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
www.associated-admin.com

8400 Corporate Drive, Suite 430
Landover, Maryland 20785-2361
Telephone: (301) 459-3020
(800) 638-2972
www.associated-admin.com

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE UFCW UNIONS AND PARTICIPATING EMPLOYERS PENSION FUND DECEMBER 4, 2018 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
J. Chorpenning - Secretary
Y. Anwar
M. Federici
C. Hoffmann

EMPLOYER TRUSTEE
D. Gwin - Chairperson
J. Born
B. Seehafer

Also present were:

R. Barrett - Glouston Capital Partners
J. Beloff - Intercontinental Real Estate Corp.
S. Brennan - Hamilton Lane
M. Buckberg - Withum Smith & Brown
L. Christenson - Boyd Waterson Asset Management
D. Clutts - Associated Administrators, LLC
B. Convery - Boyd Waterson Asset Management
A. Hanson - UFCW Local 400
P. Hardcastle - Cheiron
T. Hipkins - UFCW Local 27
J. Ianniello - Associated Administrators, LLC
W. Jensen - Associated Administrators, LLC
T. Kerr - Hamilton Lane
J. Kimble - Morgan, Lewis, & Bockius LLP
A. Leech - Withum Smith & Brown
J. Mink - Investment Performance Services, LLC
R. Murray - Cheiron
P. Palandjian - Intercontinental Real Estate Corp.
S. Sanchez - Slevin & Hart, P.C.
B. Slevin - Slevin & Hart, P.C.
L. Walsh - Associated Administrators, LLC
M. Wilson - UFCW Local 400

I. CALL TO ORDER

A quorum being present, Chairperson Gwin called the meeting to order.

II. EXECUTIVE SESSION

The Trustees and Fund co-counsel participated in an Executive Session.

After the conclusion of the Executive Session,

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

> **RESOLVED to delegate to Trustees Seehafer and Gwin the authority to approve a settlement relating to the Locals' contribution obligation.**

III. MINUTES

The Trustees reviewed the minutes of the regular meeting held on August 30, 2018, 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 August 30, 2018 are approved as presented.**

IV. FINANCIAL REPORT

A. PNC Report

Ms. Clutts presented the PNC Summary of Activity report for the period January 1, 2018 to September 30, 2018. Such report indicated a beginning market value of $115,936,479, receipts of $10,390,866, disbursements of $13,669,468, and investment returns of $7,908,666, producing an ending market value of $120,566,544 as of September 30, 2018.

B. Investment Performance Services ("IPS")

The Trustees welcomed Ms. Jennifer Mink of IPS to the meeting.

1. Master Consulting Report

Ms. Mink distributed the Master Consulting Report for the period ended September 30, 2018. Such report indicated a market value of assets of $120,566,544. The total portfolio had a 2.9% return gross of fees in the third quarter 2018, and a 5.7% return gross of fees for year to date 2018.

2. Manager's Review

Ms. Mink reviewed each investment manager's performance. Ms. Mink recommended adding real estate value added investments to the Fund's portfolio while keeping the overall allocation to real estate the same. She also recommended increasing the Fund's asset allocation in private equity investments by 2.5% to a total target allocation of 7.5%.

Ms. Mink reported that, at the direction of the Board, she developed a list of qualified candidates for each investment style and sent a Request for Information to potential candidates. Ms. Mink invited the top candidates who appeared to best meet the needs of the Fund and its objectives to the Board meeting to present information about their companies and investment vehicles. The companies selected included two value added real estate management companies, Boyd Watterson Asset Management, and Intercontinental Real Estate Corporation, as well as two private equity management companies, Glouston Capital Partner, and Hamilton Lane, to present potential value added real estate investment options and private equity investment options, respectively.

Value Added Real Estate Presentations

Mr. Larry Christenson and Mr. Brian Convery with Boyd Waterson Asset Management ("Boyd Waterson") presented information to the Board about Boyd Waterson's real estate investments. Boyd Waterson manages $8.5 billion in real estate assets. They discussed investment in Boyd Waterson's State Government Fund. The State Government Fund's goal is to achieve a return greater than 8 to 9%, plus 1 to 2% price appreciation. The State Government Fund annual fees are 1.25% on invested capital, with an offered fee arrangement of .90% through December 31, 2019. The Trustees thanked the representatives from Boyd Waterson for their presentation and excused them from the meeting.

