Industry And Local 338
Pension Fund

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Minutes of the Meeting of the Board of Trustees

Held on January 5, 2021
via
Webex

The following Trustees were present:

UNION TRUSTEES
Roberta Dunker
Barry Russell
Mickey Smith

EMPLOYER TRUSTEES
Theresa Bresten
Chris Palmer[1]

Also present were:

Kristen Barshinger – Associated Administrators, LLC
Pat Blizzard – SEI Institutional Group
Alicia Cochran – Associated Administrators, LLC
Mary Ann Dunleavy – Horizon Actuarial Services, LLC
Dylan Nitta – Horizon Actuarial Services, LLC
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP

I. CALL TO ORDER

The meeting was called to order at 10:06 a.m.

[1] Joined the call at 10:48 a.m.

II. ACTUARY REPORT

Ms. Mary Ann Dunleavy and Mr. Dylan Nitta of Horizon Actuarial Services, LLC ("Horizon") reviewed Horizon's report.

The Horizon representatives presented information on the Plan's preliminary July 1, 2020 Actuarial Valuation and Funding Projections.

Mr. Nitta presented the preliminary July 1, 2020 actuarial valuation results. He reviewed historical information including the recent certification of the Plan in the "Green" zone for the 2020 Plan Year, demographic and asset information including participant counts by status, weeks worked, investment returns and asset values. In reviewing the Plan's demographics, he discussed changes arising from the withdrawal of CulinArt and The College of New Rochelle ("CNR"). Mr. Nitta noted that the Plan's increasing maturity affects its ability to recover from unfavorable experience in the future.

Mr. Nitta reviewed liabilities and key results measured as of July 1, 2020. Using the 7.25% discount rate, the Plan has liabilities of $106.40 million against assets of $90.13 million at market and $94.44 million on a smoothed, actuarial basis. The total normal cost, including the cost of benefits accruing for the Plan Year and expected operating expenses, is $1.29 million. In reviewing the expected contributions versus the actuarial costs of the Plan, he noted that if all assumptions are met, the Plan's funding should improve over time. Mr. Nitta noted the recent reduction in the discount rate from 7.50% to 7.25%, adding that some investment professionals have discussed lowering capital market expectations in 2021. Mr. Blizzard agreed, noting that SEI's capital markets expectations are coming down, but that he is comfortable that the 7.25% assumption can be achieved in the long term.

Ms. Dunleavy presented projections of the Plan's funding position, including a review of the key assumptions used in the projections. The projections were reported on two different bases. The first is the certification basis which includes only contribution increases included in collective bargaining agreements and the second basis reflects the Plan's Funding Policy which was adopted in October, 2019. Ms. Dunleavy discussed scenarios 1B & 2B, which show projections using an alternative, lower discount rate and expected return on investment of 7.00%. She noted that the Plan's maturity contributes to the sensitivity of the Plan's funded position to future investment returns.

III. INVESTMENT CONSULTANT REPORT

Mr. Patrick Blizzard of SEI reviewed SEI's report. He led a discussion on current market conditions.

Mr. Blizzard reported that the Fund's ending market value as of November 30, 2020 was $97,110,488, that its fiscal year-to-date total rate of return is 11.65% compared to 11.53% for the index, and that, since inception with SEI (01/31/2011), the rate of return is 8.11%, compared to the 7.63% index return. Mr. Blizzard reviewed the Fund's portfolio allocation as of November 30, 2020: 10.90% Large Cap Index Fund, 3.00% Small Cap Fund, 21.90% World Equity - US, 13.90% US Equity Factor Allocation Fund, 3.00% Emerging Markets Equity Fund, 3.00% Dynamic Asset Allocation Fund, 13.70% Core Fixed Income Fund, 4.70% Limited Duration Fund, 3.90% High Yield Bond Fund, 1.90% Opportunistic Income Fund, 3.90% Emerging Markets Debt Fund, 3.30% Special Situations Fund CIT, 1.50% Structured Credit Collective Fund, 11.40% Core Property Collective Invest TR, and 0.00% cash and equivalents. He reviewed the performance of each asset class. He stated that SEI does not recommend any changes to the portfolio at this time. Trustee Bresten questioned the current 11.4% allocation to Core Property. Mr. Blizzard responded that this allocation started at a lower level and has grown over time. He stated that SEI believes the Fund is generally well-positioned but that it will consider rebalancing at the appropriate time.

The Trustees thanked Mr. Blizzard for his report.

IV. APPROVAL OF MINUTES

The minutes of the meetings held on September 22, 2020, and November 20, 2020, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meetings held on September 22, 2020 and November 20, 2020.

V. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Pension Applications – INTERIM ACTION

Ms. Cochran reported that the Trustees, via electronic poll on December 17, 2020, approved two (2) pension applications per the report of December 17, 2020, annexed hereto as Exhibit "A."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the two (2) pension applications listed on Exhibit "A."

Ms. Cochran reported that the Trustees, via electronic poll on November 20, 2020, approved one (1) pension application per the report of November 20, 2020, annexed hereto as Exhibit "B."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the one (1) pension application listed on Exhibit "B."

