**UFCW – SAFEWAY**
**VARIABLE ANNUITY PENSION FUND**
**BOARD OF TRUSTEE MEETINGS**
**MAY 13, 2022**

# UFCW AND SAFEWAY
# VARIABLE ANNUITY PENSION FUND

## AGENDA

### MAY 13, 2022

**I.** **CALL TO ORDER**

**II.** **MINUTES**
- **A.** **REGULAR MEETING – FEBRUARY 25, 2022**

**III.** **INVESTMENT CONSULTANT'S REPORT**
- **A.** **DRAFT INVESTMENT POLICY STATEMENT**

**IV.** **ACTUARY'S REPORT**

**V.** **INVOICES**

**VI.** **OTHER FUND BUSINESS**

**VII.** **NEXT MEETING DATE AND LOCATION**

**VIII.** **ADJOURNMENT**

# UFCW - Safeway
# Variable Annuity Pension Fund


| | |
|---|---|
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| **Sparks, Maryland 21152-9451** | **Landover, Maryland 20785-2361** |
| **Telephone: (410) 683-6500** | **Telephone: (301) 459-3020** |
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**MINUTES OF THE MEETING OF THE**
**BOARD OF TRUSTEES OF THE**
**UFCW AND SAFEWAY VARIABLE ANNUITY PENSION FUND**
**VIA VIDEO CONFERENCE**
**FEBRUARY 25, 2022**

The following Trustees were present:

| **UNION TRUSTEES** | **EMPLOYER TRUSTEES** |
|---|---|
| M. Federici – Chairman | D. Dosenbach – Secretary |
| D. Blitzstein – Alternate | W. Wescot |
| J. Chorpenning | J. Williams – Alternate |

Also present were:

| | |
|---|---|
| Schulte Roth & Zabel LLP | R. Richman, S. Bernstein |
| Slevin & Hart, P.C. | B. Slevin, S. Sanchez |
| Milliman, Inc. | V. Harte |
| Associated Administrators, LLC | W. Antoshak, D. Jensen, B. Maiorano, R. McKnight, A. Sims, L. Walsh |

## I. CALL TO ORDER

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

## II. APPOINTMENT OF CHAIRMAN AND SECRETARY

In accordance with the Trust Agreement, which states the Fund will have a joint Board of Trustees, with equal representation by labor and management, the positions for Chairman and Secretary for the Board of Trustees are to be appointed by the Board.

After a discussion, on Motion made and seconded, the Board unanimously voted approval of the following resolution:

> **RESOLVED to name Daniel Dosenbach as the Secretary of the Board of Trustees and Mark Federici as the Chairman.**

## III. APPROVAL OF PROVIDER AGREEMENTS

Co-Counsel presented five (5) provider agreements for review and approval by the Trustees, which had been reviewed by co-counsel and circulated prior to the meeting:

### A. Slevin & Hart – Counsel

Slevin & Hart;s proposed Engagement Letter reflected a proposed fee not to exceed $50,000, for "start-up" legal services during the period of January 1, 2021 through March 31, 2021 and continuing legal service thereafter at the firm's applicable hourly rates.

### B. Schulte Roth & Zabel LLP – Counsel

Schulte Roth & Zabel's proposed Engagement Letter reflected a proposed fee not to exceed $50,000, for "start-up" legal services during the period of January 1, 2021 through March 31, 2021 and continuing legal services at the firm's applicable hourly rates.

### C. Calibre CPA Group – Auditor

Calibre's proposed 2021 Audit Engagement Letter reflected a proposed fee of between $21,200 to $22,500 for audit services relating to the year ending December 31, 2021, with any additional requested services being billed at Calibre's applicable hourly rates.

### D. Cheiron - Actuary

Cheiron's proposed Retainer Agreement reflected a proposed fee for 2021 of $75,000, which would include, but not limited to, work performed for the Fund's annual valuation and certification, analysis of Fund's assets and liabilities and completion of PBGC filings. Services provided outside of the retainer would be billed at Cheiron's applicable hourly rates.

**E. Milliman - Actuary**

Milliman's proposed Retainer Agreement reflected a proposed fee for January 1, 2021 through December 31, 2023, for the Statement of Work, which would include but not be limited to, work performed for the Fund's annual valuation and certification, analysis of Fund's assets and liabilities and completion of PBGC filings, billed at Milliman's applicable hourly rates.

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

> **RESOLVED that the provider agreements for Sleven& Hart; Schulte Roth & Zabel; Calibre; Cheiron and Milliman are approved as presented; and**
>
> **FURTHER RESOLVED, that Cheiron and Milliman will alternate acting as plan actuary, and completing the Fund's annual valuation and Form 5500 actuarial schedule, with Cheiron first performing that role for the 2021 Plan Year.**

## IV. APPROVAL OF PROVIDER INVOICES

The Trustees reviewed the list of invoices dated February 25, 2022. It was noted there were no additions, deletions or changes to the list but it was noted that the list is a work in progress and only represents the invoices received to date.

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

> **RESOLVED, that the invoices on the list dated February 25, 2022 are approved for payment.**

## V. NEXT MEETING DATE AND LOCATION

The Trustees decided to hold their next regular Board meeting for May 13, 2022 via video conference.

## VI. <u>ADJOURNMENT</u>

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

Respectfully submitted,

Daniel Dosenbach, Secretary

# UFCW Safeway Variable Annuity Fund

## May 13, 2022

## INVESTMENT PERFORMANCE SERVICES, LLC

**Chris McDonough – Senior Consultant | Chief Investment Officer**

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# ASSET ALLOCATION REVIEW

## UFCW and Safeway Variable Annuity Pension Fund

# Asset Allocation Overview

- The asset allocation review is provided to assist the Trustees in identifying portfolios that meet the investment objectives, risk tolerance, and liquidity requirements of the Fund.

- The IPS Investment Committee develops and utilizes capital market assumptions for various asset classes to help determine the optimal mix of assets for an investment portfolio. These assumptions are forward-looking projections of an asset class' expected return and risk as measured by standard deviation or volatility of returns.

- All return assumptions are "net of fee" market or index returns and do not include alpha or excess return expected to be generated through active management. Return assumptions are the average expected return over the next 10 – 20 years and not the expected return in any given year.

- IPS capital market assumptions are compared with various assumptions from other providers and published resources for reasonableness. The IPS Investment Committee reviews the assumptions on a semiannual basis but may adjust at anytime, as needed, based on severe market dislocations, sudden changes in interest rates, or extreme events that impact global markets, economic development, and the business cycle.

- IPS capital market assumptions are not a guarantee of future performance. Actual results may differ from the projections included in this review.

- The asset allocation modeling requires the mathematical construction of an efficient frontier of various portfolios with distinct asset allocations and risk and return characteristics. The modeling process also requires the imposition of constraints, so that the efficient frontier represents a prudently diversified portfolio with adequate consideration of the liquidity needs and investment time horizon. Unconstrained optimization frequently generates allocations that have superior risk/reward characteristics, but the resulting allocations may not be adequately diversified and/or may have inappropriate allocations to illiquid investments.

