**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 JUNE 19, 2020

The following Trustees were present:

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

**EMPLOYER TRUSTEE**
B. Seehafer – Chairman
J. Born

Also present were:

W. Antoshak - Associated Administrators, LLC
M. Buckberg - Withum
H. Burton - Morgan, Lewis, & Bockius LLP
L. DuVall - Associated Administrators, LLC
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
J. Mink - Investment Performance Services
C. Murphy - Associated Administrators, LLC
R. Murray - Cheiron
B. Przybysz - Withum
S. Sanchez - Slevin & Hart P.C.
B. Slevin - Slevin & Hart P.C.
B. Warren - Cheiron

## I. CALL TO ORDER

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

### A. Appointment of Trustees

Mr. Ianniello reported that Fund Chairperson, Trustee Donna Gogoll (formerly Gwin), had resigned and that he received correspondence from UNFI appointing Ms. Valerie Marsh as a successor Trustee effective June 15, 2020. Trustee Bill Seehafer volunteered to replace Ms. Gogoll as Fund Chairperson. After discussion,

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

> **RESOLVED, to appoint Trustee Bill Seehafer as Chairman of the UFCW Unions and Participating Employers Pension Fund.**

Mr. Ianniello reported that he had received correspondence from UFCW Local 27 removing Mr. George Murphy, Jr. as a Trustee and appointing Mr. Richard Wildt as a successor Trustee effective June 18, 2020. The Trustees welcomed Mr. Wildt to the meeting.

## II. MINUTES

Mr. Ianniello presented the minutes from the regular meeting held on September 16, 2019 and the Appeals Committee meeting held April 7, 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 September 16, 2019, and the Appeals Committee meeting on April 7, 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, 2019 to December 31, 2019. The report showed a beginning market value of $110,133,332, receipts of $8,321,449, disbursements of $15,419,210, and investment earnings of $18,654,979, producing an ending market value of $121,290,550 as of December 31, 2019. Mr. Ianniello also reviewed the PNC Summary of Activity report for the period January 1, 2020 to March 31, 2020. The report showed a beginning market value of $121,697,183, receipts of

$1,624,230, disbursements of $4,271,649, and an investment loss of 15,458,487, producing an ending market value of $103,591,277 as of March 31, 2020.

**B. <u>Investment Performance Services ("IPS")</u>**

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

**1. <u>Master Consulting Services Report</u>**

Ms. Mink reviewed the Master Consulting Services Report for the period ended March 31, 2020, which had been pre-circulated. The report showed that the Fund's assets had a market value of $101,557,697 as of March 31, 2020. The Fund had a -12.9% return gross of fees for the first quarter 2020. The Fund's return for 2019 was 17.5%.

Ms. Mink reported on the status of the real estate redemptions previously approved by the Trustees. She also reported on the Trustees' previous decision that the Fund will begin receiving, rather than reinvesting, the income from its real estate investment portfolios.

**2. <u>Westfield Capital</u>**

Ms. Mink reported on Westfield Capital's request to amend its Addendum to the Fund's Investment Policy to increase the single security limit for investments more than 5% above the applicable index, up to a maximum holding of 8%. She noted that IPS recommends approval of Westfield Capital's request. After discussion,

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

> **RESOLVED, to approve the Investment Policy Addendum amendment requested by Westfield Capital.**

**3. <u>Segall Bryant</u>**

Ms. Mink reported on Segall Bryant's decision to continue to hold a downgraded bond in the portfolio it manages for the Fund. She noted that this decision is in compliance with the Fund's Investment Policy Statement and that no action is needed. She also reported on Segall Bryant's request to be permitted to purchase lower grade bonds and that IPS recommends against such a change to Segall Bryant's Investment Policy Addendum.

**4. Asset Allocation**

Ms. Mink presented an asset allocation review illustrating the projected impact on investment returns if the target returns for alternative, less liquid asset classes are reduced based on the cash flow needs of the Fund, noting IPS's recommendation that the Fund shift assets to more liquid asset classes. Ms. Mink presented two potential asset allocation scenarios that each included lower targets for core real estate, opportunistic, and private equity investments. The Trustees agreed to have a further discussion of potential changes to the Fund's asset allocation targets and investment return assumption rate and agreed to schedule a special investment meeting on July 13, 2020.

