Industry And Local 338
Pension Fund
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Minutes of the Meeting of the Board of Trustees

Held on January 27, 2023
via
WebEx

The following Trustees were present:

UNION TRUSTEES	**EMPLOYER TRUSTEES**
Bob Firmstone	Chris Palmer
Dan Maldonado	Andrea Rutherford
Mickey Smith	

Also present were:

Pat Blizzard – SEI Institutional Group
Alicia Cochran – Associated Administrators, LLC
Mary Ann Dunleavy – Horizon Actuarial Services, LLC
Rachel Grant – Associated Administrators, LLC
Peter Murray – Schultheis & Panettieri, LLP
Elizabeth O'Leary, Esq. – Kauff McGuire & Margolis LLP

I. CALL TO ORDER

The meeting was called to order at 10:04 a.m.

II. AUDITOR REPORT

Mr. Peter Murray of Schultheis & Panettieri, LLP ("S&P") reviewed in detail the Financial Statements for the years ended June 30, 2022 and 2021, copies of which are attached hereto as Exhibit "A." He confirmed that the Financial Statements, in the opinion of S&P, present fairly, in all material respects, the financial status of the Fund. Mr. Murray reviewed the Form 5500 in detail, including Schedule C, and reported that the extension will be filed once the Schedule MB is received. He stated that the Fund's administrative expenses are reasonable and that the Plan continues to operate efficiently. Ms. O'Leary requested that Mr. Murray add Local 317 and Local 687 to Note 1 - Description of Plan and Significant Accounting Policies.

Mr. Murray reviewed S&P's Memorandum regarding its fee increase request. He noted that S&P has not requested an increase to its current fee of $40,000 in nine years and that S&P strives to provide a high level of service while mitigating costs to the Fund. The fee request included a $2,000 increase for the Fund's fiscal year 2023, for a total of $42,000; a $1,000 increase for 2024 for a total of $43,000; and a $1,000 increase in 2025 for a total of $44,000. The proposed increases reflect a 5% increase for fiscal year 2023, a 2.4% increase for fiscal year 2024 and a 2.3% increase for fiscal year 2025. He added that S&P's hourly rates for payroll audit services are adjusted on an annual basis, and he referred the Trustees to S&P's current hourly rates through 2025. Mr. Murray was excused from the meeting during the Trustees' discussion of the fee request.

The Trustees discussed the fee increase request and asked when a Request for Proposal ("RFP") was last conducted for auditing services. Ms. O'Leary noted that the Fund had used Buchbinder Tunick & Co. as its auditor for many years. She stated that, sometime prior to 2010 (or earlier), the Fund selected S&P after completion of an RFP. She noted that while an RFP is one way to compare fees, there are other ways to review the reasonableness of fees. She also explained that the United States Department of Labor has undertaken numerous outreach campaigns to note the importance of using a quality audit firm and to highlight that the selection of an auditor should not be based on fees alone. After discussion, the Trustees requested that Ms. Cochran and Ms. O'Leary review the auditing costs of other similarly sized employee benefit plans and provide the

Trustees with additional information to help them evaluate the reasonableness of S&P's fee request. The decision on the fee increase request was tabled.

Mr. Murray was invited to rejoin the meeting.

III. INVESTMENT CONSULTANT REPORT

Mr. Patrick Blizzard of SEI reviewed SEI's report. He led a conversation regarding SEI's Outsourced Chief Investment Officer ("OCIO") model and SEI's services. He provided commentary on market conditions and economic trends, including a detailed report on market performance across different asset classes. Mr. Blizzard reviewed the economic outlook for 2023 and said that SEI has no recommendations at this time.

Mr. Blizzard reported that the Fund's ending market value as of December 31, 2022 was $90,586,505, and that its fiscal year-to-date total rate of return is 1.99% compared to 1.76% for the index. He reviewed the performance for other time periods as well. Mr. Blizzard reviewed the Fund's portfolio allocation as of December 31, 2022: 10.4% Large Cap Index Fund, 2.80% Small Cap Fund, 19.50% World Equity Ex-US Fund, 14.20% US Equity Factor Allocation Fund, 3.00% Emerging Markets Equity Fund, 3.80% Dynamic Asset Allocation Fund, 14.10% Core Fixed Income Fund, 4.90% Limited Duration Fund, 3.90% High Yield Bond Fund, 2.00% Opportunistic Income Fund, 3.90% Emerging Markets Debt Fund, 4.00% SEI Special Situations Collective Fund, 4.70% SEI Structured Credit Collective Fund, and 8.80% SEI Core Property Fund CIT.

