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 AUGUST 30, 2018 LANDOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEE
J. Chorpenning - Secretary	D. Gwin - Chairperson
M. Federici	J. Born
C. Hoffmann (via tele-conference)	B. Seehafer

Also present were:

H. Burton - Morgan, Lewis, & Bockius LLP
D. Clutts - Associated Administrators, LLC
A. Hanson - UFCW Local 400
P. Hardcastle - Cheiron
T. Hipkins - UFCW Local 27
J. Ianniello - Associated Administrators, LLC
N. Jacobs - UFCW Local 400
W. Jensen - Associated Administrators, LLC
J. Mink - Investment Performance Services, LLC
R. Murray - Cheiron
S. Sanchez - 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. MINUTES

The Trustees reviewed the minutes of the regular meeting held on April 11, 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 April 11, 2018 are approved as presented.**

III. FINANCIAL REPORT

A. PNC Report

Ms. Clutts presented the PNC Summary of Activity report for the period January 1, 2018 to June 30, 2018. Such report indicated a beginning market value of $115,936,479, receipts of $8,237,849, disbursements of $9,586,261, and investment returns of $4,700,295, producing an ending market value of $119,288,363 as of June 30, 2018.

Mr. Clutts reviewed a memo from PNC dated March 28, 2018 proposing a new fee structure for its Treasury Management accounts beginning September 1, 2018. The fee increase would take effect September 1, 2018. The Institutional Investment services fee was unchanged. After discussion,

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

> **RESOLVED to accept PNC's Fee Proposal for the UFCW Unions and Participating Employers Pension Fund's Treasury Management accounts effective September 1, 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 June 30, 2018. Such report indicated a market value of assets of $119,288,363. The total portfolio had a 1.8% return gross of fees for the second quarter 2018, and a 2.5% return gross of fees year to date.

2. Manager's Review

Ms. Mink reviewed each investment manager's performance. Ms. Mink said that private equity investor Hamilton Lane continues to outperform its benchmark, returning 67.8% for the one-year period ending June 30, 2018. Ms. Mink reported on the Trustees' decision to terminate the Fund's investment in EnTrust's Multi-Strategy Fund of Funds based on IPS's recommendation, and advised that liquidation is in progress. IPS negotiated a reduced management fee to liquidate the investment more quickly, to make the proceeds available for benefit payments.

3. Asset Allocation

Ms. Mink recommended diversifying the Fund's 20% allocation in real estate investments by reducing the in core real estate allocation to 12.5% and adding a value added real estate manager with a 7.5% allocation. She also recommended decreasing the Fund's U.S. large cap equity investment from 22.5% to 20%, while increasing the private equity investment from 5% to 7.5% of the total portfolio. Ms. Mink will present investment options at the next Board meeting for the Trustees' consideration, to achieve the rebalancing of assets.

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

IV. ACTUARY'S REPORT

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

A. Draft Actuarial Valuation

Mr. Hardcastle reviewed the draft actuarial valuation results as of January 1, 2018. The draft reflects an 8.5% increase in the market value of assets and a 1.2% increase in the actuarial value of assets. The funding ratio calculated using the market value of assets improved from 56.2% to 57.9%. A reconciliation of actuarial to accrued liability resulted in an actuarial loss of $5,210,479. Contributions from participating employers were down due to a decrease in hours worked from January 1, 2017 to January 1, 2018.

B. 2019 Actuarial Valuation

Mr. Hardcastle said that a change in actuarial standards will require an assessment of risk for the 2019 valuation. The market value of liabilities may also be required reporting; however, the Fund already includes this information in the annual valuation report.

The Trustees thanked Mr. Hardcastle and Mr. Murray for their report and excused them from the meeting.

V. ATTORNEY'S REPORT

A. Plan Amendment

Ms. Sanchez presented Plan Amendment 4. It was executed.

