**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 7, 2020

The following Trustees were present:

UNION TRUSTEES
J. Chorpenning – Secretary
Y. Anwar
M. Federici
C. Hoffmann
R. Wildt

EMPLOYER TRUSTEE
B. Seehafer – Chairman
J. Born
J. Ferrer
V. Marsh

Also present were:

M. Buckberg – Withum, Brown and Smith
L. DuVall - Associated Administrators, LLC
A. Hanson – UFCW Local 400
P. Hardcastle - Cheiron
T. Hipkins - UFCW Local 27
J. Ianniello - Associated Administrators, LLC
N. Jacobs – UFCW Local 400
J. Kimble - Morgan, Lewis and Bockius, LLP
A. Leech – Withum, Brown and Smith
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, Chairman Seehafer called the meeting to order.

A. Appointment of Trustee

Mr. Ianniello reported that he had received correspondence from SuperValu appointing Mr. John Ferrer as a Management Trustee effective October 2, 2020. The Trustees welcomed Mr. Ferrer to the meeting.

II. MINUTES

Mr. Ianniello presented the minutes of the regular meeting held on September 24, 2020, which were previously circulated. It was noted that there was an error in the draft minutes regarding the second quarter Administrative Manager's Report. Total income was reported incorrectly and should have reflected total income of $1,726,672 and expenses of $4,040,759, resulting in a deficit of $2,314,087. Mr. Ianniello noted that he would amend the minutes to correct the error.

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

> **RESOLVED, that the minutes of the regular meeting held on September 24, 2020 are approved, as amended.**

III. FINANCIAL REPORT

A. PNC Report

Mr. Ianniello reviewed the PNC Summary of Activity report for the period January 1, 2020 to September 30, 2020. The report showed a beginning market value of $121,697,183, receipts of $4,679,043, disbursements of $12,595,401, and an investment gain of $1,656,289, producing an ending market value of $115,437,114 as of September 30, 2020.

B. Investment Performance Services ("IPS")

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

1. Master Consulting Services Report – September 30, 2020

Ms. Mink reviewed the Master Consulting Services Report for the period ended September 30, 2020, which had been pre-circulated. The report showed the Fund's assets had a beginning market value of $112,289,648 as of September 30, 2020, net cash flow of negative $2,780,874, and net investment change of $5,928,340, producing an ending market value of

$115,437,114 for the third quarter. The Fund had a 5.4% return gross of fees for the third quarter 2020. The year-to-date return was 2.0%, gross of fees.

2. Preliminary Performance Update – October 31, 2020

Ms. Mink reviewed the Preliminary Performance Update for the period ended October 31, 2020, which had been pre-circulated. The report showed the Fund had a beginning market value of $115,437,115 as of October 31, 2020, net cash flow of negative $1,284,202, and net investment change of negative $467,303, producing an ending market value of $113,685,610 for the third quarter. The Fund had a negative 0.4% return gross of fees for the third quarter 2020. The year-to-date return was 1.6%, gross of fees.

3. Principal U.S. Property ("Principal")

Ms. Mink reported that on October 7, 2020, Principal notified investors of a plan to restructure the US Property Separate Account, whereby most of its assets and liabilities will be transferred to a new operating Partnership, the Principal US Property Portfolio. Instead of holding all properties in the Separate Account, the Separate Account will now hold interest in the Portfolio. The property transfer and creation of the Portfolio will allow for participation by other investors that are not currently eligible to invest in the Separate Account, which will result in the Portfolio holding a larger pool of assets. The fees, terms, and investment strategy for Principal are not expected to change. Ms. Mink said that IPS recommends that the Fund consent to the restructuring, subject to review by Fund counsel. She noted that if the Trustees approve the restructuring, the Fund can either return the executed consent form by December 15, 2020 or reflect its agreement by negative consent. Principal expects the restructuring to occur on or around January 4, 2021.

The Trustees discussed the issue and,

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

RESOLVED to approve the Principal restructuring by negative consent.

4. Cyber Security Amendment

Ms. Mink noted that IPS is recommending that the Fund amend its Investment Policy to generally require that investment managers have cybersecurity insurance in place. She presented the Amendment for the Trustees' review. After discussion,

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

> **RESOLVED to approve the proposed Investment Policy amendment as presented.**

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

C. Auditor's Report

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

1. 2019 Audited Financial Statements

Mr. Leech presented the Financial Statements for the period ended December 31, 2019. He stated that his firm rendered an unmodified opinion on the financial statements and that they are in conformity with generally accepted accounting principles.

Mr. Leech reported that total assets as of December 31, 2019 were $124,016,066 and total liabilities were $180,283, producing net assets available for benefits of $123,835,783. Mr. Leech reviewed the Notes to Financial Statements, Schedule of Assets Held for Investment Purposes, Schedule of Employer Contributions, and Schedule of Administrative Expenses.

Mr. Buckberg noted that all 2019 tax filings were complete and filed on time.