Ms. Mink presented an asset allocation study that showed the projected impact on investment returns if the target allocation to alternative/less liquid asset classes was reduced. Ms. Mink advised that because of the Fund's negative cash flow, she recommended allocating assets to more liquid asset classes, even though this would reduce the Fund's projected investment return. Ms. Mink presented two potential assets allocations, both of which included lower targets for core real estate, opportunistic, and private equity investments. The Trustees agreed to further discussion of potential changes to the Fund's asset allocation targets and the investment return assumption.

**3. Recommendations**

Ms. Mink discussed the Fund's cash needs. She presented IPS's recommendation that the Fund withdraw $3 million from Corbin Capital, terminate Sentinel Real Estate Corporation and terminate of American Realty Advisors. She noted that both Sentinel and American Realty have withdrawal queues and that the Fund therefore would not receive the full redemptions from these managers immediately. After discussion,

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

> **RESOLVED, to redeem $3 million from Corbin Capital, terminate Sentinel Real Estate Corporation, and terminate American Realty Advisors.**

**4. Other Business**

Ms. Mink reported that Northern Trust has agreed to reduce the fee for its index fund to 3 basis points, effective July 1, 2020. The Trustees agreed to meet on July 13, 2020 via teleconference to discuss the Fund's long term asset allocation and actuarial assumption rate.

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

## IV. AUDITOR'S REPORT

The Trustees welcomed Mr. Mark Buckberg, Mr. Brandan Przybysz and Mr. Albert Leech from Withum to the meeting.

### A. 2018 Audited Financial Statements

Mr. Leech reviewed the Fund's audited financial statements for the year ended December 31, 2018. He reported that the audit expressed an unmodified opinion on the Financial Statements, meaning that, in Withum's opinion, the Financial Statements present fairly, in all material respects, the financial status of the Fund as of December 31, 2018 and 2017. Mr. Buckberg reported that net assets available for benefits decreased from $121,747,505 as of January 1, 2018 to $112,878,988 as of December 31, 2018. He reviewed the notes to the financial statements and said that Withum has scheduled the 2019 audit fieldwork.

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

**RESOLVED to accept the auditor's report as presented.**

The Trustees thanked the Withum representatives for their report and excused them from the meeting.

## V. ACTUARY'S REPORT

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

**A. PPA Certification**

Mr. Hardcastle stated that contributions from participating employers had decreased due to a decline in the Fund's participant base. He reported that, as reflected in the 2020 PPA Certification prepared by Cheiron, the Fund is in Critical and Declining Status and is now projected to become insolvent in 2034.

Mr. Hardcastle reported that the Fund is not making scheduled progress under its Rehabilitation Plan, which currently provides that the Fund is expected to emerge from Critical Status. The Trustees discussed possible revisions to the Fund's Rehabilitation Plan.

**B. Withdrawal Liability**

Mr. Hardcastle noted that SuperValu requested a withdrawal liability estimate from the Fund and, in that context, raised a question regarding the applicable contribution rates. Mr. Slevin discussed issues relating to the ability of the Employer Trustees appointed and employed by SuperValu to vote on this issue.

Trustee Seehafer requested that Cheiron calculate SuperValu's estimated withdrawal liability both including and excluding the contribution rate increases adopted in 2015.

## VI. ATTORNEY'S REPORT

**A. Independent Fiduciary**

Mr. Slevin reported on proposed procedures for appointment of an independent Trustee.

**B. Pension Protection Act ("PPA") Zone Certification**

Mr. Slevin discussed the 2020 PPA Certification and the Fund's failure to make scheduled progress under its Rehabilitation Plan.

**C. Setting Every Community Up for Retirement Enhancement ("SECURE") Act of 2019**

Mr. Slevin reported on the SECURE Act, including the Act's provisions relating to the Required Minimum Distribution age for pension plan participants. After discussion,

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

**RESOLVED to change the Required Minimum Distribution age under the Plan to April 1 of the calendar year after the later of the calendar year in which a Participant reaches age 72 or the calendar year in which the Participant retires from covered service.**

**D. <u>Extension of Deadlines</u>**

Mr. Slevin reported on DOL and IRS guidance regarding the extension of certain deadlines under ERISA applicable to participants, beneficiaries and the Fund. After discussion,

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

**RESOLVED, to include notice of the applicable participant deadline extensions with any adverse claim determination sent during the period to which the deadline extension applies.**

**E. <u>Electronic Disclosures</u>**

Ms. Sanchez discussed the final DOL regulations regarding the electronic disclosure of documents and reports required to be provided by the Fund under ERISA.

**F. <u>In-Person Signature Requirements</u>**

Ms. Sanchez reported on IRS guidance regarding in-person signature and witness requirements for certain documents and applications relating to benefits under the Plan.

