**United Food and Commercial Workers Unions
and Participating Employers
Pension Fund**

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MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE UFCW UNIONS AND PARTICIPATING EMPLOYERS PENSION FUND VIA VIDEO CONFERENCE DECEMBER 1, 2022

The following Trustees were present:

UNION TRUSTEES
J. Chorpenning- Secretary
D. Blitzstein
M. Federici
C. Hoffman
R. Wildt

EMPLOYER TRUSTEES
W. Seehafer - Chairperson
P. Lin
V. Marsh

Also present were:

B. Antoshak - Associated Administrators, LLC
M. Buckberg - Withum
L. Fiergola - UNFI
P. Hardcastle - Cheiron
J. Herron - Associated Administrators, LLC
T. Hipkins - UFCW Local 27
J. Ianniello - Associated Administrators, LLC
M. Keadle - Withum
J. Kimble - Morgan, Lewis and Bockius, LLP
C. McDonough - Investment Performance Services
B. McKiver - UFCW Local 400
J. Mink - Investment Performance Services
C. Murphy - Associated Administrators, LLC
R. Murray - Cheiron
S. Sanchez - Slevin & Hart P.C.
A. Sims - Associated Administrators, LLC
B. Slevin - Slevin & Hart P.C.
L. Walsh - Associated Administrators, LLC
B. Warren - Cheiron

I. CALL TO ORDER

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

II. MINUTES

Mr. Ianniello presented the minutes of the regular meeting held on September 12, 2022, which were previously circulated. On Motion made and seconded, the Trustees voted approval of the following resolution:

> **RESOLVED, that the minutes of the regular meeting held on September 12, 2022, are approved as presented.**

III. FINANCIAL REPORT

A. PNC BANK

Mr. Ianniello reviewed the PNC Summary of Activity report for the period January 1, 2022, through September 30, 2022, which had been previously circulated. The report showed a beginning market value of $115,023,880, receipts of $10,353,849.96, disbursements of $14,193,942, and an investment loss of $8,880,056.71, producing an ending market value of $103,831,578 as of September 30, 2022.

B. Investment Performance Services ("IPS")

The Trustees welcomed Jennifer Mink and Chris McDonough from ("IPS") to the meeting.

1. Market Index Report

Mr. McDonough reviewed the Market Index Report.

2. Master Consulting Services Report – September 30, 2022

Ms. Mink reviewed the Master Consulting Report as of September 30, 2022, which had been pre-circulated. The report indicated a beginning market value of $109,320,457, negative cash flow of $3,250,260, and net investment return of negative $2,356,060, making the ending market value $103,714,137 on September 30, 2022.

3. Asset Allocation

Ms. Mink noted that IPS has proactively handled the Fund's ongoing cash needs and that Value Added Real Estate has been the strongest category and has helped pay benefits throughout the year. Ms. Mink noted that all of the Fund's asset allocations are within range but the Fund is overweight in value add real estate and private equity and is underweight in its equity classes due to poor market performance. Ms. Mink stated IPS's recommendation to redeem $3 million from Intercontinental Real Estate and $1 million from Corbin Opportunistic Fund as of March 31, 2023, for rebalancing purposes and to cover the cash needs of the Fund. On Motion made and seconded, the Trustees voted approval of the following resolution:

> **RESOLVED, redeem $3.0 million from the Fund's Intercontinental real estate portfolio, and $1.0 million from the Fund's Corbin opportunistic strategies portfolio, as of March 31, 2023.**

Ms. Mink reported on the Fund's outstanding real estate commitments and on its real estate and opportunistic redemption requests. She reviewed the performance of the Fund's managers and stated that IPS is monitoring Loomis Sayles for performance improvement.

Ms. Mink reviewed the October update, indicating that the ending market value as of October 31, 2022 was $105,458,436 and the gross return as of that date was -12.2%.

4. Special Financial Assistance ("SFA") Assets

Ms. Mink reviewed IPS's memorandum, dated December 1, 2022, titled American Rescue Plan Act – Special Financial Assistance Action Plan. She provided an overview of IPS's proposed action plan for investment related matters for SFA applicants such as the Fund that are not part of the ARPA priority groups. Ms. Mink noted that the SFA program was designed to provide recipients with sufficient assets to maintain solvency though 2051, however most recipients want to extend solvency beyond 2051 utilizing the Special Financial Assistance ("SFA") and any legacy assets. She stated that the Trustees should determine the objective of the Fund prior to considering specific investment strategies.

