Industry And Local 338
Pension Fund

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Minutes of the Meeting of the Board of Trustees

Held on June 28, 2023
via
WebEx

The following Trustees were present:

UNION TRUSTEES	**EMPLOYER TRUSTEES**
Dan Maldonado	Chris Palmer
Mickey Smith	Andrea Rutherford
Duane Wright	

Also present were:

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

I. CALL TO ORDER

The meeting was called to order at 10:11 a.m.

II. TRUSTEE APPONTMENT

Ms. Cochran reported that Mr. Duane Wright replaced Mr. Bob Firmstone of Teamsters Local 317 as a Union Trustee effective April 12, 2023. An executed Trustee Acceptance letter was received from Mr. Wright. The Trustees welcomed Mr. Wright to the Board.

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 May 31, 2023 was $91,575,520, and that its fiscal year-to-date total rate of return is 5.88% compared to 6.10% for the index. He reviewed the performance for other time periods as well. Mr. Blizzard reviewed the Fund's portfolio allocation as of May 31, 2023: 10.8% Large Cap Index Fund, 2.90% Small Cap Fund, 18.7% World Equity Ex-US Fund, 14.70% US Equity Factor Allocation Fund, 2.90% Emerging Markets Equity Fund, 3.90% Dynamic Asset Allocation Fund, 14.20% Core Fixed Income Fund, 4.90% Limited Duration Fund, 3.90% High Yield Bond Fund, 1.90% Opportunistic Income Fund, 3.90% Emerging Markets Debt Fund, 4.20% SEI Special Situations Collective Fund, 4.90% SEI Structured Credit Collective Fund, and 8.20% SEI Core Property Fund CIT.

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

IV. ACTUARY REPORT

Ms. Dunleavy and Mr. Bernstein presented information on preliminary July 1, 2022 Actuarial Valuation results reflecting the Plan Amendment removing the 35-year pension credit maximum in the benefit formula; the July 1, 2023 – June 30, 2024 PPA Zone certification; updated funding projections; and the reductions used in the calculation of benefits paid before normal retirement age.

Ms. Dunleavy reviewed the results of the preliminary July 1, 2022 actuarial valuation reflecting the Amendment to remove the 35-year maximum Pension Credit limit for the calculation of benefits. She said that, as the Trustees previously confirmed via e-mail between meetings, the elimination of the service cap applies to both past accruals and future accruals and applies to participants who are actively employed in Covered Employment on or after July 1, 2022. She stated that the removal of the service cap increases the ongoing cost of Benefit Accruals by $4,428 and increases the Actuarial Accrued Liability by $57,016. Ms. Dunleavy noted that the Trustees previously elected funding relief provided by the American Rescue Plan Act of 2021 and benefit improvements are restricted unless certain conditions are met and that the conditions have been met.

The Trustees reviewed proposed Plan Amendment Number 4 which reflects the removal of the 35-year service cap and the draft Summary of Material Modification ("SMM") which describes the change.

MOTION was made, seconded and unanimously adopted to approve proposed Plan Amendment Number 4, as presented, and to approve the issuance of the SMM as presented.

Ms. Cochran stated that she will circulate the Plan Amendment for signature by Trustees Maldonado and Palmer.

Ms. Dunleavy reviewed the zone certification process and discussed the preliminary expectation for the PPA zone certification. Ms. Dunleavy noted some of the items reviewed for the certification including: the funding percentage, credit balance, bargained contribution rates, and industry work levels. She asked the Trustees for input on their expectations for industry work levels. After discussion, the Trustees agreed that an assumption of 9,600 total weeks worked in all future years is reasonable.

Ms. Dunleavy presented projections of the Plan's funding position which included a review of the key assumptions used in the projections. In addition to a scenario reflecting all valuation assumptions being met in the future, she reviewed scenarios showing the projected funding of the Plan based on plan year to date investment return and sensitivity of the Plan's funding to future hours worked. Ms. Dunleavy also reviewed scenarios which would lead to endangered or critical status in the future. She explained that such scenarios included a sensitivity of the Plan's funding to investments returning -6.0% for the plan year ending June 30, 2023 and the level of contribution increase required to recover from such an investment loss. She noted that the Plan's maturity contributes to the sensitivity of its funded position to future investment returns. Ms. Dunleavy also noted that managing the credit balance is an important observation for future zone status considerations.

