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 MARCH 18, 2021

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEE
J. Chorpenning – Secretary	B. Seehafer – Chairman
Y. Anwar	J. Born
M. Federici	J. Ferrer
C. Hoffmann	V. Marsh
R. Wildt	S. Loeffler (Independent Trustee)

Also present were:

L. DuVall - Associated Administrators, LLC
A. Hanson – UFCW Local 400
P. Hardcastle - Cheiron
J. Ianniello - Associated Administrators, LLC
N. Jacobs – UFCW Local 400
J. Kimble - Morgan, Lewis and Bockius, LLP
J. Mink - Investment Performance Services
C. Murphy - Associated Administrators, LLC
R. Murray - Cheiron
S. Sanchez - Slevin & Hart P.C.
B. Slevin - Slevin & Hart P.C.
L. Walsh – Associated Administrators, LLC
B. Warren – Cheiron

I. CALL TO ORDER

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

II. MINUTES

Mr. Ianniello presented the minutes of the regular meeting held on December 7, 2020, the special meetings of December 22, 2020 and December 30, 2020, and the Appeals Committee meeting of October 21, 2020, which were previously 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 7, 2020, the special meetings held on December 22, 2020 and December 30, 2020 and the Appeals Committee meeting of October 21, 2020 are approved as presented.**

III. FINANCIAL REPORT

A. PNC Report

Mr. Ianniello reviewed the PNC Summary of Activity report for the period January 1, 2020 to December 31, 2020. The report showed a beginning market value of $121,697,183, receipts of $5,835,917, disbursements of $16,907,935, and an investment gain of $13,654,922, producing an ending market value of $124,280,087 as of December 31, 2020.

B. Investment Performance Services ("IPS")

The Trustees welcomed Ms. Jennifer Mink of IPS to the meeting.

1. Master Consulting Services Report – December 31, 2020

Ms. Mink reviewed the Master Consulting Services Report for the period ended December 31, 2020, which had been pre-circulated. The report indicated a beginning market value of $115,508,443, a negative net cash flow of $3,157,125, and net investment change of $11,928,768, producing an ending market value of $124,280,086 for the fourth quarter. The Fund had a 10.6% return gross of fees for the fourth quarter 2020. The year-to-date return was 12.9%, gross of fees.

2. Preliminary Performance Update – January 31, 2021

Ms. Mink reviewed the Preliminary Performance Update for the period ended January 31, 2021, which had been pre-circulated. The report showed the Fund had a beginning market value of $124,280,087 as of January 1, 2021, a negative net cash flow of $1,059,222, and net investment gain of $458,451, producing an ending market value of $123,679,316 for the period ending January 31, 2021. The year-to-date return was 0.4% gross of fees.

3. <u>Asset Allocation and Review</u>

Ms. Mink reviewed the Fund's asset allocation. She reported that IPS recommends changing the Fund's asset allocation targets as follows, based on capital market assumptions: increasing the international equity target to 12.5%; reducing the intermediate fixed income target to 5%; decreasing the core real estate target to 5%; and increasing the value add real estate target to 12.5%. Ms. Mink reported that IPS recommends investing more in value-added real estate and reducing the Fund's allocation to fixed income. Ms. Mink discussed the Fund's liquidity needs and discussed the need to balance the return goal and the need for liquidity due to the negative cash flow of the Fund.

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

> **RESOLVED, to amend the Fund's asset allocation targets as described above, based on the recommendation of IPS: increasing the international equity target to 12.5%; reducing the intermediate fixed income target to 5%; decreasing the core real estate target to 5%; and increasing the value add real estate target to 12.5%.**

Ms. Mink provided an overview of the Boyd Watterson State Government Fund, noting that it has a value-added component and invests primarily in buildings that house state government agencies. She reported that IPS recommends the Fund hire Boyd Watterson and invest $7 million in the Boyd Watterson State Government Fund, redeem $3 million from Principal's core real estate fund and move $1.5 million from Segal Bryant & Hamill's fixed income product to Hardman Johnston's international equity product.