- IPS utilizes the Wilshire Compass system for asset allocation modeling and all returns are based on geometric calculation.

# Annualized Expected Returns over 10-20 years

| Equity Asset Class | Return | Risk |
|---|---|---|
| U.S. Large Cap | 6.25% | 15.00 |
| U.S. Mid Cap | 6.75% | 17.00 |
| U.S. Smid Cap | 7.00% | 18.50 |
| U.S. Small Cap | 7.25% | 20.25 |
| International Large Cap | 7.50% | 16.50 |
| International Small Cap | 8.00% | 19.00 |
| Emerging Markets | 8.50% | 21.00 |
| Global Equity | 7.00% | 17.00 |

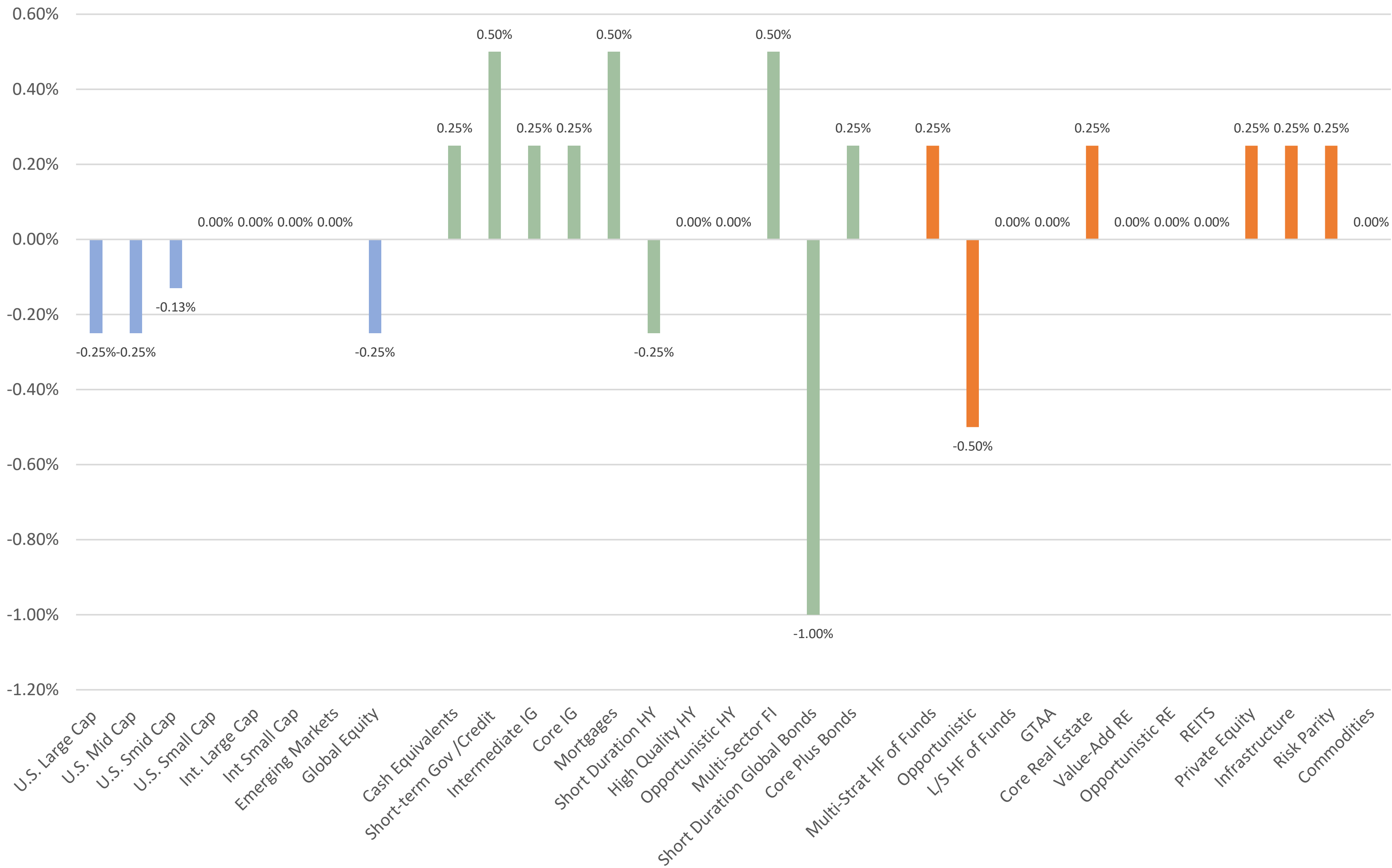
| Fixed Income Asset Class | Return | Risk |
|---|---|---|
| Cash Equivalents | 1.50% | 0.50 |
| Short-term Gov / Credit | 1.75% | 1.25 |
| Intermediate Investment Grade | 2.25% | 2.75 |
| Core Investment Grade | 2.50% | 3.75 |
| Mortgages | 3.00% | 5.00 |
| Short Duration High Quality High Yield | 3.50% | 5.75 |
| High Quality High Yield | 4.50% | 7.75 |
| Opportunistic High Yield | 5.00% | 8.50 |
| Multi-Sector Fixed Income | 2.00% | 6.25 |
| Short Duration Global Bonds | 0.75% | 5.00 |
| Core Plus Bonds | 2.75% | 5.00 |

| Alternatives Asset Class | Return | Risk |
|---|---|---|
| Multi-Strategy Hedge Fund of Funds | 4.50% | 5.75 |
| Opportunistic Strategies | 7.00% | 10.50 |
| Long Short Equity Hedge Fund of Funds | 5.00% | 8.50 |
| Global Tactical Asset Allocation | 5.50% | 12.00 |
| Core Real Estate | 6.50% | 9.75 |
| Value-Add Real Estate | 7.75% | 11.50 |
| Opportunistic Real Estate | 9.50% | 14.25 |
| REITS | 6.00% | 20.00 |
| Diversified Private Equity | 10.00% | 20.00 |
| Core Infrastructure | 6.25% | 11.00 |
| Core+/Value Add Infrastructure | 8.25% | 14.00 |
| Risk Parity | 5.75% | 16.00 |
| Commodities | 3.75% | 17.00 |