Ms. Dunleavy discussed the Plan's early retirement benefits, comparing the provisions before and after changes made by the Rehabilitation Plan on January 1, 2018. She explained that the Plan's Early Retirement Pension is the Actuarial Equivalent of a Regular Pension, and that the use of Actuarial Equivalence does not allow for the provision of a universally applicable chart that can be used for estimates for all participants. The Trustees agreed to re-visit at a later date whether there is any summary (other than the Summary Plan Description) that could be made available to participants that would help them better understand the calculation of an Early Pension at different early retirement ages.

V. <u>APPROVAL OF MINUTES</u>

The minutes of the meeting held on January 27, 2023, which were previously distributed, were reviewed.

MOTION was made, seconded and unanimously adopted to approve the minutes of the meeting held on January 27, 2023.

VI. ASSOCIATED ADMINISTRATORS, LLC REPORT

A. Pension Applications – INTERIM ACTION

Ms. Cochran reported that the Trustees, via electronic poll on April 24, 2023, approved six (6) pension applications reflected on the report of April 24, 2023, annexed hereto as Exhibit “A.”

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

Ms. Cochran reported that the Trustees, via electronic poll on March 16, 2023, approved one (1) pension application reflected on the report of March 16, 2023, annexed hereto as Exhibit “B.”

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

Ms. Cochran reported that the Trustees, via electronic poll on February 21, 2023, approved two (2) pension applications reflected on the report of February 21, 2023, 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."

Ms. Cochran reported that the Trustees, via electronic poll on January 18, 2023, approved two (2) pension applications reflected on the report of January 18, 2023, annexed hereto as Exhibit "D."

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

Ms. Cochran reported that the Trustees, via electronic poll on December 20, 2022, approved two (2) pension applications reflected on the report of December 20, 2022, annexed hereto as Exhibit "E."

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

B. Cash Operating Statement

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

C. Disbursements Reports

Ms. Cochran referred to the Authorization for Disbursements reports for October, November, and December 2022. The reports are attached hereto as Exhibit "G."

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

D. Delinquency Report

Ms. Cochran reported that there was one delinquency as of December 31, 2022 which was subsequently paid. The report is attached hereto as Exhibit "H."

E. Withdrawal Liability

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 bottom of Exhibit "H."

F. Employer Contribution Rate Report

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

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 "J."

H. Summary Plan Information Notice (ERISA Section 104(d) Notice)

Ms. Cochran referred to the Summary Plan Information Notice and reported that the notice was electronically mailed to participating employers and local unions on June 7, 2023.

I. L.P. Transportation, Inc. Withdrawal Liability Estimate

Ms. Cochran reported that L.P. Transportation, Inc. requested a withdrawal liability estimate. She noted that the fee for the actuarial calculation was paid and that the estimate was provided to the employer on May 19, 2023.

J. FrieslandCampina Withdrawal Liability Request

Ms. Cochran reported that FrieslandCampina requested a withdrawal liability estimate. She noted that the fee for the actuarial calculation was paid and that the estimate was provided to the employer on June 5, 2023.

K. Pension Benefit Guaranty Corporation ("PBGC") Comprehensive Filing

Ms. Cochran reported that the Fund filed the 2022 Comprehensive Filing with the PBGC and paid a premium of $35,584.00.

L. Annual Pension Statements

Ms. Cochran reported that the annual pension statements were mailed to active and deferred vested participants on April 25, 2023.

M. Retiree Affidavit Form

Ms. Cochran reported that the third request for information was mailed to retirees on April 3, 2023.

N. Form 1099R

Ms. Cochran reported that the Form 1099R was mailed to participants on January 25, 2023.

O. Form 1099NEC

Ms. Cochran reported that the Form 1099NEC was mailed to participants on January 27, 2023.

P. Fiduciary Liability Policy – INTERIM ACTION

Ms. Cochran reported that the Fiduciary Liability policy was renewed on June 10, 2023 for the second policy year. She stated that, via email poll and based upon Segal's recommendation, the Trustees voted to renew coverage with the incumbent carrier, Ullico/Markel for a two-year period in 2022. She noted that the second year of the policy included a total premium of $35,522 for the period June 10, 2023 through June 10, 2024.

The SEI and Horizon representatives left the video conference at this time.

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 a decision on the request had been deferred until the NYT Fund completed work related to its application for Special Financial Assistance from the PBGC. She stated that, on June 2, 2023, Mr. Stilwell advised her that the Board of Trustees of the NYT Fund recently voted not to pursue the possibility of serving as TPA for the Pension Fund.