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

> **RESOLVED, to redeem $3 million from Principal; and**
>
> **FURTHER RESOLVED, to move $1.5 million from Segal Bryant & Hamill to Hardman Johnston; and**
>
> **FURTHER RESOLVED, to retain Boyd Watterson and invest $7 million in the Boyd Watterson State Government Fund, subject to negotiation of an acceptable contract.**

4. **Segall, Bryant & Hamill – Acquisition by CI Financial Corp.**

Ms. Mink reported that on January 25, 2021, CI Financial Corporation entered into an agreement to acquire 100% of the business of Segall Bryant & Hamill, LLC (“SBH”). She stated that this transaction will result in the assignment of the Fund’s investment advisory agreement with SBH to CI Financial Corporation and requires investor approval. Ms. Mink reported that the acquisition of SBH will not affect the Fund’s relationship with SBH, where the Fund’s investments are held, the nature of the investment services provided by SBH, or the terms of the Fund’s investment advisory agreement with SBH.

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

> **RESOLVED, to consent to the assignment of the Fund’s investment advisory agreement with Segall Bryant & Hamill, LLC to CI Financial Corporation as recommended by IPS.**

The Trustees thanked Ms. Mink for her report and she was excused from the meeting.

IV. ACTUARY’S REPORT

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

A. 2020 Actuarial Valuation Report

Mr. Warren reminded the Trustees that Cheiron presented the 2020 Actuarial Valuation Results at the December 2020 Board meeting. He noted that the full 2020 Actuarial Valuation was available on the Trustee Web Portal.

B. 2021 PPA Certification

Mr. Warren noted that the PPA Certification for the Fund is due by March 31, 2021. He said that the prior year assumptions used by Cheiron included a 44% decline in UNFI work hours in 2020 and a 5% annual decline for UNFI work hours thereafter. He noted that the actual 2020 work hours for UNFI declined by 42%, 2020 work hours for Metro declined by 24% and the Fund’s other employers experienced a 5% decline in work hours in 2020. Mr. Warren noted that UNFI now accounts for 81% of total hours under the Fund for the fourth quarter 2020. He said that Cheiron expects to certify that the Plan is in Critical and Declining Status for 2021 and is not making scheduled progress under its Rehabilitation Plan for the second year in a row.

Mr. Warren advised that in order to do the 2021 PPA certification, Cheiron needs the Trustees to provide Cheiron with an industry activity assumption.
After discussion and, on Motion made and seconded, the Trustees voted unanimous approval of the following resolution:

> **RESOLVED, to direct Cheiron to assume a 10% reduction in UNFI hours in each of 2021 and 2022, and no further declines thereafter, subject to review by the Chair and Secretary of any additional data regarding the status of UNFI stores that is received by 3/24/2021.**

C. American Rescue Plan Act ("ARPA")

Mr. Warren provided a summary of ARPA, enacted of March 11, 2021. He reported that it appeared that the Fund will be eligible for special financial assistance, and that PBGC is required to issue additional regulations and/or guidance by mid-July. He noted that under ARPA, eligible multiemployer pension plans would receive federal financial assistance in an amount designed to pay full plan benefits through 2051. He noted that PBGC has discretion to prioritize the applications of plans meeting certain criteria, including plans expected to be insolvent within five years, Plans expected to be entitled to financial assistance of more than $1 billion, and Plans that have suspended benefits under the Multiemployer Pension Reform Act. Because this Fund does not meet these criteria, it may have to wait several years before its application will be reviewed.

D. Cheiron – 2021 Retainer Fee

Mr. Hardcastle presented Cheiron's retainer fee request for 2021. He noted that Cheiron proposed a retainer fee of $41,000.00 ($3,416.67 per month) compared to $40,147.55 for 2019 and 2020, with the non-retainer fees ranging from $107 to $515 per hour for 2021. The Trustees reviewed the engagement request by Cheiron.

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

> **RESOLVED, to approve Cheiron's 2021 engagement proposal as presented.**

The Trustees thanked the representatives from Cheiron for their report and they were excused from the meeting.

V. ATTORNEY'S REPORT

A. ARPA

Mr. Slevin reported on ARPA.