INVESTMENT PERFORMANCE SERVICES, LLC

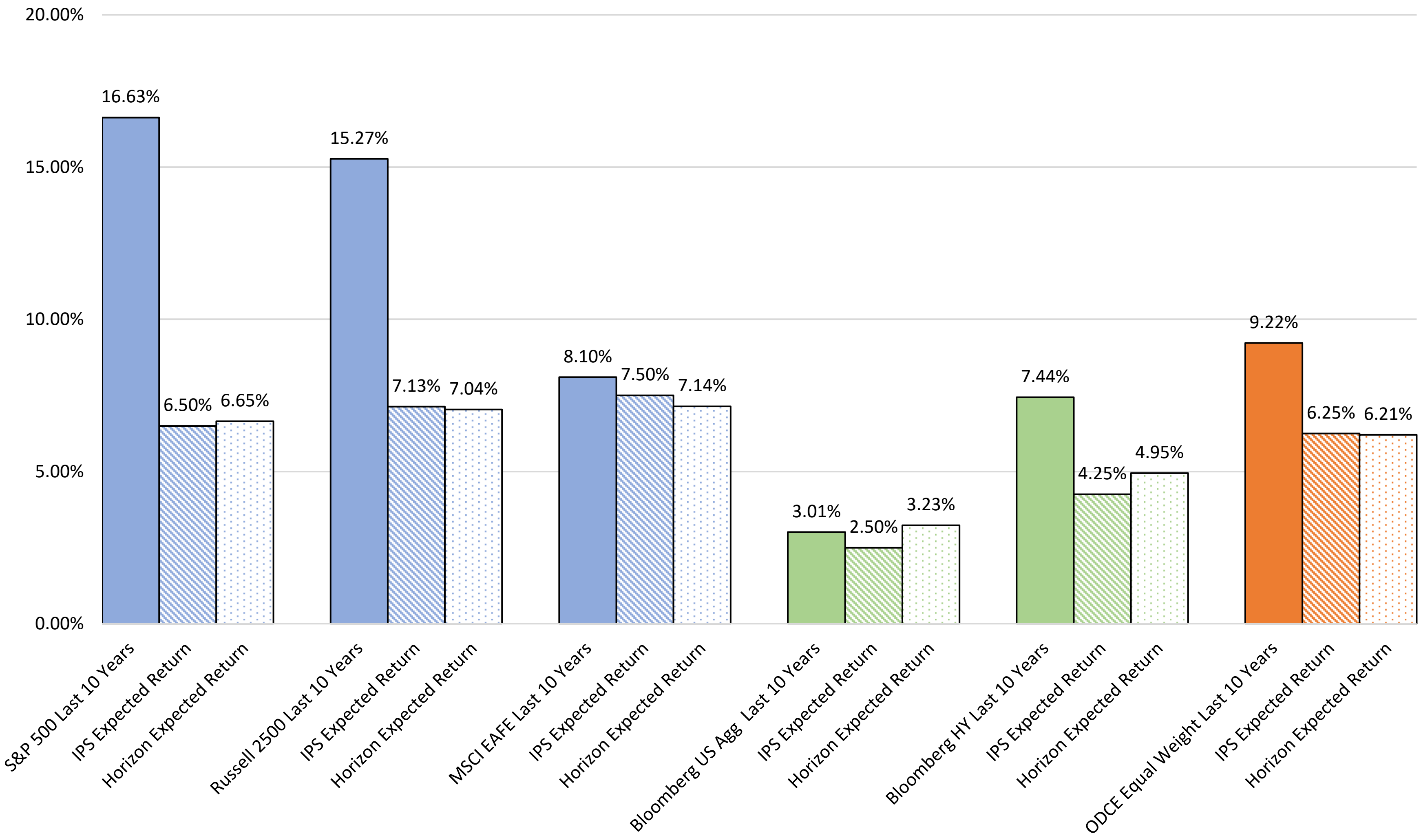
- IPS Investment Committee January 2022.
- Inflation expectation 2.3%.

# Change in Expected Returns[1]




1 January 2022 vs. January 2021

# Historical Returns vs. Forward Looking Assumptions




- "Last 10 Years" returns are as of 12/31/2021.
- "Horizon Expected Returns" are sourced from the Survey of Capital Market Assumptions (20-year horizon) published by Horizon Actuarial Services, LLC published the August 2021 edition.