Mr. Peter Palandjian and Mr. James Beloff with Intercontinental Real Estate Corporation ("Intercontinental") presented information to the Board about investment in Intercontinental's U.S. Real Estate Investment Fund. Intercontinental manages over $10 billion in real estate assets and consistently outperforms their benchmark, returning 12.76% over the past five years. Intercontinental's annual fees are 1.10% of invested capital up to $25 million, with a performance fee of 20% of earnings for years in which the Fund's portfolio returns are in excess of 8%. The Trustees thanked the representatives from Intercontinental for their presentation and excused them from the meeting.

After discussing the real estate investment firm candidates with the Fund's investment consultant, the Trustees selected Intercontinental Real Estate Corporation ("Intercontinental") as a Value Added Real Estate manager. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to hire Intercontinental to manage $9 million in Fund assets invested in the U.S. Real Estate Fund, subject to the execution of an acceptable agreement.**

Private Equity Presentations

Mr. Red Barrett with Glouston Capital Partners ("Glouston") presented information to the Board about Glouston's private equity investments. Glouston, founded in 1994, manages over $2.6 billion in private equity capital. Glouston is opening a new GPEO Program VI, with a target size of $550 million in invested assets. Glouston has a net internal rate of return of 10.1%. The Trustees thanked the representative from Glouston for his presentation and excused him from the meeting.

Mr. Steve Brennan and Mr. Tom Kerr with Hamilton Lane, a plan asset fund ERISA manager, presented information to the Board about Hamilton Lane's Secondary Fund V, which has a target fund size of $3 billion. The Hamilton Lane Secondary Fund V is a fund of private equity funds. The Hamilton Lane Secondary Fund V annual fees are 1% on committed capital up to $50 million, declining by 10% per year after the commitment period. Hamilton Lane offered an early close incentive discount of 10% on management fees during the investment period. For over 18 years, Hamilton Lane's secondary funds have returned a weighted average internal rate of return of 19%. The Fund presently has $3 million invested in the Hamilton Lane Secondary Fund IV, which has had a net investment rate of return of 46.1% since inception (July 2017). The Trustees thanked the representatives from Hamilton Lane for their presentation and excused them from the meeting.

The Trustees discussed the private equity investment firms with the Fund's investment consultant and selected Hamilton Lane. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to hire Hamilton Lane to manage $6 million in Fund assets invested in the Hamilton Lane Secondary Fund V, subject to the execution of an acceptable agreement.**

3. <u>Asset Allocation</u>

Ms. Mink reviewed the Fund's current asset allocation, noting all allocations are within investment policy target ranges. Ms. Mink presented an asset allocation review, providing scenarios that could enhance the Fund's returns with minimal risk. Scenario 2, Portfolio D, would decrease real estate core investments from a target of 20% to 12.5%, add real estate value added investments with a target of 7.5%, eliminate the 5% hedge fund of funds multi-strategy investments, increase the opportunistic investments from 15% to 17.5%, and increase private equity investments from 5% to 7.5%. After discussion,

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

> **RESOLVED to adopt the asset allocation changes presented by Ms. Mink in Scenario 2, Portfolio D.**

Ms. Mink reported that the liquidation of the hedge fund of funds investments, as well as redemption of $6 million from Principal Real Estate Trust and $3 million from American Core Realty Fund would be used to fund the Intercontinental U.S. Real Estate Investment Fund and the Hamilton Lane Secondary Fund V investments.

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

V. Auditor's Report

The Trustees welcomed Mr. Mark Buckberg and Mr. Albert Leech from Withum Smith and Brown ("Withum") to the meeting.

A. 2017 Audited Financial Statements

Mr. Leech reviewed the audited financial statements for the year ended December 31, 2017. He expressed an unmodified (clean) opinion on the Financial Statements, meaning that in Withum's opinion the Financial Statements present fairly, in all material respects, the financial status of the Fund as of December 31, 2017 and 2016. Mr. Buckberg reported that net assets available for benefits increased from $112,142,654 as of January 1, 2017 to $121,747,505 as of December 31, 2017. He reviewed the notes to the financial statements.

The Trustees thanked Mr. Buckberg and Mr. Leech for their report and excused them from the meeting.

VI. ACTUARY'S REPORT

The Trustees welcomed Mr. Peter Hardcastle and Mr. Robert Murray from Cheiron to the meeting.

A. 2018 Actuarial Valuation Results

Mr. Hardcastle presented the final 2018 Actuarial Valuation Results dated January 1, 2018. Mr. Hardcastle reported that there were 3,687 active participants, 6,096 terminated vested participants, and 2,956 participants in pay status, resulting in a total of 12,739 participants as of January 1, 2018. Mr. Hardcastle stated that the market value of the assets was $120.41 million, the actuarial value of the assets was $118.93 million, and the present value of accrued benefits and accrued liability was $202.08 million. The accrued benefit funding ratio was 58.9%. The liability increase from January 1, 2017 to January 1, 2018 was $7.55 million.

