Operating Engineers Local No. 77
Health & Welfare and Pension Funds

911 Ridgebrook Road
Sparks, MD 21152-9451
Telephone: (410) 683-6500
Toll Free: (877) 850-0977
www.associated-admin.com

8400 Corporate Drive
Suite 430
Landover, MD 20785-2361
Telephone: (301) 459-3020
Toll Free: (877) 850-0977
www.associated-admin.com

MINUTES OF THE MEETING OF THE
BOARD OF TRUSTEES OF THE
OPERATING ENGINEERS LOCAL 77 PENSION FUND
TUESDAY, AUGUST 8, 2023

The following Trustees were present:

UNION TRUSTEES	**EMPLOYER TRUSTEE**
J. VanDyke, Chairman	C. Burke
R. Dennison	B. Mazzella
S. Faulkner	
T. Johnson	

ALSO PRESENT:

W. Chambers – Associated Administrators, LLC
C. Fuller – McChesney & Dale, P.C.
B. Gilroy – Training Coordinator
J. Mink – Investment Performance Services, LLC
Anne-Marie Sims – Associated Administrators, LLC

I. CALL TO ORDER

The Chairman called the meeting to order.

II. MINUTES

The Trustees waived the reading of the minutes of the regular meeting held on May 9, 2023 since the minutes had been previously circulated and,

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

RESOLVED to approve the minutes of the regular meeting held on May 9, 2023 as presented.

III. FINANCIAL REPORT

Investment Performance Services

The Trustees welcomed Mr. Jennifer Mink of Investment Performance Services ("IPS") to the meeting. Ms. Mink reviewed the global market returns during the quarter ending June 30, 2023. She reviewed the investment performance executive summary for the quarter ending June 30, 2023. Ms. Mink reported that the total Fund assets on June 30, 2023 were $189,881,069 compared to $183,835,645 as of December 31, 2022. She provided an overview of the Fund's annualized returns for the quarter ending June 30, 2023 and noted a total Fund composite return for the quarter ending June, 2023 of 2.00%, fiscal year to date of 5.4% and a return over the past 10 years of 8.4% gross of fees.

Asset Allocation

Ms. Mink reviewed the asset allocation as of June 30, 2023. She stated that IPS recommends the Trustees consider the following: (1) to rebalance closer to the investment policy and transfer cash proceeds from the hedge fund of funds (Grosvenor Institutional Partners (PF), Ltd) redemption to investment grade fixed income Wedge Capital Management, approximately $3 million, and short duration high yield fixed income (Chartwell Investment Partners SDHY), approximately $2.5 million. The balance of the proceeds will be utilized for cash needs and capital calls, and (2) to increase the diversification of the international equity allocation by adding an international equity large cap value manager.

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

> **RESOLVED to approve IPS's recommendation as presented above.**

Investment Manager Review

Ms. Mink discussed the Lizard/Wilmington LCAS Global Diversification investment. She noted that the strategy underperformed the blended GTAA benchmark in Q2 2023 for a third consecutive quarter, despite outperforming in 2022. Ms. Mink said that due to the continued underperformance and the strategy's lack of alpha from its tactical allocations, her firm recommends the Fund terminate the strategy.

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

> **RESOLVED to terminate Lazard/Wilmington LCAS Global Diversified – CIT strategy.**

Ms. Mink provided an executive summary of IPS's manager search process, which included assisting the Trustees in specifying the characteristics of the investment managers that will satisfy the needs of the Fund within the scope of the Investment Policy Statement. Ms. Mink provided an overview of three International Value Equity firms: (1) Barrow, Hanley, Mewhinny & Strauss, LLC, (2) First Eagle Investment Management, LLC, and (3) RBC Global Asset Management. She reviewed the strategy, investment terms and fees for each firm.

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

> **RESOLVED to approve the hiring of Barrow, Hanley, Mewhinny & Strauss, LLC – Co-mingled Fund and funding approximately $4.5 million, subject to Co-Counsel's review of the contract.**

Asset Allocation Overview

Ms. Mink presented an asset allocation review/modelling to assist the Trustees in identifying investment portfolios that meet the investment objectives, risk tolerance, and liquidity requirements of the Fund. She provided an overview of the annualized expected risk and returns over 10-20 years in the Equity Asset Class, Fixed Income Asset Class and Alternative Asset Class, along with asset allocation class constraints for each investment strategy. Ms. Mink reviewed four different portfolios with varying degrees of risk and, therefore, varying rates of expected return.