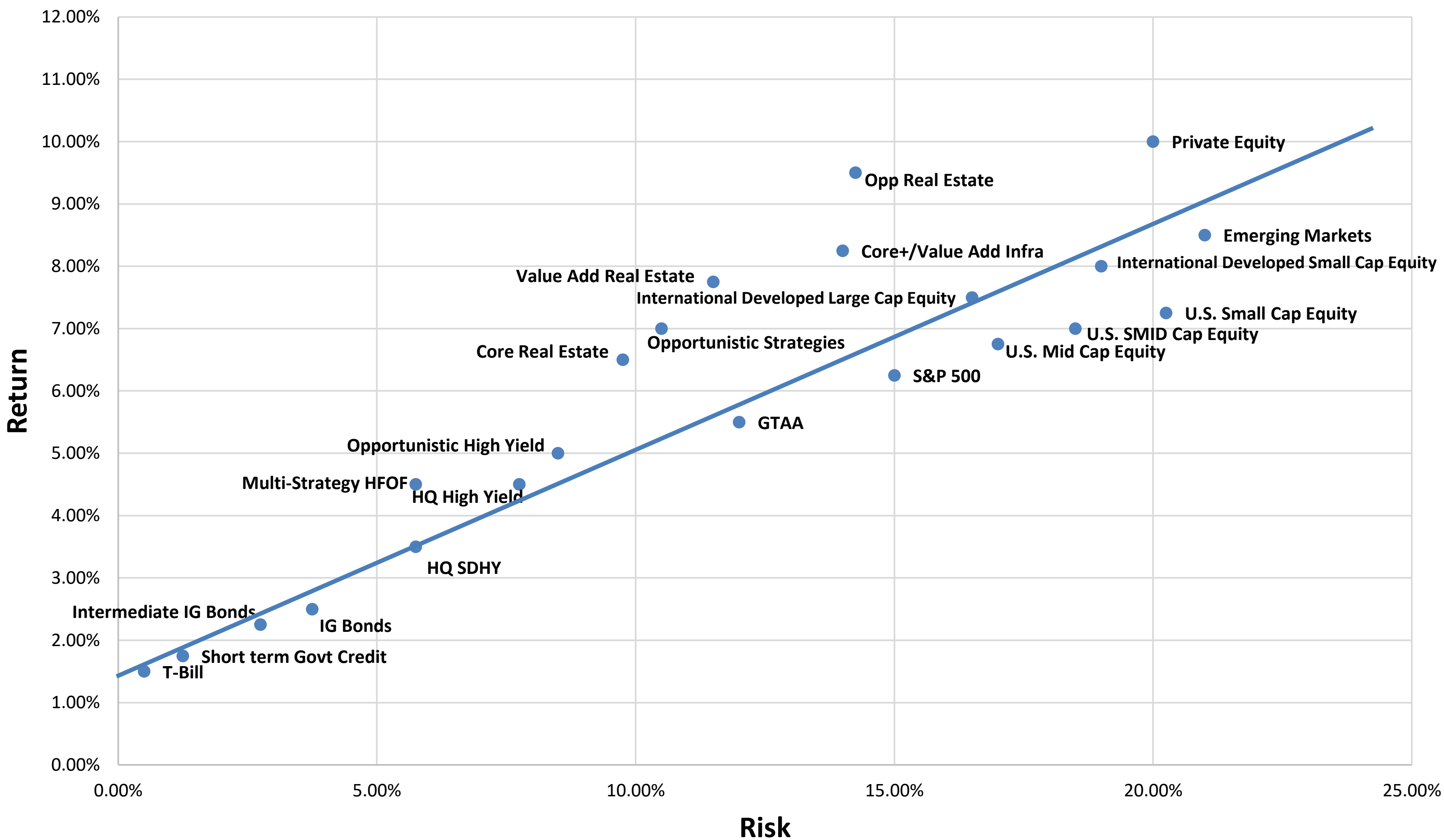
# Asset Class Constraints

| | | |
|---|---|---|
| Total Domestic Equity | 60% | Max |
| Domestic Large Cap Equity | 20% | Min |
| Small, Mid and Smid Cap Equity | 20% | Max |
| International Equity Large Cap | 20% | Max |
| International Small Cap Equity | 10% | Max |
| Cash | 5% | Max |
| Fixed Investment Grade (Includes Short Term & Intermediate) | 10% | Min |
| High Quality High Yield Bonds (Includes Short Duration) | 20% | Max |
| Real Estate – Core | 10% | Max |
| Real Estate – Value Add | 10% | Max |
| Hedge Fund of Funds – Multi Strategy | 5% | Max |
| Opportunistic Strategies | 10% | Max |
| Global Tactical Asset Allocation | 10% | Max |
| Private Equity | 5% | Max |
| Total Alternatives | 40% | Max |

The constraints shown are used for modeling purposes only. They should not be construed as suggested or recommended allocations, or limits on allocations, to any asset class or investment strategy. Each client fund has different facts, circumstances, time horizon, risk tolerance levels, return objectives, investment preferences, cash flows, and liquidity requirements. As such, each client's investment policy may differ materially from the constraints shown above.

- IPS Investment Committee January 2022.

# 2022 Capital Market Assumptions



# Asset Class Correlations

| Assumption table: | US Large Cap Equity | US Mid Cap Equity | US Smid Cap Equity | US Small Cap Equity | Int'l Large Cap Equity | Int'l Small Cap Equity | Emerging Markets Equity | Cash | Short Term Govt / Credit | Interm. Invest. Grade | Core Invest. Grade | Short Duration High Yield | High Yield | Real Estate Core | Real Estate Value Add | Private Equity | HFoF Multi-Strategy | Opp. Strategies | GTAA | Infrastructure |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US Large Cap Equity | 1.00 | | | | | | | | | | | | | | | | | | | |
| US Mid Cap Equity | 0.96 | 1.00 | | | | | | | | | | | | | | | | | | |
| US Smid Cap Equity | 0.94 | 0.98 | 1.00 | | | | | | | | | | | | | | | | | |
| US Small Cap Equity | 0.91 | 0.95 | 0.98 | 1.00 | | | | | | | | | | | | | | | | |
| Int'l Equity | 0.88 | 0.87 | 0.82 | 0.78 | 1.00 | | | | | | | | | | | | | | | |
| Int'l Small Cap Equity | 0.84 | 0.86 | 0.82 | 0.78 | 0.96 | 1.00 | | | | | | | | | | | | | | |
| Emerging Markets Equity | 0.77 | 0.79 | 0.74 | 0.70 | 0.88 | 0.87 | 1.00 | | | | | | | | | | | | | |
| Cash | -0.10 | -0.12 | -0.12 | -0.11 | -0.04 | -0.11 | 0.00 | 1.00 | | | | | | | | | | | | |
| Short Term Govt / Credit | -0.12 | -0.11 | -0.14 | -0.17 | 0.01 | -0.01 | 0.06 | 0.39 | 1.00 | | | | | | | | | | | |
| Int. Investment Grade | -0.01 | 0.01 | -0.04 | -0.08 | 0.08 | 0.08 | 0.13 | 0.12 | 0.82 | 1.00 | | | | | | | | | | |
| Core Investment Grade | -0.01 | 0.01 | -0.04 | -0.08 | 0.07 | 0.07 | 0.12 | 0.07 | 0.76 | 0.98 | 1.00 | | | | | | | | | |
| Short Duration High Yield | 0.62 | 0.69 | 0.65 | 0.59 | 0.66 | 0.69 | 0.65 | -0.13 | 0.16 | 0.28 | 0.26 | 1.00 | | | | | | | | |
| High Yield | 0.71 | 0.77 | 0.73 | 0.68 | 0.73 | 0.74 | 0.71 | -0.14 | 0.08 | 0.24 | 0.24 | 0.93 | 1.00 | | | | | | | |
| Real Estate Core | 0.18 | 0.13 | 0.14 | 0.15 | 0.11 | 0.05 | 0.01 | 0.20 | -0.28 | -0.25 | -0.20 | -0.21 | -0.11 | 1.00 | | | | | | |
| Real Estate Value Add | 0.18 | 0.13 | 0.14 | 0.15 | 0.11 | 0.05 | 0.01 | 0.20 | -0.28 | -0.25 | -0.20 | -0.21 | -0.11 | 0.99 | 1.00 | | | | | |
| Private Equity | 0.91 | 0.95 | 0.98 | 0.99 | 0.78 | 0.78 | 0.70 | -0.11 | -0.17 | -0.08 | -0.08 | 0.59 | 0.68 | 0.15 | 0.15 | 1.00 | | | | |
| HFoF Multi-Strategy | 0.74 | 0.78 | 0.74 | 0.69 | 0.80 | 0.83 | 0.78 | -0.03 | -0.07 | -0.02 | -0.01 | 0.64 | 0.68 | 0.19 | 0.19 | 0.69 | 1.00 | | | |
| Opportunistic Strategies | 0.73 | 0.80 | 0.76 | 0.71 | 0.76 | 0.77 | 0.73 | -0.15 | 0.07 | 0.21 | 0.21 | 0.92 | 0.98 | -0.14 | -0.14 | 0.71 | 0.69 | 1.00 | | |
| GTAA | 0.93 | 0.91 | 0.86 | 0.82 | 0.97 | 0.93 | 0.87 | -0.05 | 0.08 | 0.18 | 0.17 | 0.66 | 0.74 | 0.11 | 0.11 | 0.82 | 0.76 | 0.76 | 1.00 | |
| Infrastructure | 0.78 | 0.75 | 0.69 | 0.65 | 0.84 | 0.77 | 0.72 | 0.01 | 0.07 | 0.22 | 0.24 | 0.57 | 0.64 | 0.18 | 0.18 | 0.65 | 0.66 | 0.65 | 0.86 | 1.00 |

A correlation of 1.00 indicates two series move perfectly together while a -1.00 shows they move perfectly opposite one another.