Mr. Blizzard reported that SEI will be reducing its fee schedule as follows: average 48bps to an average of 47 bps. He explained that will result in an estimated annual savings of $7,700.

After questions and answers about SEI's report, the Trustees thanked Mr. Blizzard for his report.

IV. ACTUARY REPORT

Ms. Dunleavy presented information on recent legislation, information on the Plan's preliminary July 1, 2022 Actuarial Valuation, Funding Projections, and the results of a study on the 35-year pension credit maximum in the benefit formula. She reported on the provisions of the Secure 2.0 Act that impact multiemployer pension plans. After discussion, the Trustees agreed to leave the Required Beginning Date at the current age of April 1 following attainment of 70 1⁄2 rather than increasing it as permitted by both Secure 1.0 and Secure 2.0.

Ms. Dunleavy presented the results of the preliminary July 1, 2022 actuarial valuation, reviewing historical demographic and asset information including participant counts by status, weeks worked, investment returns and asset values. She noted that the increasing maturity of the Plan affects its ability to recover from unfavorable experience in the future.

Ms. Dunleavy discussed the Trustees' previous decision to reset the actuarial asset valuation method to market value, restarting the smoothing of investment gains and losses as of July 1, 2021. She explained that, at that date, the market value of assets exceeds the actuarial value of assets by $8.6M. She stated that capturing the value of prior gains all at once will temporarily increase the funded percentage and the credit balance, both of which are used in determining the Plan's PPA zone status. After discussion, the Trustees confirmed their earlier decision to reset the actuarial asset valuation method to market value.

Ms. Dunleavy reviewed liabilities and key results measured as of July 1, 2022. Using the Plan's 7.25% discount rate, the Plan has liabilities of $106.7 million against assets of $106.9 million at market and $98.3 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 $1.4 million. In reviewing the expected contributions versus the actuarial costs of the Plan, she noted that, if all assumptions are met, the Plan's funding should improve over time.

Ms. Dunleavy presented projections of the Plan's funding. This included a review of the key assumptions used in the projections. She reviewed scenarios both with and without a reset of the actuarial value of assets to market value as of July 1, 2021. The first sensitivity illustrated that a 0% investment return in the plan year beginning July 1, 2022 would project the Plan in endangered status in 2028 if there is no change in the actuarial value of assets and 2030 if the actuarial value is reset to market value at July 1, 2021. In a second set of sensitivity projections, a -9% return for the plan year beginning July 1, 2022 results in a forecast of yellow zone in 2023 with critical status following in 2026 if there is no change in the actuarial value of assets. If the actuarial value is reset to market value at July 1, 2021, the -9% return results in a forecast of yellow zone in 2025 followed by critical status in 2027.

Ms. Dunleavy presented the results of a study on removing the 35-year maximum Pension Credit limit for the calculation of benefits. She reviewed an example of the determination of benefit accruals after 35 years of service both with and without the service maximum. A table showing the distribution of actives by age and service shows that there were two active participants in the valuation who currently have over 35 years of service, but there are several others who will soon cross the 35-year limit. She reviewed the cost and impact on the funding projections of making the change. Ms. Dunleavy reviewed various scenarios of the projected funding of the Plan showing the impact of removing the service maximum.

Following discussion,

MOTION was made, seconded and unanimously adopted to amend the Plan to remove the service maximum for benefit accruals for future retirements of currently active participants.

V. APPROVAL OF MINUTES

The minutes of the meeting held on October 28, 2022, which were previously distributed, were reviewed. Ms. O'Leary clarified that Section V(S) of the draft minutes, which pertained to the discussion regarding elimination of the 35-year cap, was not intended to be limited to the Service Pension.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on October 28, 2022, subject to the above clarification.

Trustee Smith inquired about how to best respond to participants who inquire about the actuarial reduction for an early commencement of benefits. It was agreed that this matter would be further reviewed.

VI. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Pension Applications – INTERIM ACTION

Ms. Cochran reported that the Trustees, via electronic poll on November 16, 2022, approved four (4) pension applications reflected on the report of November 16, 2022, annexed hereto as Exhibit "B."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the pension applications listed on Exhibit "B."