B. Post 70.5 Participants

Ms. Sanchez reported on the calculation of pension benefits for post 70.5 Plan participants in active employment. A sub-committee of Fund Chairperson and Secretary were appointed to take any necessary actions relating to such calculations.

C. Magruder Withdrawal Liability Litigation

Ms. Sanchez reported on the pending litigation against Magruder and its controlled group members.

D. Withdrawal Liability and Delinquent Contributions

Ms. Sanchez reported on the Fund's withdrawal liability assessments related to the following employers: Delmarva, G&G Eddies and Lion's Manor.

1. Delmarva Benefit Administrators

Ms. Sanchez provided the Trustees with an update on Delmarva Benefit Administrators' delinquency of unpaid withdrawal liability. After discussion, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to write off Delmarva Benefit Administrators' unpaid withdrawal liability as uncollectable.

2. G&G Eddie's

Ms. Sanchez reported that G&G Eddie's is current on its withdrawal liability payments.

3. Lion's Manor

Lion's Manor paid the full withdrawal liability settlement amount of $336,000 which previously was agreed upon by the Trustees.

E. Creditor Defendant Litigation

Ms. Sanchez reported on a lawsuit relating to a former participating employer in which the Fund was named as a creditor defendant.

F. Entrust Special Opportunities Fund IV

Ms. Sanchez reported on the redemption form for the Entrust Special Opportunities IV Fund.

G. Withum, Smith and Brown PC ("Withum") Engagement Letter

Ms. Sanchez reported on the engagement letter presented by Withum. The Trustees executed the engagement letter.

VI. ADMINISTRATIVE MANAGER'S REPORT

Ms. Clutts reviewed the Administrative Manager's Reports for the first and second quarters 2018. The second quarter Administrative Manager's Report indicated total income of $2,283,124 and total expenses of $3,424,340, producing a net deficit of $1,141,216. Ms. Clutts reported that contributions were remitted on behalf of 3,394 Plan participants.

Ms. Clutts noted that page 42 of the Administrative Manager's Report is a report titled "Work Snapshot 2018." The report provides detailed information about work processed by the Administrative Manager on behalf of the Fund in areas including participant service calls, pension applications, medical claims, and communications mailings to Plan participants. The Trustees reviewed the information and requested that the Administrative Manager add a year-to-date column to the report for the next Board meeting.

Ms. Clutts reviewed a list of pension applications submitted for approval during the first and second quarters 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 first and second quarter 2018 reports are approved for payment.**

VII. <u>Administrative Services Contract Renewal</u>

Mr. Jensen stated that Associated Administrators' contract expired May 31, 2018. He presented a request for a three-year extension of the contract and reviewed justification for fee increases, including new legislation that has significantly affected benefits processing, implementation of the new eligibility rule changes and regulatory changes, and ongoing information technology investment for mandated security and compliance.

The representatives from Associated Administrators were excused from the meeting.

The Trustees invited the representatives from Associated Administrators to rejoin the meeting and they were advised of the Trustees' decision.

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

> **RESOLVED to approve a three-year contract renewal of the administrative services contract at a fee increase of 3% per year effective January 1, 2019, in addition to the proposed hourly rates for implementing new regulatory changes and new vendor implementations.**

VIII. INVOICES

Ms. Clutts presented a list of invoices dated August 30, 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 August 30, 2018 are approved for payment.**

IX. OTHER FUND BUSINESS

A. Cowen Group, Inc. ("Cowen") Commission Recapture Payments

Ms. Clutts reported that the Fund received a payment of $560.64 on April 24, 2018 and a payment of $447.22 on July 25, 2018 from Cowen for commission rebate recaptures for the first and second quarters 2018.

X. NEXT MEETING DATES AND LOCATIONS

After discussion, the Trustees determined the next meeting date and location:

December 4, 2018 – 9:00 a.m. – UFCW Local 400, Landover, Maryland

XI. ADJOURNMENT

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

Respectfully submitted,

Jason Chorpenning, Secretary

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