# Efficient Frontier Analysis

| Efficient Frontier Report | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Asset | Portfolio 1 | Portfolio 2 | Portfolio 3 | Portfolio 4 | Portfolio 5 | Portfolio 6 | Portfolio 7 | Portfolio 8 | Portfolio 9 | Portfolio 10 |
| US Large Cap Equity | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 | 20.00 |
| US Mid Cap Equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| US Smid Cap Equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| US Small Cap Equity | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 8.40 | 16.87 |
| Int'l Equity | 0.00 | 2.58 | 5.38 | 8.17 | 10.97 | 13.66 | 16.29 | 18.99 | 20.00 | 20.00 |
| Int'l Small Cap Equity | 9.81 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Emerging Markets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Short Term Govt/Credit | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Int. Investment Grade | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Core Investment Grade | 30.19 | 27.42 | 24.62 | 21.83 | 19.03 | 16.07 | 12.97 | 10.00 | 10.00 | 10.00 |
| Short Duration High Yield | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| High Yield | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.27 | 0.75 | 1.01 | 0.00 | 0.00 |
| Real Estate – Core | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 3.13 |
| Real Estate – Value Add | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Private Equity | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| HFoF - Multi Strategy | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Opportunistic Strategies | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 1.60 | 0.00 |
| GTAA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Infrastructure | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Return | 6.23 | 6.38 | 6.52 | 6.66 | 6.80 | 6.93 | 7.07 | 7.20 | 7.28 | 7.31 |
| Risk | 7.56 | 7.97 | 8.38 | 8.79 | 9.21 | 9.64 | 10.07 | 10.50 | 11.44 | 12.72 |
| Return/Risk | 0.82 | 0.80 | 0.78 | 0.76 | 0.74 | 0.72 | 0.70 | 0.69 | 0.64 | 0.57 |

Compound annual return.

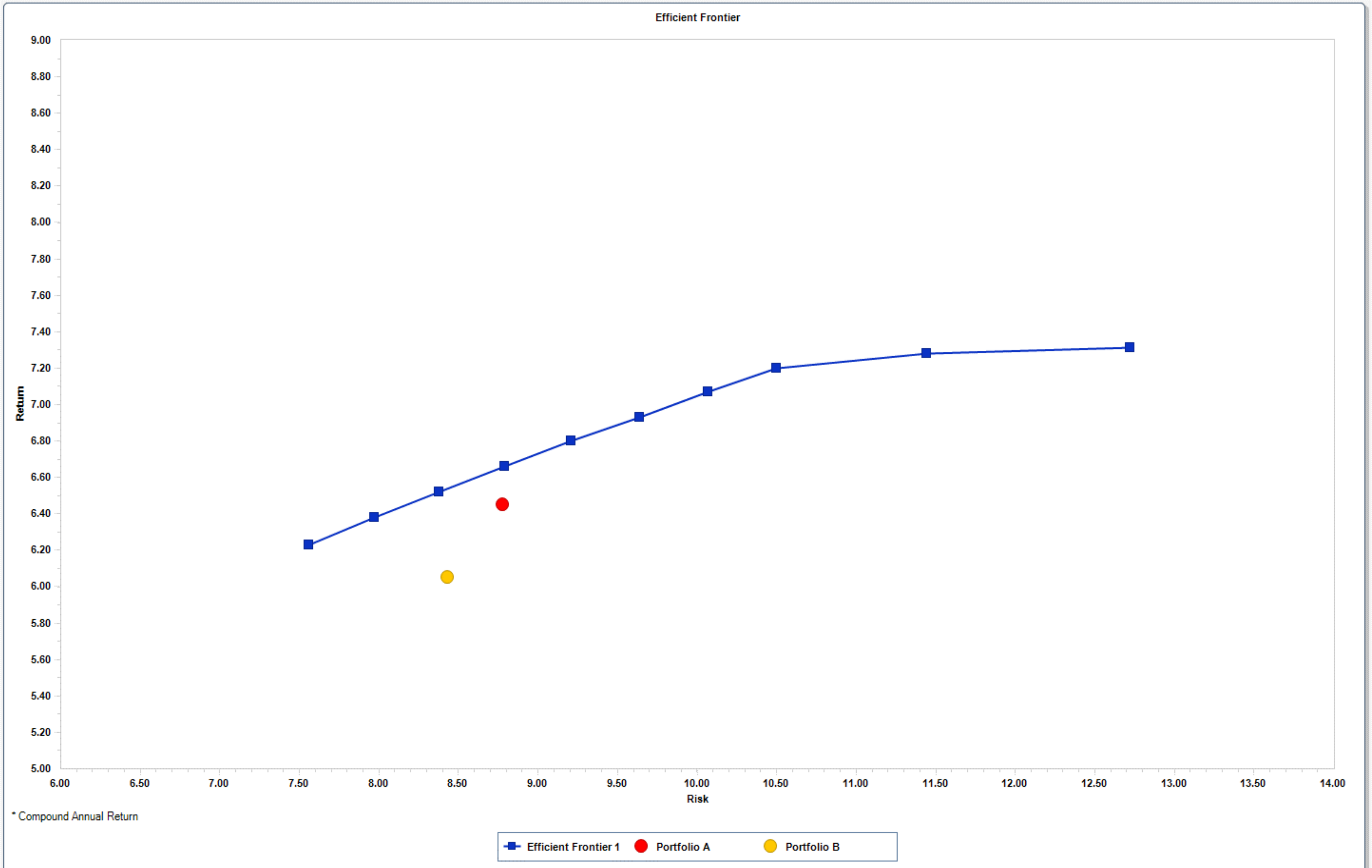
# Current Policy Comparison

| | | % Equity Target | | | % Fixed Income Target | | % Alternatives Target | | | | | Expected Return (net of fees) | Risk | Comments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | US LC Equity | US SMID Cap Equity | Int'l Equity | Fixed Income Interm | High Yield | GTAA | Real Estate Core | Real Estate Value Add | Opp | Private Equity | | | |
| 1 | UFCW and Safeway Variable Annuity Pension Fund Portfolio A | 22.5 | 7.5 | 7.5 | 15.0 | 12.5 | 0.0 | 5.0 | 15.0 | 10.0 | 5.0 | 6.45% | 8.78 | Current Policy |
| 2 | Portfolio B | 22.5 | 7.5 | 7.5 | 15.0 | 15.0 | 10.0 | 7.5 | 15.0 | 0.0 | 0.0 | 6.05% | 8.43 | Potential Interim Allocation Targets |

Scenarios are shown for illustrative purposes.

