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 SEPTEMBER 27, 2016 LINTHICUM, MARYLAND

The following Trustees were present:

UNION TRUSTEES
G. Murphy, Jr. – Secretary
Y. Anwar
J. Chorpenning
M. Federici
C. Hoffmann

EMPLOYER TRUSTEES
D. Gwin – Chairperson
J. Born
S. Loeffler
B. Seehafer

Also present were:

A. Bilgrami - Kroger
M. Bramstaedt - The Segal Company
H. Burton - Morgan, Lewis, & Bockius LLP
D. Clutts - Associated Administrators, LLC
M. Eubank - UFCW Local 27
P. Hardcastle - Cheiron
C. Heppner - The Segal Company
M. Harris - UFCW Local 400
J. Harrison - UFCW Local 27
T. Hipkins - UFCW Local 27
J. Ianniello - Associated Administrators, LLC
W. Jensen - Associated Administrators, LLC
R. Murray - Cheiron
D. Russell - Investment Performance Services, LLC
S. Sanchez - Slevin & Hart, P.C.
B. Slevin - Slevin & Hart, P.C.
L. Walsh - Associated Administrators, LLC

I. CALL TO ORDER

A quorum being present, the meeting was called to order. Mr. Jensen stated that he had received notice of the resignation of Trustee Scott Habermehl, effective July 19, 2016.

II. <u>MINUTES</u>

The Trustees reviewed the minutes of the regular meeting held on April 26, 2016, and the minutes of the Rehabilitation Plan Sub-Committee meeting held on June 6, 2016, 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 26, 2016 and the Rehabilitation Plan Sub-Committee meeting held on June 6, 2016 are approved as presented.**

III. <u>FINANCIAL REPORT</u>

A. <u>PNC Report</u>

Mr. Jensen presented the PNC Summary of Activity report for the period January 1, 2016 to August 31, 2016. Such report indicated a beginning market value of $100,582,345, receipts of $9,968,142, disbursements of $8,773,521, and investment returns of $3,854,760, producing an ending market value of $105,631,727 as of August 31, 2016.

B. <u>Investment Performance Services ("IPS")</u>

The Trustees welcomed Mr. David Russell of IPS to the meeting.

1. <u>Master Consulting Report</u>

Mr. Russell distributed the Master Consulting Report for the period ended June 30, 2016. Such report indicated a market value of assets of $100,173,023. The total portfolio had a 1.7% return gross of fees in the second quarter 2016, and a 1.3% return gross of fees year to date 2016.

2. <u>Manager's Review</u>

Mr. Russell reviewed each investment manager's performance. Entrust Capital Diversity Fund's ("Entrust") performance continues to lag behind the fund of funds composite index. Mr. Russell recommended decreasing Entrust's portfolio and hiring an opportunistic hedge fund of funds manager.

3. Asset Allocation

Mr. Russell reviewed the Fund's current asset allocation, noting all allocations are within investment policy target ranges. Mr. Russell presented an asset allocation review, providing scenarios that could enhance the Fund's returns with minimal risk. Scenario D would increase the international equity portfolio from 7% to 10%, reduce the diversified hedge fund of funds allocation from 11% to 5%, and increase the opportunistic hedge fund of funds allocation from 2.5% to 15%. The Trustees agreed to accept the asset allocation changes proposed by Mr. Russell. Mr. Russell recommended withdrawing $2.5 million from American Realty and redeeming $6 million from Entrust to fund the increased allocation of $8.5 million in the opportunistic hedge fund of funds. Mr. Russell presented a comparative investment manager review that detailed strong performance by Corbin Capital Partners.

4. Corbin Capital Partners

Per the Trustees' direction at the April 26, 2016 meeting, Mr. Ralph Vasami and Mr. Rob Zellner from Corbin Capital Partners made a presentation to the Trustees on the Corbin ERISA Opportunity Fund ("CEOF"). The CEOF was launched July 1, 2016 with an investment strategy of a diversified, high-yielding credit portfolio focused on achieving substantial return on capital managed in accordance with ERISA standards. Founder Class shares are being offered for the first $200 million invested in the Fund, with a fee structure of 75 basis points for two years. Mr. Vasami confirmed that Corbin would accept discretionary investment authority on behalf of the Fund.

The Trustees thanked Mr. Vasami and Mr. Zellner for their report and excused them from the meeting.

After further discussion, the Trustees voted approval of the following resolution:

> **RESOLVED to hire Corbin Captial Partners as an opportunistic hedge fund of funds manager for the Fund with an $8.5 million investment in the Corbin ERISA Opportunity Fund, upon execution of an acceptable contract. The Corbin investment is to be funded by the withdrawal of $2.5 million from American Realty and the redemption of $6 million from Entrust.**

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

IV. ACTUARY'S REPORT

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

A. 2016 Rehabilitation Plan

Mr. Hardcastle stated the 2016 Rehabilitation Plan Sub-Committee met on September 12, 2016. The Committee is scheduled to meet again on October 21, 2016.