**G. <u>Stop Hacks and Improve Electronic Data Security (“SHIELD”) Act</u>**

Ms. Sanchez reported on the New York State SHIELD Act.

**H. <u>*Thole* Supreme Court Case</u>**

Ms. Sanchez reported on the U.S. Supreme Court’s June 1, 2020 decision in the case of <u>Thole v. U.S. Bank N.A</u>.

**I. <u>Suspension of Benefits</u>**

Ms. Sanchez presented a Plan amendment regarding Suspension of Benefits rules applicable to former participants of the UFCW Consolidated Pension Fund.

**J. Fiduciary Insurance and Fidelity Bond**

Ms. Sanchez reported on the Fund's fiduciary insurance renewal and fidelity bond renewal.

**K. 2019 Rehabilitation Plan Update**

Ms. Sanchez discussed the Fund's 2019 Rehabilitation Update.

**L. Notice of Critical Status and Annual Funding Notice**

Ms. Sanchez reported on the Fund's 2020 Notice of Critical Status and 2020 Annual Funding Notice.

## VII. ADMINISTRATIVE MANAGER'S REPORT

**A. Third Quarter 2019 Report**

Mr. Ianniello presented the Administrative Manager's Report for the third quarter 2019, which had been pre-circulated. The report showed total income of $2,296,523 and total expenses of $3,717,725 producing a net deficit of $1,421,202 for the period. He noted that contributions were remitted on behalf of 2,707 Plan participants. He reviewed page 14 of the Administrative Manager's Report titled "Stipend Income & Expenses." The report shows stipend income of $100,350 and stipend expenses of $100,879 for payment to 68 Plan participants.

**B. Fourth Quarter 2019 Report**

Mr. Ianniello presented the Administrative Manager's Report for the fourth quarter 2019, which had been pre-circulated. The report showed total income of $2,202,550 and total expenses of $4,543,376, producing a net deficit of $2,340,826 for the period. Contributions were remitted on behalf of 2,722 Plan participants. He reviewed page 32 of the Administrative Manager's Report titled "Stipend Income & Expenses." The report shows stipend income of $85,050 and stipend expenses of $85,538 for payment to 63 Plan participants.

**C. First Quarter 2020 Report**

Mr. Ianniello presented the Administrative Manager's Report for the first quarter 2020, which had been pre-circulated. The report showed total income of $1,700,253 and total expenses of $4,164,758, producing a net deficit of $2,464,505 for the period. Contributions were remitted on behalf of 2,342 Plan participants. He reviewed page 51 of the Administrative

Manager's Report titled "Stipend Income & Expenses." The report shows stipend income of $114,300 and stipend expenses of $114,808 for payment to 64 Plan participants.

**D. <u>Pension Applications</u>**

Mr. Ianniello reviewed a list of pension applications submitted for approval during the third and fourth quarters of 2019 and the first quarter of 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 Reports for the third and fourth quarters of 2019 and first quarter 2020 are approved for payment.**

## VIII. INVOICES

Mr. Ianniello presented a list of invoices dated June 19, 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 June 19, 2020 are approved for payment.**

## IX. OTHER FUND BUSINESS

Mr. Ianniello reported the following:

**A. <u>Cowen Commission Recapture</u>**

The Fund received $312.83 on July 22, 2019, $384.34 on October 22, 2019, and $321.16 on January 23, 2020, in commission recapture payments.

**B. <u>70.5 adjustments</u>**

The Fund office has completed the age 70.5 adjustment calculations and payments that the Board previously directed it to perform.

**C. Form 5500**

The Fund's Form 5500 was filed on October 8, 2019.

**D. Form 104(d) Notices**

Form 104(d) Notices were mailed to Plan participants on November 15, 2019.

**E. UNFI Nondisclosure Agreement**

Trustee Seehafer reported that UNFI has requested that the Fund provide certain data to UNFI's actuary, Aon, so that UNFI may evaluate a possible spin-off from the Fund. After discussion,

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

> **RESOLVED to allow for disclosure of Fund data to UNFI, the Locals and the parties' actuaries, subject to execution by all parties of an acceptable nondisclosure agreement.**

## X. NEXT MEETING DATE AND LOCATION

After discussion, the Trustees selected the following meeting dates.

- September 24, 2020 at 9:30 a.m. - Virtual meeting.
- December 7, 2020 at 9:30 a.m. – Location TBD.

## XI. ADJOURNMENT

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

Respectfully Submitted,

Jason Chorpenning - Secretary