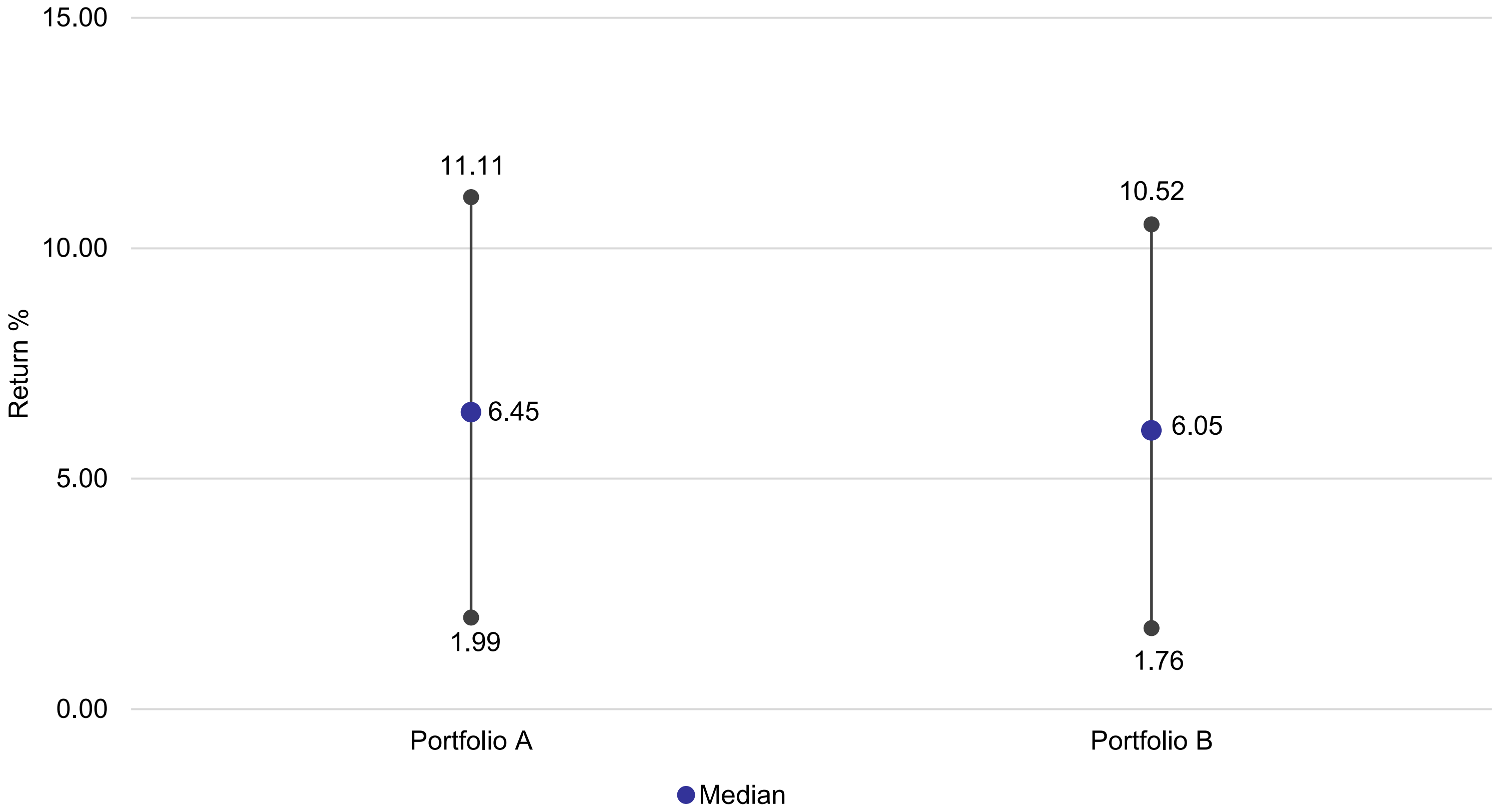
| | |
|---|---|
| Green | Increase allocation |
| Red | Decrease allocation |
| Blue | New asset class |

# Efficient Frontier Comparison



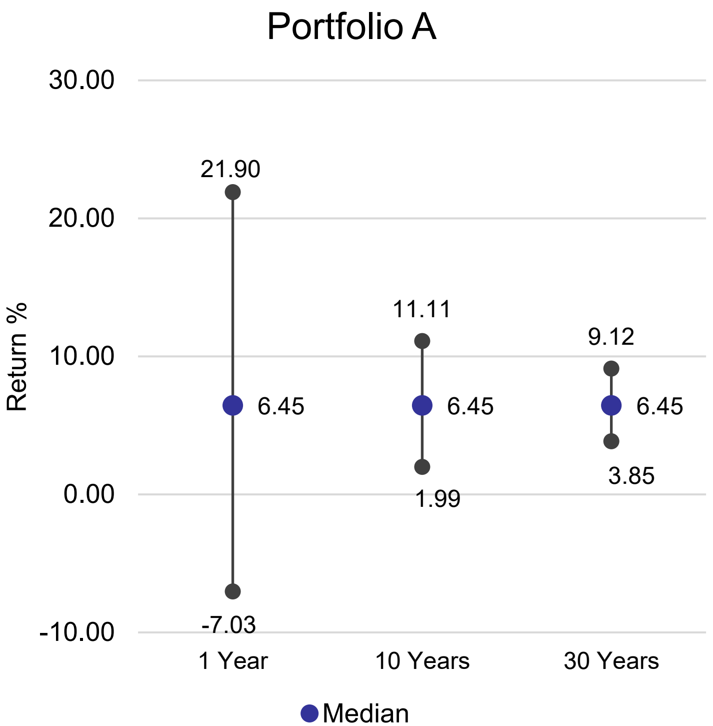

* Compound Annual Return

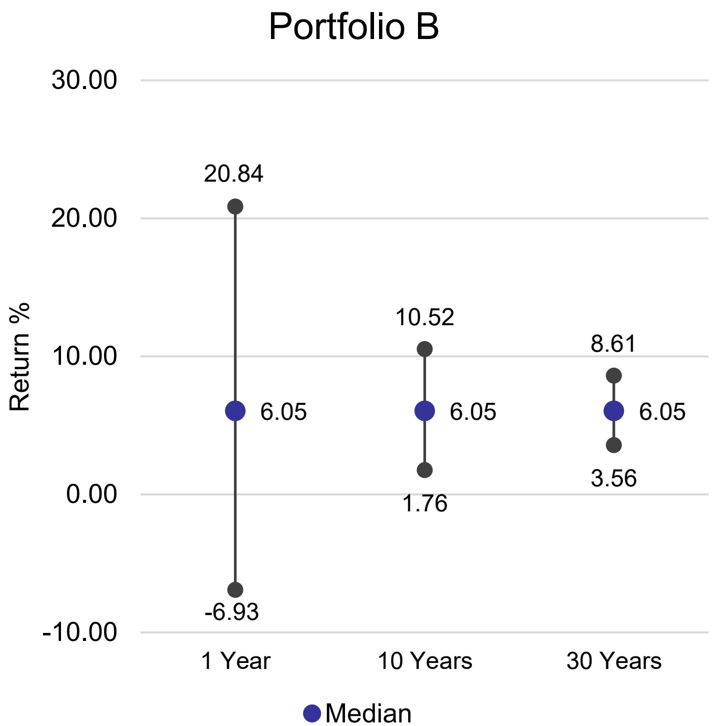
# Potential Distribution of Returns – 10 Year Horizon




Potential distribution of returns is based on the Parametric Method. Best and worst outcomes are based on the 5th and 95th percentile, respectively.

