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 MARCH 21, 2014 IN ANNAPOLIS, MARYLAND

The following Trustees were present:

UNION TRUSTEES
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
B. Garstecki – Bond Beebe
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

A quorum being present, the meeting was called to order.

II. PROXY

Mr. Sears noted that Trustee Murphy was unable to attend the meeting and gave his proxy to Trustee Chorpenning to act in all matters coming before the Trustees.

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 December 31, 2013. Such report indicated a beginning market value of $87,685,300, receipts of $7,616,097, expenses of $11,020,042, and investment return of $16,405,421, producing an ending market balance of $100,686,776 as of December 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 December 31, 2013. She reported that the market value as of December 31, 2013 totaled $100,686,776. The Fund had a gain of 19.7% for the year ended December 31, 2013. The Fund had a gain of 1.4% through February 28, 2014.

2. Asset Allocation

Ms. Mink reviewed the current asset allocation of the Fund. She said all asset classes were within the policy target ranges.

Ms. Mink presented an asset allocation recommendation that would decrease the Fund's holdings in Fixed Income Intermediate Bonds from 10% to 5% and to move this asset into a new investment class in Short Duration High Yield Bonds using Chartwell Investment Partners. She said that several investment managers in this classification were interviewed at a special meeting of the investment committee on January 24, 2014. She recommended lowering the Hedge Fund of Funds Multi Strategy target from 15% to

12.5% and the Global Tactical Asset Allocation target from 10% to 7.5%. She recommended investing 5% of the portfolio into a another new asset class, Hedge Fund of Funds Opportunistic fund through Entrust.

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

> **RESOLVED to modify the investment policy statement by 1) lowering the policy target for Fixed Income Intermediate Bonds from 10% to 5%, 2) lowering the Hedge Fund of Funds Multi-Strategy policy target from 15% to 12.5%, 3) lowering the Global Tactical Asset Allocation policy target from 10% to 7.5%, 4) adding an investment class of Short Duration High Yield Bonds with a target of 5%, and 5) adding an investment class of Hedge Fund of Funds Opportunistic with a target of 5%.**

Ms. Mink presented addendums to the investment policy statement and the Chartwell agreement, which had been reviewed by co-counsel. Trustees Gwin and Federici executed them on behalf of the Board. Ms. Mink said an addendum for Entrust is currently being reviewed by co-counsel.

3. Investment Manager Review

Ms. Mink reviewed the performance of each of the current investment managers. She noted that Winslow was still on the watch list due to personnel changes. She also said that Johnston lagged the market in 2013. Otherwise, no manager was on the watch list.

4. Letter from ConvergEx Group

Ms. Mink discussed a letter received from ConvergEx Group dated February 4, 2014. It explained an investigation into the company's Bermuda office by the Securities and Exchange Commission and Department of Justice. She said it had no impact on the Fund and recommended no action at this time.

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

IV. AUDITOR'S REPORT

The Trustees welcomed Mr. Brian Garstecki of Bond Beebe to the meeting.

A. <u>2012 Audited Financial Statements</u>

Mr. Garstecki reviewed the audited financial statements for the year ending December 31, 2012. He said they Bond Beebe gave an unqualified opinion, which is the highest level of opinion they can offer.

Mr. Garstecki said that net assets available for benefits increased from $83,930,780 as of January 1, 2012 to $90,114,273 as of December 31, 2012. He reviewed the notes to the financial statements. He said the Form 5500 was filed on October 15, 2013.

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

RESOLVED to accept the 2012 Auditor's Report.

B. <u>Engagement Letter – 2013 Audit</u>

Mr. Garstecki provided an engagement letter for the audit for the plan year ending December 31, 2013, which had been reviewed by co-counsel. The fee for the 2013 audit and filing of the Form 5500 would remain unchanged from 2012, with a cost not to exceed $46,500.

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

RESOLVED to approve the Bond Beebe engagement letter for the 2013 audit for a fee not to exceed $46,500.

Trustees Gwin and Federici executed the agreement on behalf of the Board.

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

V. ACTUARY'S REPORT

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

A. 2014 PPA Zone Certification

Mr. Mietlicki said the zone certification for 2014 was due on March 31, 2014 and the Fund would remain in the red zone for this certification.