Mr. Hardcastle stated that, assuming no reduction in hours and a 7.75% rate of return, emergence from critical status is projected by 2041.

B. Cheiron Engagement Letter

Mr. Hardcastle presented Cheiron's proposed engagement letter for 2019. It included a 2.3% increase in the retainer from $39,244.80 to $40,147.44. The non-retainer hourly charges remain the same. Chairperson Gwin informed Mr. Hardcastle and Mr. Murray that the Trustees would consider their request for a fee increase.

Mr. Hardcastle and Mr. Murray were thanked for their report and 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 2019 engagement letter with an annual retainer fee of $40,147.44 and the existing non-retainer hourly rates.**

VII. ATTORNEY'S REPORT

A. Post Retirement Date Pensions

Mr. Slevin reported on Plan rules regarding the commencement of pensions after normal retirement age. This is pending with the Employer Trustees.

B. 2017 and 2018 Rehabilitation Plans

Mr. Slevin reported on the status of the 2017 Rehabilitation Plan update and the 2018 Rehabilitation Plan update.

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

> **RESOLVED to adopt the 2018 Rehabilitation Plan update and to delegate to Board Chairperson and Secretary the authority to finalize and execute the 2017 and 2018 Rehabilitation Plan updates upon resolution of the Locals' contribution rate issue.**

C. Procedures for Payment of Required Minimum Distributions

Mr. Slevin presented proposed Procedures for Payment of Required Minimum Distributions. After review and discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED to adopt the Procedures for Payment of Required Minimum Distributions as presented by Fund counsel.**

D. G & G Eddies Withdrawal Liability and Delinquent Contributions

Mr. Slevin reported that G&G Eddies is current on its withdrawal liability payments.

E. Magruder Lawsuit

Mr. Slevin reported on the pending withdrawal liability litigation against Magruder's controlled group members.

F. Legislative Activity

Mr. Slevin reported on the Joint Select Committee on Solvency of Multiemployer Pension Plans.

G. Associated Administrator's Contract Amendment

Mr. Slevin presented an amendment to the Fund's agreement with Associated Administrators. The Amendment was signed during the meeting.

H. Associated Administrators' Contributions

Ms. Walsh reported to the Trustees that an error was discovered relating to Associated Administrators' pension contributions relating to the application of Pension Protection Act ("PPA") surcharges. The error resulted in contributions owed of $10,168.18 and interest owed of $3,432.21. Associated paid these amounts in full to the Fund on October 17, 2018.

VIII. ADMINISTRATIVE MANAGER'S REPORT

Ms. Clutts reviewed the Administrative Manager's Report for the third quarter 2018. The third quarter Administrative Manager's Report indicated total income of $2,563,669 and total expenses of $4,028,064, producing a net deficit of $1,464,395. Ms. Clutts reported that contributions were remitted on behalf of 2,899 Plan participants. Ms. Clutts noted that page 12 of the Administrative Manager's Report is a report requested by the Trustees titled "Stipend Income & Expenses." The report indicated income of $72,450 and expenses of $72,870 relating to 56 Plan participants. Ms. Clutts reviewed the Work Snapshot 2018 Report which detailed information about work processed by Associated Administrators on behalf of the Fund for the third quarter 2018 and year-to-date.

Ms. Clutts presented a list of pension applications submitted for approval during the third quarter of 2018.

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 2018 report are approved for payment.**

IX. INVOICES

Ms. Clutts presented a list of invoices dated December 4, 2018. She 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 December 4, 2018 are approved for payment.**

X. OTHER FUND BUSINESS

Ms. Clutts reported the following:

A. Cowen

A payment of $370 was received from Cowen on October 16, 2018 for commission rebate recaptures. Commission rebate recaptures in the amount of $555.36 are pending.

B. Form 5500

The Fund's Form 5500 for Plan year ended December 31, 2017 was filed by the Fund auditor on October 15, 2018, under the allowable extension of time to file.

XI. NEXT MEETING DATE AND LOCATIONS

After discussion, the Trustees selected the following dates and meeting locations for 2019:

April 25, 2019 - 9:00 a.m. – Landover, Maryland
August 29, 2019 – 9:00 a.m. – Landover, Maryland
December 3, 2019 – 9:00 a.m. – Sparks, Maryland

XII. ADJOURNMENT

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

Respectfully submitted,

Jason Chorpenning, Secretary

20712035v1