After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to adopt Portfolio D which reflects a target of 15.0% to US Large Cap Equity, 5% to US Small/Mid Cap Equity, 5% to US Small Cap Equity, 5% to Large International Equity, 5% to US Short Cap Equity, 10% to Intermediate Fixed Income, 12.5% to Short Term High Yield Fixed Income, 0% to Global Tactical Asset Allocation, 10% to Real Estate – Core, 10% to Real Estate- Value Add, 10% to opportunistic strategy, 5% to Private Equity, 2.5% to infrastructure with an expected return (net of fees) of 7.12% and a risk assessment of 8.88% (representing the projected volatility of returns, as measured by calculating the standard deviation).

The Trustees thanked Ms. Mink for her report.

IV. ATTORNEY'S REPORT

Mr. Fuller reported on the provisions relating to the Secure 2.O Act of 2022. Mr. Fuller presented an Amendment to the Operating Engineers Local No. 77 Pension Plan dated August 8, 2023. He stated that this amendment changed the definition of "Lump Sum Distribution Amount', increasing it from $5,000 to $7,000, after December 31, 2023.

After discussion, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to adopt the August 8, 2023 Amendment to the Operating Engineers Local No. 77 Pension Plan to increase the dollar limit on mandatory distributions from $5,000 to $7,000.

Mr. Fuller stated that Counsel would prepare a Summary of Material Modifications to be mailed to participants.

V. ADMINISTRATIVE MANAGER'S REPORT

Gain/Loss Reports

Ms. Chambers presented the Administrative Manager's Report for the period January 1, 2023 through June 30, 2023. Such report indicated total contributions of $3,053,011, reciprocity income of $109,029, reciprocity payments of $105,381, liquidated damages of $3,420, interest on delinquencies of $2,701, class action settlements of $1,360, interest income of $310,053, dividend income of $155,661, and commission recapture income of $2,958. There were gains in the Wedge account of $135,051, gains in the Wedge Fixed income account of $165,165, gains in the Washington Capital Management - Infrastructure account of $113,321, gains in the TimeSquare account of $460,374, gains in the Hardman Johnston account of $857,033, gains in the Grosvenor account of $890,280, gains in the Chartwell account of $54,628, gains in the Lazard account of $628,738, gains in the Alger account of $1,920,769, and gains in the Victory Capital account of $766,576, and gains in the Washington Capital Management – Mortgage of $48,242. There were losses on investments in the Corbin account of $8,073, and losses in the Ullico account of $18,920, losses in the Principal account of $229,724, losses in the New Tower account of $188,832, and losses in the Boyd Watterson GSA account of $40,563. There were expenses totaling $5,574,631. The foregoing produced a net gain for the period January 1, 2023 through June 30, 2023 of $3,061,172.

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

> **RESOLVED to accept the Administrative Manager's Report as presented.**

VI. PARTICIPATION APPEAL

Participant Appeal # P23/171-7690

Mr. Fuller presented an appeal from a participant's spouse who has been appointed by the participant to be his authorized representative for the purposes of this appeal. The participant's spouse is appealing for the participant to be granted an Occupational Disability Pension benefit. Fund records indicate that the participant submitted a completed pension application on February 2, 2023, indicating that he was applying for an Occupational Disability Pension benefit. In accordance with Fund rules, the participant is required to have an independent medical evaluation in order to establish disability. At the participant's request, payment of an Early Reduced (non-Occupational Disability) Pension benefit commenced effective March 1, 2023. Medical documentation provided by the participant was reviewed by MES Peer Review Services ("MES"), an independent medical reviewer. MES subsequently advised the Fund office that disability was not established. MES stated in summary that it was their opinion that the participant was able to work even when he had complaints of difficulty with memory, and there was no documentation of progression of this issue. The Fund office mailed a letter to the participant on May 31, 2023 advising that he is not eligible for an Occupational Disability Pension benefit based on the foregoing. The participant's appeal was received on July 24, 2023.

The participant's spouse states in summary that the participant has various issues such as cognitive impairment and issues with memory that prevent him from doing his job to the best of his ability. The participant's spouse further states that the participant is concerned about the safety of himself and others if he were to continue to work as a crane mechanic. Lastly, the participant's spouse states that the participant has other health issues as well, such as heart, vision, kidney, prostate, blood pressure, and cholesterol problems. Included with the appeal was a letter from James L. Bicksel, MD, dated June 30, 2023. Dr. Bicksel states in summary that the participant had neuropsychological testing done on November 10, 2022, and tested in the "impaired" range on memory. Dr. Bicksel further states that the participant is now starting to become lost while driving in his own neighborhood, and it is Dr. Bicksel's opinion that the participant not return to his job as a crane mechanic because doing so would be dangerous.

Upon a motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED to grant the appeal for an occupational disability pension benefit.

VII. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected November 14, 2023. Meetings will take place at the offices of Associated Administrators in Landover, Maryland immediately following the Apprenticeship meetings.

VIII. ADJOURNMENT

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

Respectfully submitted,

Joshua VanDyke, Chairman