B. Rehabilitation Plan Update

Mr. Mietlicki said the Rehabilitation Plan, adopted in 2011, was required to be updated, but not necessarily changed, on an annual basis. He said that a few technical changes were needed for 2013. He reviewed the Fund's progress under the Rehabilitation Plan.

C. 2014 Engagement Letter - Cheiron

Mr. Mietlicki reviewed Cheiron's engagement letter for 2014. It included an annual increase in the retainer from $36,636 to $37,200, a 1.5% increase.

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

> **RESOLVED to approve Cheiron's 2014 engagement letter with an annual retainer fee of $37,200.**

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

VI. ATTORNEY'S REPORT

A. Magruders Bankruptcy

Mr. Slevin discussed the Magruders bankruptcy.

B. Cost Sharing Agreement with the FELRA Funds

Mr. Slevin presented an updated cost-sharing agreement.

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

> **RESOLVED to sign the updated cost-sharing agreement.**

Trustees Gwin and Federici executed the agreement on behalf of the Board.

C. **Rehabilitation Plan Updates**

Mr. Slevin discussed the 2012 and 2013 Rehabilitation Plan updates.

D. **305(e) Notices – Bestway and Delmarva**

Mr. Slevin advised of the status of the Sections 204(h) and 305(e) notices for Bestway and Delmarva.

E. **Summary of Material Modification**

Mr. Slevin presented a Summary of Material Modification regarding forum, statute of limitations and same sex marriages.

F. **WEPCO - Withdrawal**

Mr. Slevin discussed WEPCO's withdrawal from the Fund and the demand letter for withdrawal liability.

G. **AM Briggs – Withdrawal**

Mr. Slevin discussed AM Briggs' withdrawal from the Fund and the demand letter for withdrawal liability.

H. **Giant Food Withdrawal and Contributions**

Mr. Slevin discussed Giant Food's withdrawal from the Fund, the contribution delinquency and request for credit for a contribution overpayment.

I. **Nondiscrimination Forms**

Mr. Slevin discussed nondiscrimination testing.

J. **Investments**

Mr. Slevin discussed the agreements for Chartwell, Entrust, and the PNC custody agreement amendment.

K. **SuperValu and Giant Withdrawal Liability Information Request**

Mr. Slevin reported on these requests and the responses.

VII. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2013 Report

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

For the fourth quarter 2013, contribution income was $1,526,710, miscellaneous income was $2,169, and interest and dividend income was $235,903, producing total income of $1,764,782. Expenses totaled $2,796,887, producing a net deficit of $1,032,105 for the quarter. He noted that contributions were made on behalf of an average of 6,473 participants.

For the year ended December 31, 2013, contribution income was $5,952,051, miscellaneous income was $10,907, and interest and dividend income was $1,003,060, producing total income of $6,966,018. Expenses totaled $11,342,642, producing a net deficit of $4,376,624 for the year. He noted that contributions were made on behalf of an average of 6,446 participants.

B. Fourth 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 fourth quarter 2013 report were approved for payment.**

VIII. INVOICES

Mr. Sears presented a list of invoices dated March 21, 2014. He 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 list of invoices dated March 21, 2014 was approved for payment.

IX. OTHER FUND BUSINESS

A. Canada Dry - Withdrawal Liability Payments

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

B. Commission Recapture

Mr. Sears said a check for $680.96 was received from ConvergEx for the fourth quarter 2013.

C. Payroll Audit - WEPCO

Mr. Sears said a payroll audit of WEPCO for the period January 2010 – December 2012 found a delinquency of $168.08. He said a demand letter was mailed on March 18, 2014.

D. First Peoples Federal Credit Union – Withdrawal Liability Payment

Mr. Sears said a final payment of $80,220 was received from First Peoples Federal Credit Union.

E. Withdrawal Liability Estimates Requested

Mr. Sears said withdrawal liability estimates were requested by Kroger, SuperValu, Commodore Homes, and Delmarva.

X. NEXT MEETING DATES AND LOCATIONS

The Trustees scheduled the following dates for the next meetings:

August 14, 2014 at 9:30 a.m. – Hanover, Maryland

November 13, 2014 at 9:30 a.m. – National Harbor, Maryland

XI. ADJOURNMENT

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

Respectfully submitted,
Donna Gwin - Chairperson