B. Preliminary Actuarial Valuation Results January 1, 2016

Mr. Hardcastle presented preliminary results for the January 1, 2016 actuarial valuation. Mr. Hardcastle reported that there were a total of 4,539 active participants, 5,339 terminated vested participants, and 2,772 participants in pay status, resulting in a total of 12,650 participants as of January 1, 2016. Mr Hardcastle stated that the market value of the assets totaled $106.35 million, the actuarial value of the assets was $110.07 million, and the present value of accrued benefits and accrued liability was $178.58 million. The accrued benefit funding ratio was 61.6%. The liability increase from January 1, 2015 to January 1, 2016 was $4.1 million. Mr. Hardcastle said that Cheiron would update the mortality tables and interest rate assumptions prior to finalizing the valuation results.

C. Kroger Transfer of Assets and Liabilities

Mr. Hardcastle reported that the transfer of Kroger-related assets and liabilities from this Pension Fund to the UFCW Consolidated Pension Fund, and the transfer of SuperValu related assets and liabilities from the Consolidated Pension Fund to this Pension Fund were fundamentally complete. He stated that Cheiron requested and received information from the Fund Office to finalize the transfers.

D. SuperValu Transfers

Trustee Gwin requested that the Fund Office confirm the appropriate contribution rate and payment owed by Shoppers Food Warehouse on behalf of the participants on whose behalf Shoppers now is obligated to contribute to this Pension Fund pursuant to a Memorandum of Agreement between UFCW Local 400 and Shoppers Food Warehouse.

The Trustees thanked the representatives from Cheiron for their report and they were excused from the meeting.

V. ATTORNEYS' REPORT

A. Kroger Transfer of Assets and Liabilities

Mr. Slevin said that the asset and liability transfer agreement between this Pension Fund and the UFCW Consolidated Pension Fund relating to the Kroger transfer has been executed.

B. SuperValu Transfer of Assets and Liabilities

Mr. Slevin said that the asset and liability transfer agreement between this Pension Fund and the UFCW Consolidated Pension Fund relating to the SuperValu transfer has been executed.

C. Withdrawal Liability

Mr. Slevin discussed the withdrawal liability obligations of the following employers: Boar's Head, Metropolitan Poultry & Seafood, Magruder, Bestway, Commodore Homes, Delmarva and Perdue.

RESOLVED to accept payment of no less than $2,040,000 from Commodore Homes as payment in full of its withdrawal liability, subject to a properly executed settlement agreement.

D. G & G Eddie's Delinquency

Mr. Slevin reported on G & G Eddie's contribution delinquency.

E. IRS Determination Letters

Mr. Slevin reported on changes to the IRS determination letter program.

F. Cheiron Agreement

Mr. Slevin presented the amendment to Cheiron's agreement with the Fund.

G. Audit Engagement Letter

Mr. Slevin reported on the audit engagement letter presented to the fund by Bond Beebe.

VI. ADMINISTRATIVE MANAGER'S REPORT

Mr. Jensen reviewed the Administrative Manager's report for the second quarter 2016. Such report indicated total income of $3,399,485 and total expenses of $3,513,844, producing a net deficit of $114,359. Mr. Jensen reported that contributions were remitted on behalf of 4,049 Plan participants.

Mr. Jensen reviewed a list of pension applications submitted for approval during the first and second quarters of 2016.

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 2016 reports are approved for payment.**

VII. INVOICES

Mr. Jensen presented a list of invoices dated September 27, 2016. 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 invoices on the list dated September 27, 2016 are approved for payment.**

VIII. OTHER FUND BUSINESS

Mr. Jensen reported the following:

A. Giant Food

The Fund received a payment of $120,433.57 from Giant Food for the first and second quarter 2016 payments of withdrawal liability.

B. Canada Dry

The Fund received a payment of $34,502 from Canada Dry for the fourth quarter 2015 payment of withdrawal liability.

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C. Delmarva

Delmarva has been making monthly payments of its withdrawal liability, despite the quarterly schedule of required payments. As a result, the company has pre-paid into 2017.

D. Convergex

The Fund received a payment of $604.02 from Convergex for the first quarter 2016 commission rebate recapture.

E. Withdrawal Liability Information Requests

Mr. Jensen reported that Lion's Manor, Giant Food, SuperValu and Associated Administrators requested and received estimates of their withdrawal liability. The estimates were prepared by the Fund Actuary.

F. SuperValu Memorandum of Agreement

The Fund received a Memorandum of Agreement between SuperValu and UFCW Local 27, with a contribution rate of $1.83 per hour for all hours worked on or after July 1, 2016 for participants formerly participating in the FELRA and UFCW Pension Fund.

IX. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected December 15, 2016 at 9:30 a.m. at the Residence Inn at National Harbor, Maryland as their next meeting date and location.

X. ADJOURNMENT

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

Respectfully submitted

George Murphy, Jr., Secretary