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 DECEMBER 12, 2013 IN HANOVER, MARYLAND

The following Trustees were present:

UNION TRUSTEES
G. Murphy - Secretary
J. Chorpenning
M. Federici
J. Slivosky
C. Wiszynski

EMPLOYER TRUSTEES
D. Gwin - Chairperson
S. Habermehl
S. Loeffler
M. Mortensen

Also present were:

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

I. CALL TO ORDER

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

II. MINUTES

The Trustees reviewed the minutes of the regular meeting of September 18, 2013, which were pre-circulated. Mr. Sears noted an error in Section IV, Number 7, in which the name Mr. Hildebrandt should be replaced with Mr. Pedone. After discussion, On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED that the minutes of the September 18, 2013 meeting were approved as presented with the correction of an error.**

III. 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, 2013 through October 31, 2013. Such report indicated a beginning market value of $87,685,300, receipts of $6,448,009, expenses of $9,220,268, and investment return of $12,992,384, producing an ending market balance of $97,905,425 as of October 31, 2013.

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

B. Investment Consultant's Report

The Trustees welcomed Ms. Jennifer Mink of Investment Performance Services ("IPS") to the meeting.

1. Performance Update

Ms. Mink distributed the "Master Consulting Report" for the period dated September 30, 2013. She reported that the market value as of September 30, 2013 totaled $94,550,292. The Fund had a gain of 12.6% for the year through September 30, 2013. Updated reports show the Fund had a gain of 15.6% through October 31, 2013.

2. Asset Allocation

Ms. Mink reviewed the current asset allocation of the Fund. She recommended no changes to the current policy at this time.

Ms. Mink said the addition of another asset class, Short Duration High Yield bonds, could provide additional diversification for the Fund. She reviewed several asset allocation models that would incorporate this asset class while decreasing the holdings in the intermediate fixed income class. Ms. Mink reviewed a handout detailing multiple asset managers. An investment committee of Trustees Loeffler, Habermehl, Federici, and Murphy was appointed to review the various managers and allocations and report back to the Board. They selected Allianz Global Investors, Chartwell Investment Partners, Baird, and Port Advisory Group as the managers to interview. An investment committee meeting was scheduled for January 24, 2014.

3. Investment Manager Review

Ms. Mink reviewed each of the current investment managers. She noted that Winslow was still under watch due to personnel changes but otherwise no manager was on the watch list.

4. Letter from Segall Bryant & Hamill

Ms. Mink discussed a letter received from Segall Bryant & Hamill ("Segall") dated November 20, 2013. It explained that Thomas Bravo, a private equity firm in Chicago, was replacing Dougherty Financial Group's equity position in Segall. She recommended the Trustees sign the consent form, subject to co-Counsel review.

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

> **RESOLVED to sign the consent form from Segall Bryant & Hamill dated November 20, 2013.**

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

IV. <u>ACTUARY'S REPORT</u>

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

1. 2013 Actuarial Valuation Results

Mr. Mietlicki reviewed the "2013 Actuarial Valuation Results" dated December 2013. He had previously reviewed the key results at the September meeting. He noted that the Fund's funding ratio increased from 66.3% as of January 1, 2012 to 67.4% as of January 1, 2013.

2. Rehabilitation Plan Update

Mr. Mietlicki said the original Rehabilitation Plan, adopted in 2011, provided for an 11-year schedule. As of now, the schedule would be 9 years. He recommended clarifying the schedule to state that the plan is the lesser of 11 years or to the end of the Rehabilitation Plan.

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

> **RESOLVED to update the Rehabilitation Plan to state the plan is the lesser of 11 years or to the end of the Rehabilitation Plan.**

Mr. Mietlicki said other changes to the Rehabilitation Plan may be appropriate but financial data through December 31, 2013 would be helpful for discussion. A subcommittee of Trustees Federici, Murphy, Loeffler, and Gwin, with other Trustees optional, will meet with Mr. Mietlicki prior to the next Board meeting to discuss any changes.