Ms. Cochran reported that the Trustees, via electronic poll on October 20, 2022, approved four (4) pension applications reflected on the report of October 20, 2022, annexed hereto as Exhibit "C."

MOTION was made, seconded and unanimously adopted to ratify the interim action of the Trustees to approve the pension applications listed on Exhibit "C."

B. <u>Cash Operating Statement</u>

Ms. Cochran submitted the Cash Operating Statement from July 1, 2022 through June 30, 2023. The report is attached hereto as Exhibit "D."

C. <u>Disbursements Reports</u>

Ms. Cochran referred to the Authorization for Disbursements reports for July, August, and September 2022. The reports are attached hereto as Exhibit "E."

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

D. <u>Delinquency Report</u>

Ms. Cochran reported that there were no delinquencies as of September 30, 2022. The report is attached hereto as Exhibit "F."

E. <u>Withdrawal Liability</u>

Ms. Cochran reviewed the report in detail, noting that there are no past due payments from the three former contributing employers who are continuing to pay withdrawal liability. The report is included at the <u>bottom</u> of Exhibit "F."

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

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

G. Active Members & Retirees Receiving Benefits

Ms. Cochran referred to the report for the period from January 2022 through December 2022. The report is attached hereto as Exhibit "H."

H. Administrative Manager's Report

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

I. HP Hood LLC Withdrawal Liability Estimate Request

Ms. Cochran reported that HP Hood LLC requested a withdrawal liability estimate. She noted the fee for the actuarial calculation was paid and the estimate was provided to the employer on November 16, 2022. She referred the Trustees to the estimate, which was included in the meeting materials.

J. Retiree Affidavit Form

Ms. Cochran reported the second request for information was mailed to retirees on November 7, 2022.

K. LP Transportation, Inc. Memorandum of Agreement ("MOA")

Ms. Cochran reported on the MOA between LP Transportation, Inc. and Teamsters Local Union 445 for period August 16, 2022 through August 15, 2025. She noted that there is a contribution rate hold for the duration of the three-year agreement.

L. HP Hood LLC Payroll Audit

Ms. Cochran reported on the Fund's receipt of full payment of the payroll audit findings of $5,088.64 for the period from January 1, 2019 through December 31, 2021.

VII. COUNSEL REPORT

A. Third-Party Administrator

Ms. O'Leary stated that, per the Trustees' request and as previously reported, she contacted Ken Stilwell of the New York State Teamsters Conference Pension and Retirement Fund (the "NYT Fund") in 2022 regarding the possibility of the NYT Fund serving as the third-party administrator ("TPA") for the Pension Fund. She stated that, as previously reported, Mr. Stilwell advised that (1) the NYT Fund's initial assessment is that a transition to the NYT Fund would require the Pension Fund to make a significant capital investment and incur ongoing software-related costs; and (2) any further review of this matter must be deferred until the NYT Fund completes work related to its application for Special Financial Assistance from the PBGC. Ms. O'Leary stated that she most recently contacted Mr. Stilwell on January 24, 2023, and that he responded that the NYT Fund will further assess the possibility of serving as the Fund's TPA after its payment of suspended amounts on March 1, 2023. Ms. O'Leary stated that she will provide an update when available.

B. Trust Agreement

Ms. O'Leary stated that the Fund's current Trust Agreement was executed in 1985. She noted that the Trust Agreement has been amended on several subsequent occasions. She stated that the Trustees had considered having the amendments incorporated into a Restated Trust Agreement in 2015 but decided against doing so at that time. She asked the Trustees whether they would like for her to restate the Trust Agreement and present any recommended updates. After discussion, the Trustees authorized Ms. O'Leary to prepare a draft updated Trust Agreement for their review.

VIII. NEXT MEETING DATE/ADJOURNMENT

The next meeting of the Board of Trustees is scheduled for Wednesday, May 10, 2023 at 10:00 a.m. via WebEx. With no further business to come before the Board, the meeting was adjourned at 12:02 p.m.

Exhibits:

A – Financial Statements

B – Interim Pension Applications

C – Interim Pension Applications

D – Cash Operating Statement

E – Authorization for Disbursements

F – Delinquency and Withdrawal Liability Report

G – Employer Contribution Report

H – Active Members & Retirees Receiving Benefits Report

I – Administrative Manager’s Report