# Potential Distribution of Returns

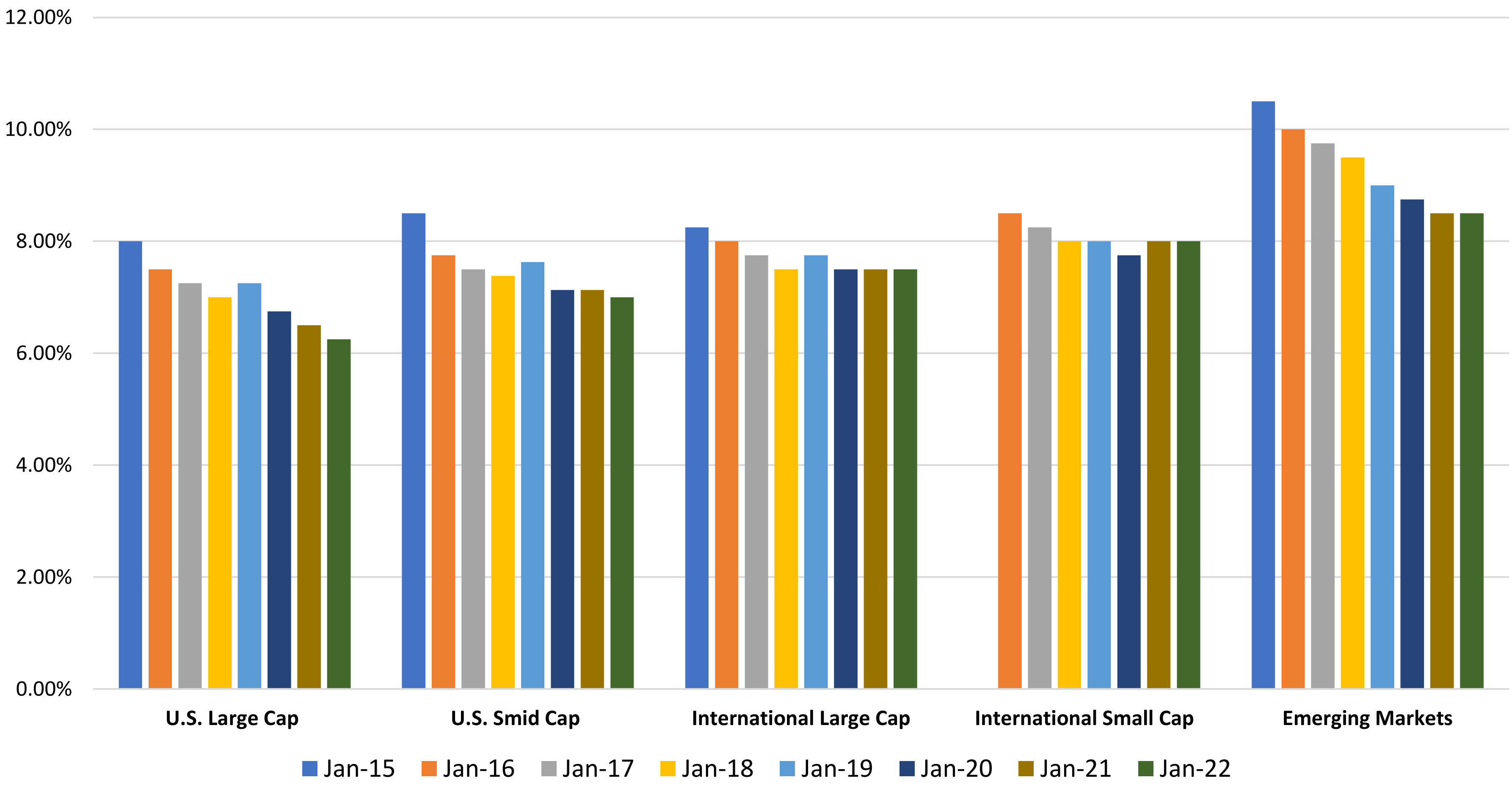


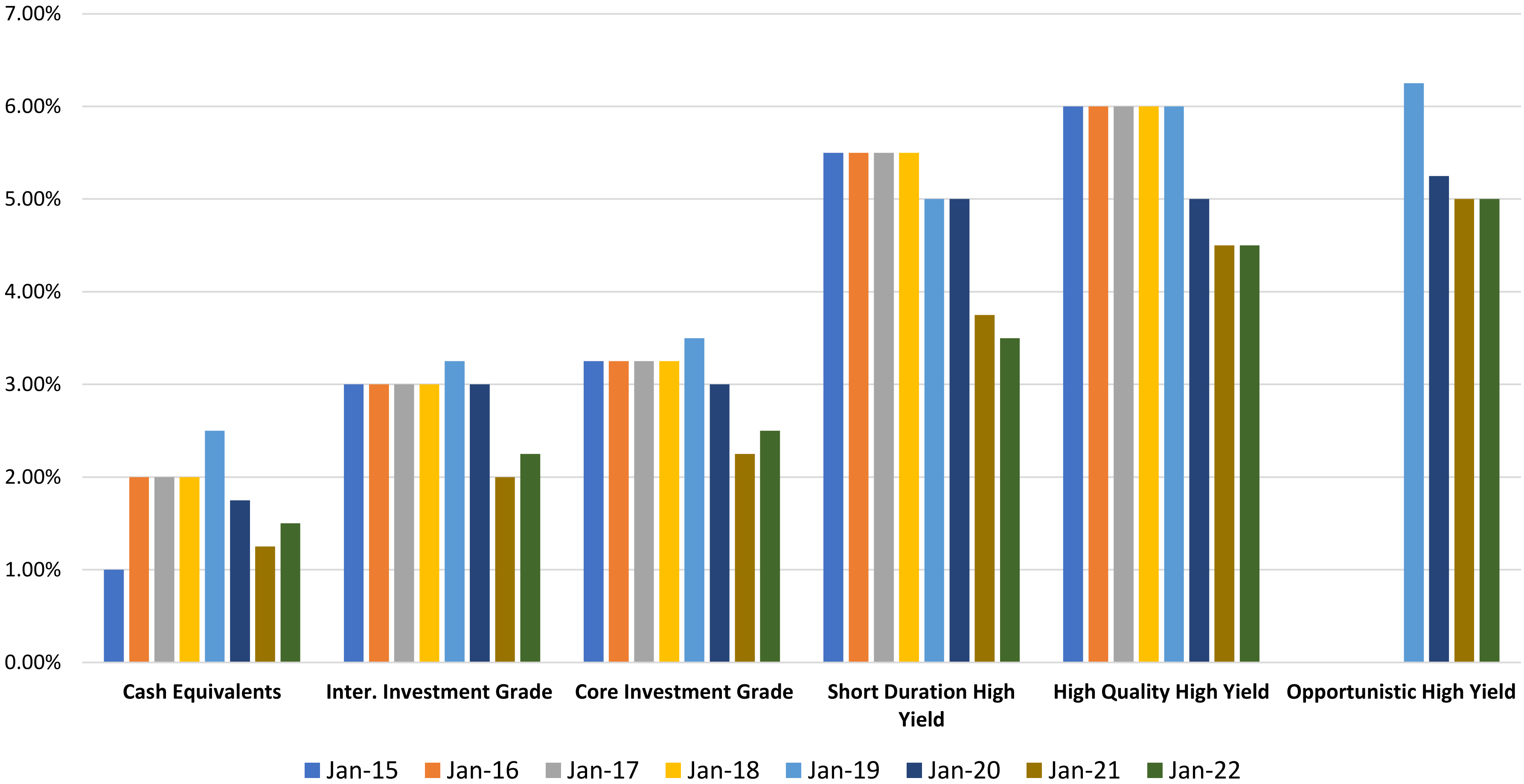

Potential distribution of returns is based on the Parametric Method. Best and worst outcomes are based on the 5th and 95th percentile, respectively.