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

> **RESOLVED, to delegate to Trustees Jason Chorpenning, Mark Federici, Bill Seehafer, and Valerie Marsh the authority to take actions between Board meetings to enable the Fund to apply for financial assistance under ARPA.**

B. COVID-19 Deadline Extensions

Mr. Slevin reported on guidance relating to the COVID-related extension of claims and denied appeal deadlines.

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

> **RESOLVED, to continue to apply the COVID-related deadline extensions until 60 days after the end of the COVID-related national emergency.**

C. Consolidated Pension Plan

Mr. Kimble reported that he has not heard anything from the Consolidated Pension Plan since prior to the December 7, 2020 Trustees' meeting.

D. Physical Presence Waiver

Ms. Sanchez reported on the IRS's temporary waiver of physical presence requirements for notarization of certain pension plan elections.

E. 2020 Rehabilitation Plan

Ms. Sanchez reported on the 2020 RP update.

F. Shoppers Contribution Rate

Ms. Sanchez reported on Shoppers contribution rate and on the status of Shoppers' expired collective bargaining agreement. There was discussion about the prior CBA being extended as opposed to expiring, and what affect, if any, that would have on the automatic imposition of the increase.

The Fund's Employer Trustees recused themselves from the discussion of Shoppers' contribution rate and excused themselves from the meeting. Mr. Steven Loeffler, in his role as independent Employer Trustee, remained in the meeting.

After discussion and, on Motion made and seconded, the Union Trustees and Mr. Loeffler, as independent Employer Trustee, voted unanimous approval of the following resolution:

> **RESOLVED, that because Shoppers was obligated under the Fund's Rehabilitation Plan to increase its contribution rate to the Fund effective January 7, 2021, 180 days after the expiration of its most recent CBA, Cheiron is directed to calculate Shoppers' rate effective January 7, 2021 and the Fund office is directed to inform Shoppers of the new rate and its obligation to contribute at such rate retroactive to January 7, 2021.**

After the resolution, the Employer Trustees re-joined the meeting.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2020 Report

Mr. Ianniello presented the Administrative Manager's Report for the fourth quarter 2020, which had been pre-circulated. The report showed total income of $1,427,754 and total expenses of $4,343,619, producing a net deficit of $2,915,865 for the quarter. He noted that the Fund received contributions on behalf of 1,707 Plan participants. He reviewed the Stipend Income & Expenses, which showed stipend income of $107,550 and stipend expenses of $108,117 for 71 Plan participants.

B. Pension Applications

Mr. Ianniello presented a list of pension applications submitted for approval during the fourth quarter 2020.

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 fourth quarter 2020 are approved for payment.

Mr. Ianniello then presented a work snapshot for the fourth quarter noting that 46 pension applications were received and 6 pension estimates were sent. He stated that 2,924 communications had been sent to the Participants.

VII. INVOICES

Mr. Ianniello presented a list of invoices dated March 18, 2021. He noted there was one addition to the list – Mr. Loeffler had presented an invoice for independent Trustee services provided at the December 7, 2021 meeting in the amount of $1,625.00.

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

RESOLVED, that the invoices on the list dated December 7, 2020, and the invoice for the work performed by Mr. Loeffler, are approved for payment.

VIII. OTHER FUND BUSINESS

1. Fiduciary Insurance Renewal

Mr. Ianniello noted that the Fund had received a renewal quote from Segal Select, the Fund's insurance broker, for the renewal of fiduciary insurance through Chubb at the same levels as the prior year. The renewal premium would increase by $7,154 to $37,154. With regard to the excess policy, Segal Select recommends the Fund change from Euclid/Hudson to Ullico/Markel based on the relatively significant difference in the proposed premiums: $15,495 for Ullico/Markel compared to $33,439 for the Euclid/Hudson policy. Ms. Sanchez reported on the Segal Select proposal.

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

RESOLVED, to approve the renewal of the primary fiduciary insurance coverage through the Fund's current carrier, Chubb and to approve renewal of the excess risk fiduciary insurance coverage through Ullico/Markel.

IX. NEXT MEETING DATE AND LOCATION

The Trustees noted that the next regular meeting was scheduled for June 14, 2021, to be held via video conference.

X. ADJOURNMENT

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

Respectfully Submitted

Jason Chorpenning - Secretary