B. The College of New Rochelle ("CNR")

Ms. O'Leary provided a final report on the bankruptcy proceedings involving CNR. By way of background, she explained that Virginia & Ambinder, LLP ("V&A"), counsel for the Fund in the CNR bankruptcy case, had filed a claim in the amount of $4.1 million in the bankruptcy proceeding, which primarily consisted of withdrawal liability plus a relatively small amount of contributions and interest. She stated that V&A had advised the Trustees that no assets were available for distribution to general unsecured creditors, such as the Fund, and that the only potential source of recovery was if the Creditors Committee successfully sued any of the former officers of CNR for financial mismanagement. She noted that V&A had previously explained that, even with the best of outcomes, such suit was unlikely to obtain a significant recovery for the Fund. She stated that, as previously reported, the Creditors Committee filed a complaint in the Bankruptcy Court in January of 2021 against the former officers of CNR. She stated that the bankruptcy court docket reflects that the adversary proceeding was closed last year without any recovery. She stated that she contacted the attorneys for the Creditors Committee to ask if they could provide any information regarding the case but that they did not respond to her. Ms. O'Leary stated that, in light of this development, the Fund's claim is entirely uncollectable and that there are no other avenues of collection to pursue.

VIII. <u>AUDITOR FEES</u>

Ms. Cochran referred to the discussion at the Board of Trustees' meeting held on January 27, 2023 regarding Schultheis & Panettieri, LLP's ("S&P's") fee increase request for the year-end audit and Form 5500 preparation. She noted that S&P has not requested an increase to its current fee of $40,000 in nine years and that S&P's 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. She stated that 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. She stated that the Trustees had tabled the request and 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.

Ms. O'Leary reviewed fee information provided by S&P as well as by Ms. Cochran and Ms. O'Leary. She stated that S&P reviewed information available on the DOL's Form 5500 database regarding multiemployer pension funds in New York/New Jersey with total assets between $75 million and $110 million. She stated that this review showed that the average fee was $41,632. She explained that one of her clients which is similar in size to the Pension Fund conducted a Request for Proposals ("RFP") in 2014 and that the proposals from seven firms were as follows: (1) $26,000, (2) 30,000, (3) 36,000, (4)

$37,500, (5) $40,000, (6) $41,000, and (7) $45,000. She noted that these fees are outdated given the timing of the RFP. She noted that more current fees being charged for some of her pension plan clients as well as some of Associated's pension plan clients range from a low of $17,500 to a high of $52,950, and that these plans have assets ranging from $40mm to $132mm. She reported that the Form 5500, Schedule C for the Local 445 Pension Plan reflected a fee of $40,000 for the two most recent years. Ms. O'Leary concluded that these numbers show that there is a range of rates for the services at the issue, and that S&P's proposed increased rates fall within that range, without being either the least or most expensive.

After discussion, the Trustees requested that Ms. Cochran ask S&P to maintain their current rates and forego the proposed rate increase.

IX. <u>L.P. TRANSPORTATION, INC. PAYROLL AUDIT</u>

Ms. Cochran reported that L.P. Transportation paid for the audit findings but did not pay interest. She noted that L.P. Transportation disputed some of the findings but nonetheless made the payment of the principal amounts due notwithstanding its disagreement with the findings. Trustee Palmer on behalf of the employer requested that the Trustees waive the interest given the disputed findings. He noted that L.P. Transportation has been a loyal employer for many years and that it paid the amount owed notwithstanding its good faith belief that the amount was not owed. He thanked the Trustees for their consideration. Ms. Cochran said the total amount due to the Pension and Welfare Funds for interest is $1,136.95. It was noted that Trustee Palmer was recused from participating in this decision.

Trustee Palmer left the video conference.

Ms. O'Leary stated that a waiver of interest on late paid contributions is considered a prohibited transaction under ERISA. She stated that, unless there was a question about collectability, which is not an issue in this case, the Trustees do not have discretion regarding the assessment of interest.

After discussion,

MOTION was made, seconded and unanimously adopted to deny the request to waive the interest owed on the L.P. Transportation payroll audit.

Ms. O'Leary stated she would contact Trustee Palmer and inform him of the Trustees decision.

X. NEXT MEETING DATE/ADJOURNMENT

The next meeting of the Board of Trustees is scheduled for Friday, October 20, 2023 at 10:00 a.m. via WebEx. With no further business to come before the Board, the meeting was adjourned at 11:46 a.m.

Exhibits:

A – Interim Pension Applications

B – Interim Pension Applications

C – Interim Pension Applications

D – Interim Pension Applications

E – Interim Pension Applications

F – Cash Operating Statement

G – Authorization for Disbursements

H – Delinquency and Withdrawal Liability Report

I – Employer Contribution Report

J – Active Members & Retirees Receiving Benefits Report