Ms. Cochran reported that the Trustees, via electronic poll on October 16, 2020, approved one (1) pension application per the report of October 16, 2020, annexed hereto as Exhibit "C."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the one (1) pension application listed on Exhibit "C."

Ms. Cochran reported that the Trustees, via electronic poll on September 28, 2020, approved three (3) pension applications per the report of September 28, 2020, annexed hereto as Exhibit "D."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the three (3) pension applications listed on Exhibit "D."

B. Cash Operating Statement

Ms. Cochran submitted the Cash Operating Statement from July 1, 2020 through June 30, 2021. The report is attached hereto as Exhibit "E."

C. Disbursement Report

Ms. Cochran referred to the Authorization for Disbursements reports for July, August, and September 2020. The reports are attached hereto as Exhibit "F."

MOTION was made, seconded and unanimously adopted authorizing the disbursements listed in Exhibit "F."

D. <u>Delinquency Report</u>

Ms. Cochran reviewed the report in detail. The report is attached hereto as Exhibit "G."

E. <u>Withdrawal Liability</u>

Ms. Cochran reviewed the report in detail. The report is included at the <u>bottom</u> of Exhibit "G."

F. <u>Employer Contribution Rate Report</u>

Ms. Cochran reviewed the report in detail. The report is attached hereto as Exhibit "H."

G. <u>Active Members & Retirees Receiving Benefits</u>

Ms. Cochran referred to the report for the period from January 2020 through December 2020. The report is attached hereto as Exhibit "I."

H. <u>Administrative Manager's Report</u>

Ms. Cochran reviewed the report in detail. The report is attached hereto as Exhibit "J."

I. <u>Annual Funding Notice</u>

Ms. Cochran reported that the Annual Funding Notice was mailed on October 28, 2020.

J. <u>Withdrawal Liability Estimate Requests</u>

Ms. Cochran reported on requests for withdrawal liability estimates from FrieslandCampina and HP Hood. She noted that the required actuarial fees for the estimates were paid and the estimates were provided to the employers on October 2, 2020.

K. **35-Year Service Pension Example**

Ms. Cochran noted that the Trustees had requested additional information on the calculation of the 35-year service pension, including a one-page document showing how additional service after 35 years may enhance the pension benefit. Ms. Cochran noted that the summary was included in the meeting booklet.

L. **Payroll Audits**

Ms. Cochran reported that the payroll auditor has prepared a list of employers to be audited in 2021. She noted that, per the Payroll Audit Policy, employers with zero findings are audited on a three-year cycle, and employers with 5% or more findings are audited on a two-year cycle.

Ms. Cochran stated that, according to the auditor, the last audit of FrieslandCampina covering 2014 and 2015 was difficult as the employer did not easily provide the required payroll information. She noted that, given the minimal findings for 2014 and 2015, the auditor has suggested skipping 2016 and 2017 and instead auditing 2018 to 2020. After discussion, the Trustees determined that there should be no gap in the audited period, and stated that if the employer does not comply with its audit obligations, thereby increasing payroll audit fees, consideration will be given to assessing the employer with such costs.

Ms. Cochran said that CulinArt and CNR, which have both ceased contributing to the Fund, are due for audits this year. Ms. Cochran said that CNR's audit findings of $5,891.48 for the period January 1, 2016 through December 31, 2018 were included in the Fund's bankruptcy claim and do not appear collectable. She reported that CulinArt was audited for the period January 1, 2014 through December 31, 2017 and that it was found to owe $6,054.44 in principal. After discussion, the Trustees determined that it was not cost-effective to seek to audit either CNR or CulinArt. The

Trustees requested that Associated update its procedures to seek Trustee direction on whether to conduct a final close-out audit as soon as possible following the employer's cessation of contributions.

VI. COUNSEL REPORT

A. College of New Rochelle ("CNR")

Ms. O'Leary stated that Marc Tenenbaum of Virginia & Ambinder, LLP ("V&A"), counsel for the Trustees in the CNR bankruptcy matter, died unexpectedly in December of 2020. She stated that V&A's work on this matter had been concluded. She stated that she receives the case alerts in the bankruptcy litigation and that she will provide updates on any important developments. She stated that, as previously discussed, the only open item is awaiting the determination by the Creditors Committee whether to bring a claim under CNR's Directors and Officers insurance policy.

B. General Legal Updates

Ms. O'Leary referred the Trustees to a PowerPoint on some notable recent ERISA litigations and new DOL regulations, including the Supreme Court's *Thole* decision (standing issues), the *Snitzer* settlement (investment issues), the *Hayes DOL* settlement (cost-sharing increases), and the final DOL investment regulation. Following discussion, Ms. O'Leary concluded her report.

VII. NEXT MEETING DATE/ADJOURNMENT

The next meeting of the Board of Trustees is scheduled for Tuesday, April 13, 2021, at 10:00 a.m. via Webex. With no further business to come before the Board, the meeting was adjourned at 11:22 a.m.

Exhibits:

A – Interim Pension Applications

B – Interim Pension Applications

C – Interim Pension Applications

D – Interim Pension Applications

E – Cash Operating Statement

F – Authorization for Disbursements

G – Delinquency and Withdrawal Liability Report

H – Employer Contribution Report

I – Active Members & Retirees Receiving Benefits Report

J – Administrative Manager’s Report