnaire.

VII. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2011 Report

Mr. Sears presented the administrative manager's report for the fourth quarter 2011, which had been pre-circulated to the Trustees. Such report indicated contribution income of $1,314,858, miscellaneous income of $11,386, interest and dividend income of $248,062, producing total income of $1,574,306. Expenses totaled $2,604,338, producing a net deficit of $1,030,032 for the quarter ended December 31, 2011. He noted that contributions were made on behalf of 7,087 active plan participants.

B. Fourth Quarter 2011 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 fourth quarter 2011 report were approved for payment.**

C. Administrative Manager's Contract

Mr. Jensen said that his firm's contract expired May 31, 2012. He presented a request for a three-year extension of the contract. He requested increases in the fees of 3.5% in the first year, 3.5% in the second year, and 3% in the third year. He reviewed justification for the fee increases, including increased cost of doing business, especially benefit related expenses, postage, and additional compliance monitoring. He noted that his firm had invested over $416,000 in technology upgrades in 2011, including computers, thin clients, servers, switches, firewalls, and software. He said that Associated worked with multiple consulting firms in 2011 and 2012, supplying the vendors with data, which involved work by his firm's IT and accounting departments, as well as the account executive staff. He cited that the Pension Protection Act ("PPA") requires that certain types of benefit information be provided to participants, beneficiaries, unions and contributing employers, such as lump sum distributions and requires the charging and tracking of contribution surcharges. In addition, Associated implemented a fraud protection process with PNC bank requiring daily file transmittal and monitoring. The Trustees discussed the contract renewal and,

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

> **RESOLVED to approve the three-year extension of the administrative contract at a fee increase of 3.5% effective June 1, 2012, 3.5% effective June 1, 2013, and 3% effective June 1, 2014.**

VIII. INVOICES

Mr. Sears presented a list of invoices dated April 24, 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 April 24, 2012 was approved for payment.**

IX. OTHER FUND BUSINESS

A. Alternative Schedules in Rehabilitation Plan

Mr. Jensen said UFCW Local 27 requested additional schedules to be included in the Rehabilitation Plan for Lions Manor, First Peoples, Giant, and Alleghany County Human Resources Development Commission. They requested the removal of the 11-year schedule and asked for a three-year schedule to be included as a permissible option. Trustee Samad-Salameh noted that employers may make additional contributions to the Fund without increasing benefits.

The Employer Trustees are not accepting Locals' stated rational for their requested alternative schedules. They are only dealing with the requested pre-approval of the stated contribution rates.

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

> **RESOLVED that although the Board will not adopt the Locals proposed alternative schedules as schedules at this time, if a Local negotiates an alternative contribution increase without a requested benefit increase as listed in their request, those will be adopted by the Board as alternative schedules.**

This is without prejudice to the parties' positions in the pending arbitration.

B. <u>Payroll Audit – Shoppers Food Warehouse</u>

Mr. Sears reported that a payroll audit performed by Bond Beebe revealed a deficiency of $28.70 owed by Shoppers Food Warehouse, and a demand letter was sent to the employer on February 14, 2012.

C. <u>Payroll Audit – Delmarva Benefit Administrators</u>

Mr. Sears reported that a payroll audit performed by Bond Beebe revealed a deficiency of $200.00 owed by Delmarva Benefit Administrators, and a demand letter was sent to the employer on April 13, 2012.

D. <u>Payroll Audit – Syms Corporation</u>

Mr. Sears reported that a payroll audit performed by Bond Beebe revealed a deficiency of $2,285.88 owed by Syms Corporation, and a demand letter was sent to the employer on April 2, 2012. Syms was in bankruptcy, so the deficiency demand may be impacted by that process.

E. <u>Canada Dry Withdrawal Liability</u>

Mr. Sears said a quarterly withdrawal liability payment for $17,251 was received from Canada Dry.

F. PBGC Estimated Payment - 2012

Mr. Sears said that $135,000 was paid for the 2012 estimated PBGC premium.

G. Fiduciary Liability Individual Recourse Invoices

Mr. Sears said the invoices for the fiduciary liability individual recourse premium were sent to the Trustees.

H. Withdrawal Liability Payments – Chessie Federal Credit Union

Mr. Sears said a letter was received from Chessie Federal Credit Union asking permission to pay their $710,000 withdrawal liability in three annual payments. The first two years would require $240,000 payments and the third year would require $230,000.

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

> **RESOLVED to allow Chessie Federal Credit Union to pay their withdrawal liability in three annual payments, two of $240,000 and one of $230,000.**

I. Magruders Appeal

Mr. Sears said a letter was received from Magruders appealing the Fund rule of not allowing contributions to be made on behalf of work that is not completed. The Trustees denied this appeal.

J. Possible Accounting Discrepancy – Kroger Contributions

Trustee McNutt said the UFCW Local 400 had allegedly uncovered an accounting error by Kroger, and he felt that Kroger was underpaying their pension contributions. He requested a forensic audit of Kroger's time sheets and payments dating back to when the error was made.

On Motion made and seconded, the Union Trustees voted to approve the forensic audit of Kroger contributions. The Employer Trustees voted against the Motion, with the Kroger Trustee abstaining, resulting in a deadlock. The Union Trustees advised they would file for arbitration regarding this issue.

X. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the following dates for the next meetings:

August 21-22, 2012 – Gaylord Hotel at National Harbor, MD - 2:00 p.m. on August 21 for investment managers meeting and 9:00 a.m. on August 22 for regular meeting.

December 11, 2012 – Hilton Hotel in Baltimore, MD

XI. ADJOURNMENT

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

Respectfully submitted,
Harry Manley - Secretary