Mr. McDonough reported that a key milestone in the investment strategy discussion will be the submission of the SFA application, or the “lock-in” application, as that will indicate the amount of SFA expected to be received and the applicable interest rates for SFA and non-SFA (“legacy”) assets. He said SFA assets are subject to investment restrictions while legacy assets are not and can be invested more aggressively. He stated that SFA investment strategies generally fall in to two categories: (1) Conservative approaches, such as cash-flow matching strategy, and (2) Return focused approaches, such as a total return strategy, which deliver risk adjusted total returns through active decision-making around sector allocation and yield curve positioning. The Board discussed the different SFA and legacy asset investment strategies and requested that IPS provide a detailed analysis to determine the appropriate investment strategies and present a selection of SFA investment manager candidates for Trustee review, discussion and selection. Ms. Mink noted she would present several investment managers for Trustee consideration before the next Board of Trustees meeting and provide legacy portfolio managers recommendations.

Trustees Blitzstein and Seehafer asked questions of IPS regarding investment strategy for the period prior to the Fund receiving the SFA money. The Trustees agreed that they would continue to discuss risk tolerance and the Fund’s next steps.

Mr. McDonough noted that SFA assets must be segregated from legacy assets and new accounts will need to be established with the custody bank in advance of the receipt of the SFA proceeds and upon execution of investment manager contracts applicable to the SFA assets. He said that IPS will work directly with the custody bank, managers and Fund office to set this up and will draft a new Investment Policy Statement for Trustee review.

The Trustees thanked Ms. Mink and Mr. McDonough, and they were excused from the meeting.

IV. ACTUARY’S REPORT

A. 2022 Actuarial Valuation

The Trustees welcomed Mr. Brett Warren, Mr. Peter Hardcastle, and Mr. Robert Murray of Cheiron to the meeting.

Mr. Warren reviewed the 2022 Preliminary Actuarial Valuation Results. Mr. Warren reported that there were 1,835 active participants, 6,533 terminated vested participants, and 3,615 participants in pay status, resulting in a total of 11,983 participants as of January 1, 2022. Mr. Warren stated that the market value of the assets was $131,953,068, the actuarial value of the assets was $119,789,120, and the present value of accrued benefits and accrued liability was $251,061,538. The Pension Protection Act ("PPA") funding ratio was 47.7%.

Mr. Warren noted that this Fund is not in a priority category for the SFA funding, which means the SFA application filing date is expected to be March 11, 2023. Mr. Warren provided an overview of the assumptions applicable to the SFA application, including the rule that the actuary use the 2020 assumptions unless it is unreasonable to do so. He noted that Cheiron expects to change the base unit assumption. Mr. Warren noted that even assuming the Fund files its application on March 11, 2023, it is possible the Fund's application would not be accepted on that date given the number of funds that are expected to file on the same day. He stated that the Trustees would need to consider whether to "lock in" the application measurement date of December 31, 2022, if its application is not accepted prior to March 31, 2023.

Mr. Hardcastle outlined the potential advantages and disadvantages of locking in a specific measurement date. He noted that before the measurement date, asset movements are offset by a change in amount of SFA, but asset movements after the measurement date will not impact the amount of SFA, so movements in asset markets can be advantageous or a disadvantage. He also stated that changes in interest rates prior to the measurement date can impact the amount of the Fund's SFA. Mr. Hardcastle provided an overview of scenarios analyzing assets returns, asset allocation, bond yields, and the impact of these on SFA assumptions and projections.

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

> **RESOLVED, to authorize Chair and Secretary to make all necessary decisions relating to the Fund's SFA application, including whether to lock in the measurement date.**

Mr. Hardcastle stated that Cheiron would need the employers' contribution base unit data as soon as possible to perform the necessary calculations for the Fund's SFA application and also would need to receive the December hours worked from Shoppers as soon as possible. He noted that Shoppers' three new stores would have an impact on Cheiron's calculations.

Ms. Mink stated that IPS would have 90% of the year end market values for the Fund as of the week of 2/13/2023.

The Trustees agreed to have a special meeting at **3:00 p.m. on February 16, 2023** to continue discussions regarding the SFA application. They requested that, at that February meeting, IPS provide a revised report applying its new capital assumptions.

The Trustees thanked Mr. Peter Hardcastle, Mr. Brett Warren, and Mr. Robert Murray, and they were excused from the meeting.

V. AUDITOR'S REPORT

The Trustees welcomed Mr. Mark Buckberg and Mr. Matt Keadle from Withum Smith and Brown ("Withum") to the meeting.

Mr. Buckberg presented the Financial Statements for the period ending December 31, 2021. He stated that his firm rendered an unmodified opinion on the financial statements and that they conform with generally accepted accounting principles.

Mr. Buckberg reported that as of December 31, 2021, assets were $132,236,768 and total liabilities were $185,822, producing net assets available for benefits of $132,050,946. Mr. Buckberg reviewed the Notes to Financial Statements, the Schedule of Assets Held for Investment Purposes, the Schedule of Employer Contributions, and the Schedule of Administrative Expenses.

