UFCW – Giant Variable Annuity Fund

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MINUTES OF THE MEETING OF THE
BOARD OF TRUSTEES OF THE
UFCW - GIANT VARIABLE ANNUITY FUND
VIA VIDEO CONFERENCE
MARCH 17, 2023

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
M. Federici - Chairman	M. Goble
J. Chorpenning	J. Paradis - Secretary
D. Blitzstein (Alternate)	

Also present were:

Associated Administrators, LLC	W. Antoshak, D. Jensen, B. Maiorano, R. McKnight, C. Murphy, A. Sims
Cheiron	H. Merlak, K. Woodrich
Investment Performance Services, LLC	C. McDonough
Proskauer Rose LLP	J. Alex, J. Rigterink
Slevin & Hart, P.C.	A. Dietrich, S. Sanchez

I. CALL TO ORDER

A quorum being present, the meeting was called to order.

II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on December 21, 2022 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 December 21, 2022 are approved, as presented.

III. INVESTMENT CONSULTANT'S REPORT

The Trustees welcomed Mr. Chris McDonough of Investment Performance Services ("IPS") to the meeting.

A. Master Consulting Report – December 31, 2022

Mr. McDonough reviewed the IPS report for the period ending December 31, 2022. Such report indicated a beginning market value of $18,096,439, net cash flow of negative $1,173,513, and a net investment loss of $55,577, resulting in an ending market value of $16,867,349 as of December 31, 2022. The Trustees discussed the impact of the pending negotiation of the PNC custodial agreement on the timing of funding the remaining investments. The Trustees concluded that that if the PNC custodial agreement is not finalized shortly, the Trustees should explore retaining another custodian given the impact on funding.

B. Asset Allocation Policy Review

Mr. McDonough reviewed IPS's capital market assumptions for various asset classes and annualized expected returns over the next 10-20 years, which had been revised by the IPS Investment Committee as of January 2023. He noted that IPS develops and utilizes capital market assumptions for various asset classes to help determine the optimal mix of assets for the investment portfolio. Based on these changes, Mr. McDonough provided IPS's recommendation that the Trustees consider adopting a new asset allocation. Mr. McDonough reviewed the asset allocation described in the Fund's current Investment Policy Statement and presented alternative portfolio options for Trustees' consideration, as detailed in the IPS Q4 Master Consulting Report, which was circulated in advance to the Trustees.

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

RESOLVED to adopt Portfolio B which reflects a target of 7.5% to US Large Cap Equity, 5% to US Small/Mid Cap Equity, 5% to International

Equity, 52.5% to Intermediate Fixed Income, 7.5% to High Yield Fixed Income, 5% to Global Tactical Asset Allocation, 5% to Real Estate – Core, 7.5% to Real Estate- Value Add, and 5% to Private Equity with an expected return (net of fees) of 5.98% and a risk assessment of 5.48 (representing the projected volatility of returns, as measured by calculating the standard deviation).

C. Investment Consultant Fee Request

Mr. McDonough presented a fee increase request letter, dated February 27, 2023, that was sent to Chairman and Secretary for consideration. He reported that the current agreement/fee of $50,000 between IPS and the Fund was effective January 1, 2021. Mr. McDonough noted that IPS is requesting an increase in its fee to $110,000, effective January 1, 2023, for a three year period.

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

RESOLVED to propose an amended fee structure to IPS that reflects an increase to $90,000 for the 2023 Plan Year, $100,000 for the 2024 Plan Year, and $110,000 for the 2025 Plan Year.

IV. ACTUARY'S REPORT

The Trustees welcomed Mr. Heath Merlak of Cheiron to the meeting.

Mr. Merlak presented the Recap of 2022 Valuation Results and Experience Study report dated March 17, 2023. He reviewed the summary of principal results, including the liabilities, assets, funded ratios and minimum required contribution ("MRC"). Mr. Merlak reported that the January 1, 2021 funding target was $0, and that the January 1, 2022 funding target was $11,988,869. The funded percentage of the Fund as of January 1, 2022, was 98.59%.