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

> **RESOLVED, to accept the Auditor's 2019 Financial Statements, as presented.**

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

IV. ACTUARY'S REPORT

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

A. 2020 Actuarial Valuation Results

Mr. Warren reviewed the 2020 Actuarial Valuation Results. Mr. Warren reported that there were 3,177 active participants, 6,200 terminated vested participants, and 3,285 participants in pay status, resulting in a total of 12,662 participants as of January 1, 2020. Mr. Warren stated that the market value of the assets was $123,497,826, the actuarial value of the assets was $119,808,370, and the present value of accrued benefits and accrued liability was $224,117,752. The PPA funding ratio was 53.5%. The liability increase from January 1, 2019 to January 1, 2020 was $15.1 million.

B. Rehabilitation Plan

Mr. Hardcastle stated that the Plan is projected to become insolvent in 2033, assuming future 5% decline in SuperValu participation. He noted that because the Fund's Rehabilitation Plan contemplates the Fund avoiding insolvency, but that is no longer expected to occur given the SuperValu store closings and the resulting decrease in contributions, , Cheiron certified that the Fund is no longer making scheduled progress under its Rehabilitation Plan. The Trustees discussed options for updating the Rehabilitation Plan. Mr. Hardcastle advised that if the Fund receives three consecutive annual certifications that the Fund is not making scheduled progress under the Rehabilitation Plan, the employers would be subject to excise taxes. Counsel discussed the obligation to update the Rehabilitation Plan. After discussion, the Trustees scheduled a special meeting for December 22, 2020 at 10:00 a.m. to further discuss the 2020 Rehabilitation Plan.

C. SuperValu Withdrawal Liability Estimate

Mr. Hardcastle presented information regarding the estimated withdrawal liability for SuperValu. He noted that his firm calculated the withdrawal liability under two different scenarios based on potential interpretations of MPRA. Under Scenario 1, Supervalu would be required to make quarterly withdrawal liability payments of $2.3 million for 20 years. Under Scenario 2, the quarterly payments would be $2 million per year but the 20 year cap would not apply.

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

V. ATTORNEY'S REPORT

A. Independent Employer Trustee

Mr. Slevin reported on the Trust Amendment regarding the appointment of independent Trustees.

B. SECURE Act

Ms. Sanchez reported on the SECURE Act provisions regarding required minimum distributions and the Plan rules regarding the same. After discussion,

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

> **RESOLVED, to authorize Chairman and Secretary to act on this subject between Board meetings as necessary in the event regulatory guidance is issued.**

C. DOL Guidance

Ms. Sanchez reported on the DOL final rule providing guidance on the investment duties of benefit plan fiduciaries under ERISA.

D. Withum Engagement Letter

Ms. Sanchez reported on Withum's audit engagement letter.

E. 5500, Financial Statements, 104(d)

Ms. Sanchez reported on the Fund's Form 5500, the Financial Statements for the period ended December 31, 2019, and the 104(d) notice.

F. Consolidated Pension Plan

Mr. Kimble reported that co-counsel to the Consolidated Pension Fund contacted him to discuss certain issues regarding the Non-Food Fund's January 2016 transfer of assets and liabilities related to former Kroger participants.. Mr. Slevin and Ms. Sanchez reminded the Trustees of their conflict on this issue as the firm also represents the Consolidated Fund and they did not participate in the discussion.

VI. ADMINISTRATIVE MANAGER'S REPORT

A. Third Quarter 2020 Report

Mr. Ianniello presented the Administrative Manager's Report for the third quarter 2020, which had been pre-circulated. The report showed total income of $1,450,435 and total expenses of $4,024,258, producing a net deficit of $2,573,823 for the quarter. He noted that the Fund received contributions on behalf of 1,709 Plan participants. He reviewed the Stipend Income & Expenses, which showed stipend income of $103,500 and stipend expenses of $103,606 for 70 Plan participants.

B. Pension Applications

Mr. Ianniello presented a list of pension applications submitted for approval during the third 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 third quarter 2020 are approved for payment.**

VII. INVOICES

Mr. Ianniello presented a list of invoices dated December 7, 2020. He 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 December 7, 2020 are approved for payment.**

VIII. OTHER FUND BUSINESS

A. Associated Administrators, LLC – Memorandum of Agreement ("MOA")

Ms. Walsh reported that Associated Administrators LLC had reached an agreement with Locals 400 and 27 regarding Associated's bargaining unit employees. She noted that the agreement is a four year agreement with contribution increases in conformity with the Fund's

2019 Rehabilitation Plan. After discussion, the matter of Associated Administrators' MOA was tabled until the special meeting on December 22, 2020.

B. <u>Cowan Recapture Agreement</u>

Mr. Ianniello reported that the Fund received $708.46 for August 2020, $760.44 for September 2020, and $789.87 for September 2020, in commission recapture payments.

IX. <u>NEXT MEETING DATE AND LOCATION</u>

After discussion, the Trustees selected the following meeting dates for 2021, all of which will begin at 10:00 a.m.

March 18, 2021 (to be held via video conference)
June 14, 2021 (location to be determined by the status of Covid-19)
September 22, 2021 (location to be determined by status of Covid-19)
December 7, 2021 (location to be determined by the status of Covid-19)

X. <u>ADJOURNMENT</u>

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

Respectfully Submitted

Jason Chorpenning - Secretary

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