Mr. Buckberg noted that the Fund's Form 5500 was filed on time.

Trustee Seehafer noted that a correction to the report is needed because the current one states that UNFI is divesting Shoppers' assets, which as of June 2021, is no longer true. The Trustees decided that an updated financial statement should be filed with the corrected information. Mr. Buckberg said he would work with Fund Counsel and Associated to update the report.

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

> **RESOLVED, to have Withum file a corrected financial statement and delegate the Chair and Secretary to approve amended financials.**

The Trustees requested that the Auditor send a draft of the financial statements and Form 5500 to the Trustees for review well in advance of the 2023 filing deadline.

The Trustees thanked Mr. Buckberg for his report, and Withum was excused from the meeting.

VI. ATTORNEY'S REPORT

A. Rehab Plan Update

Ms. Sanchez reported on the Fund's Rehabilitation Plan updates. On Motion made and seconded, the Trustees voted approval of the following resolution:

> **RESOLVED, to adopt the 2021 and 2022 Rehabilitation Plan updates, including the bargained contribution rates through 2024; and**
>
> **FURTHER RESOLVED, to delegate to the Chair and Secretary the authority to execute the 2021 and 2022 Rehabilitation Plan updates.**

B. Form W-4P

Ms. Sanchez reported on the updated W4-P required by the Internal Revenue Service ("IRS"), effective January 1, 2023.

C. Associated Administrators, LLC Data Breach

Ms. Sanchez reported on Associated's data breach.

D. Contribution Rate Letters

Ms. Sanchez reported on employers' 2023 contribution rates.

E. Investment Policy Amendment

Ms. Sanchez reported on the Investment Policy Amendment.

VII. ADMINISTRATIVE MANAGER'S REPORT – Third Quarter 2022 Report

A. Third Quarter 2022 Report

Mr. Ianniello presented the Administrative Manager's Report for the third quarter of 2022, which had been pre-circulated. The report showed total income of $1,291,438 and total expenses of $4,318,689, producing a net deficit of $3,027,251 for the quarter. He noted that the Fund received contributions on behalf of 1,466 Plan participants. He reviewed the Stipend Income & Expenses, which showed stipend income of $69,750 and stipend expenses of $70,158 for 50 Plan participants.

Mr. Ianniello reported that there were no delinquencies for the Third Quarter 2022.

B. Pension Applications

Mr. Ianniello presented the list of pension applications submitted for approval during the third quarter of 2022.

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

> **RESOLVED, that the pension applications contained in the Administrative Manager's Report for the third quarter 2022 are approved for payment.**

C. <u>Invoices</u>

Mr. Ianniello presented a list of invoices dated December 1, 2022. He noted there were no additions, deletions, or changes to the list. Trustee Seehafer asked a question about the structure of Slevin & Hart's invoices.

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

> **RESOLVED, that the invoices on the list dated December 1, 2022, are approved for payment.**

VIII. <u>OTHER FUND BUSINESS</u>

A. <u>Pension Appeals</u>

Appeal #1 P22/131-9683 (Deferred Vested Pension Benefit Amount) - **Denied**

B. <u>Cowan Recapture</u>

Mr. Ianniello reported that the Fund had received a check for $172.38 from Cowan commission recapture services.

C. <u>Cybersecurity Addendum</u>

Mr. Ianniello reported that he received an executed cybersecurity addendum from Slevin & Hart.

D. <u>2023 Pension Contribution Rate increase letter</u>

Mr. Ianniello reported that the Locals and Shoppers were notified about their 2023 contribution rates. Local 27 - $2.61, Local 400 - $2.50, and Shoppers - $1.77

E. <u>PBGC Filing</u>

Mr. Ianniello reported that the PBGC filing was completed and paid on October 13, 2022, in the amount of $382,144.00.

F. IFEBP Renewal

Mr. Ianniello presented the IFEBP membership renewals. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED, to renew the Fund's membership with IFEBP.

G. Fidelity Bond Renewal

A quote of $4,730 was received for the renewal of the Fidelity Bond for the three years from January 1, 2023, to January 1, 2026. On Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

RESOLVED, to renew the Fidelity Bond at the cost of $4,730.00.

IX. 2023 MEETING DATES & LOCATIONS

After discussion, The Trustees selected the following dates and meeting locations for 2023:

March 29, 2023 – 10:00 a.m. – Virtual
June 8, 2023 – Time – TBD, Location – TBD
September 20, 2023 – Time – TBD, Location – TBD
December 14, 2023 – Time – TBD, Location – TBD

X. ADJOURNMENT

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

Respectfully Submitted,

Jason Chorpenning, Secretary