Mr. Merlak stated that quarterly contributions are required in 2023 since the plan has a shortfall as of January 1, 2022. He noted that the expected quarterly contributions for 2023 would be $3,104,586, subject to discount based on the valuation date.

Mr. Merlak reported that at the direction of the Trustees, Cheiron performed an experience study to compare actual plan experience against the plan's actuarial assumptions. He said that actuarial assumptions are intended to be long-term in nature and should be reasonable both individually and in the aggregate. Mr. Merlak and Mr. Woodrich reviewed the results of the study with the Trustees. As a result of the study, Cheiron recommended new assumptions for the plan, including new assumptions relating to retirement rates, termination rates, disability rates, marital status and payment form election. He noted that Cheiron examines any external influences on each assumption such as the pandemic and its short or long-term impact and considers any potential future trends to recommend adjustments to each of the demographic assumptions.

Mr. Merlak concluded that if the proposed assumptions were implemented as recommended by Cheiron, the plan's funding target liability would decrease by approximately $800,000 for the 2023 Valuation, and the plan's funding target normal cost would decrease by approximately $150,000. He noted that while the proposed retirement rates increased normal cost, the other proposed assumption changes decreased normal cost.

V. ATTORNEY'S REPORT

A. <u>Investment Manager Agreements</u>

Ms. Sanchez reported on the Fund's Investment Manager Agreements.

B. <u>Custodial Agreement with PNC</u>

Ms. Sanchez reported on the custodial agreement with PNC.

C. <u>Cyber Security Addendum and Questionnaire</u>

Ms. Sanchez reported on the DOL's guidance on cybersecurity for benefit plans.

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

> **RESOLVED to approve sending cybersecurity questionnaires and contract addenda to the Fund's providers.**

D. <u>Stabilization Reserve Policy</u>

Ms. Sanchez reported on the Stabilization Reserve Policy.

E. Summary Plan Description

Ms. Sanchez reported on the current status of the Summary Plan Description.

F. **End of the COVID-19 National Emergency**

Ms. Sanchez reported on the expected end of the COVID-19 National Emergency.

G. **SECURE Act 2.0**

Ms. Sanchez reported on the provisions relating to the SECURE 2.0 Act of 2022. She provided an overview of the action items for Trustee consideration.

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

> **RESOLVED to amend the Plan document to increase the Plan's involuntary cash-out limit from $5,000 to $7,000, effective for distributions beginning in 2024.**

The Trustees thanked Ms. Sanchez for her report.

VI. ADMINISTRATIVE MANAGERS REPORT

Ms. Sims presented the Administrative Managers Report for the fourth quarter 2022. The report indicated total employer contributions of $19,305,322 and total expenses of $2,278,813, for a surplus of $17,026,509 for the year-to-date through December 31, 2022.

VII. INVOICES

The Trustees reviewed the list of invoices dated March 17, 2023. It was 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 March 17, 2023 are approved for payment.**

VIII. OTHER FUND BUSINESS

A. <u>Calibre - Audit Engagement Letter 2022</u>

Ms. Sims presented the Calibre Audit Engagement Letter for the Plan Year ended December 21, 2022. She noted Calibre is requesting a fee increase of $3,375 which represents a 15% increase, for a total estimated annual fee not to exceed $25,875.

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

> **RESOLVED to approve the Calibre Audit Engagement Letter for the Plan Year ended December 31, 2022 for a fee not to exceed $25,875.**

IX. NEXT MEETING DATE AND LOCATION

The Trustees decided to hold their next regular Board meetings on the following dates:

Tuesday, June 27, 2023 at 2:30 P.M.

Wednesday, September 27, 2023 at 2:30 P.M.

Monday, December 11, 2023 at 2:30 P.M.

X. ADJOURNMENT

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

Respectfully submitted,

Jason Paradis, Secretary