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

V. ATTORNEY'S REPORT

A. Magruders Bankruptcy

Mr. Slevin discussed the Magruders bankruptcy.

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

> **RESOLVED to authorize Fund Chairman and Secretary to determine any course of action pertaining to a Magruders bankruptcy.**

B. Plan Amendment Number 2 – DOMA and Statute of Limitations

Mr. Slevin presented an amendment to the plan for signature. Trustees Murphy and Gwin executed the documents on behalf of the Board.

Mr. Burton was excused from the meeting.

C. Giant Food – UFCW Local 27 – (Redacted)

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D. Giant Food – UFCW Local 400 - (Redacted)

Mr. Burton rejoined the meeting.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Third Quarter 2013 Report

Mr. Sears presented the administrative manager's report for the third quarter of 2013, which had been pre-circulated to the Trustees.

For the third quarter 2013, contribution income was $1,535,873, miscellaneous income was $2,403, and interest and dividend income was $263,186, producing total income of $1,801,462. Expenses totaled $2,888,462, producing a net deficit of $1,087,000 for the quarter. He noted that contributions were made on behalf of an average of 6,331 participants.

B. Third Quarter 2013 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 third quarter 2013 report were approved for payment.**

VII. INVOICES

Mr. Sears presented a list of invoices dated December 12, 2013. 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 12, 2013 was approved for payment.**

VIII. OTHER FUND BUSINESS

A. Canada Dry - Withdrawal Liability Payments

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

B. Chessie Federal Credit Union – Withdrawal Liability Payment

Mr. Sears said a payment of $595,000 was received from Chessie Federal Credit Union.

C. KELCO Federal Credit Union – Withdrawal Liability Payment

Mr. Sears said a payment of $200,000 was received from KELCO Federal Credit Union.

D. First Peoples Federal Credit Union – Withdrawal Liability Payment

Mr. Sears said a payment of $500,000 was received from First Peoples Federal Credit Union.

E. AM Briggs – Withdrawal Liability Estimate Requested

Mr. Sears said that AM Briggs requested a withdrawal liability estimate.

F. WEPCO – Withdrawal Liability Estimate

Mr. Sears said that he sent the withdrawal liability estimate to WEPCO.

G. Kroger Farmville/Appomattox Pension Rate

Mr. Jensen said that Kroger Farmville/Appomattox had retroactively increased their pension contribution rate with no benefit increase requested.

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

> **RESOLVED to update the Rehabilitation Plan with the increased contribution rate for Kroger Farmville/Appomattox.**

Trustee Loeffler abstained from the vote.

H. 104(d) Notice

Mr. Sears said the 104(d) notice was mailed to participating employers and unions on November 7, 2013.

I. Commission Recapture

Mr. Sears said a check for $225.15 was received from ConvergEx for the third quarter 2013.

J. Employers in Default

Mr. Jensen reviewed a list of employers that are subject to implementation of the Rehabilitation Plan default schedule due to expired collective bargaining agreements at or approaching more than 180 days.

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

> **RESOLVED to impose the default schedule on Bestway and send a 305(e) notice.**

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

> **RESOLVED to impose the default schedule on Delmarva if no collective bargaining agreement has been reached by December 31, 2013.**

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

> **RESOLVED to impose the default schedule on Eddie's St. Paul if no collective bargaining agreement has been reached by January 31, 2014.**

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

> **RESOLVED to impose the default schedule on AM Briggs if no collective bargaining agreement has been reached by February 28, 2014.**

IX. NEXT MEETING DATES AND LOCATIONS

The Trustees scheduled the following dates for the next meetings:

March 21, 2014 at 9:30 a.m. – Hanover, Maryland
August 14, 2014 at 9:30 a.m. – Annapolis, Maryland
November 13, 2014 at 9:30 a.m. – National Harbor, Maryland

X. ADJOURNMENT

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

Respectfully submitted,
Donna Gwin - Chairperson