# APPENDIX

# Public Equity – IPS Historical Capital Market Assumptions

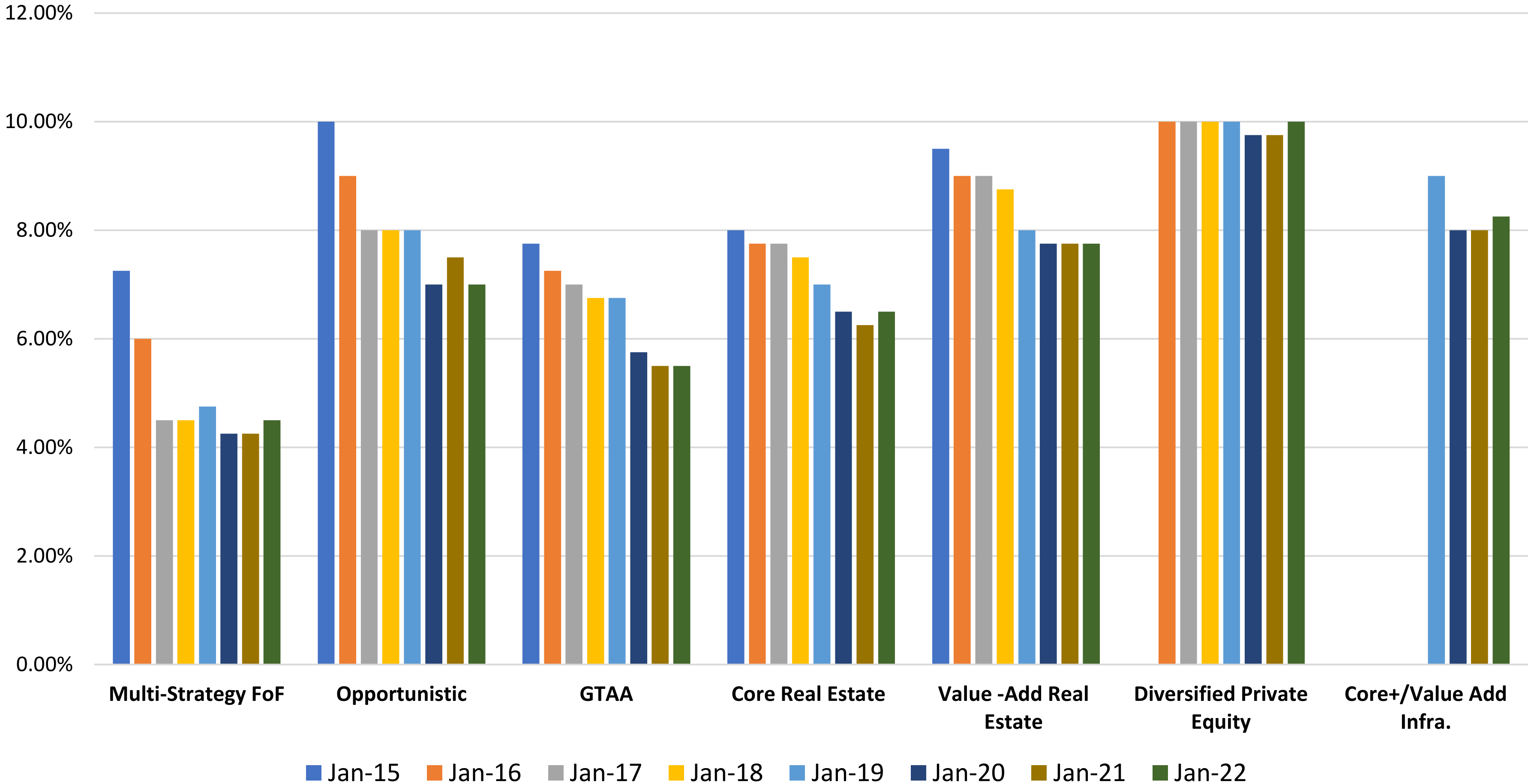


# Fixed Income – IPS Historical Capital Market Assumptions




IPS began setting a capital market assumption for Opportunistic High Yield in January 2019.

# Alternative Investments – IPS Historical Capital Market Assumptions



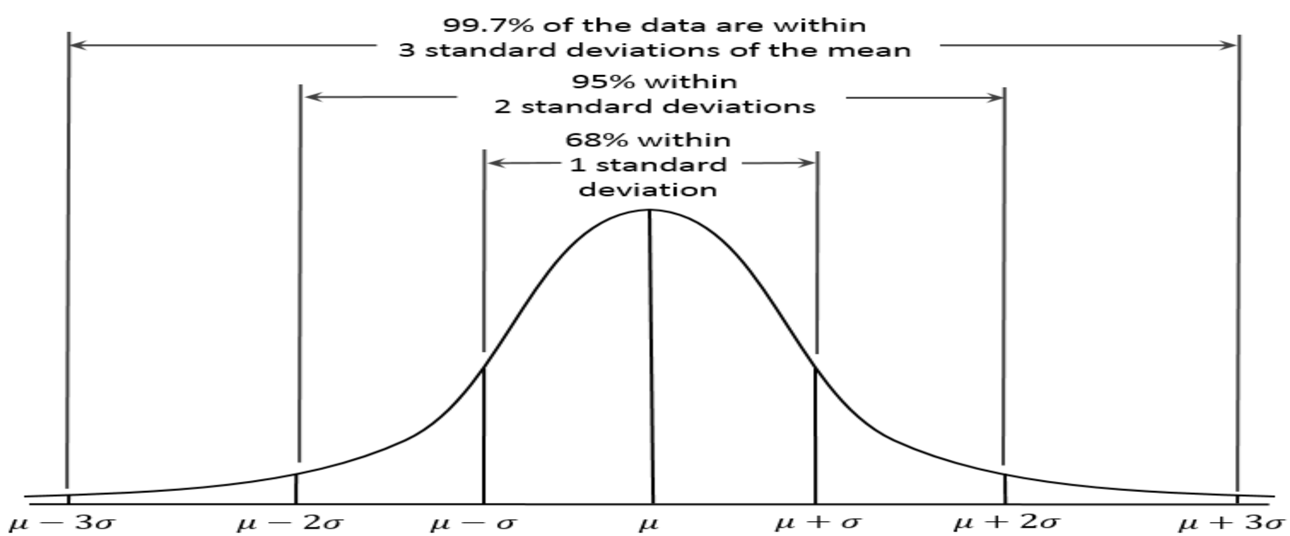

IPS began setting a capital market assumption for Core+/Value Add Infrastructure in January 2019.

# Explanation of Methodology

- The analysis in this presentation utilizes the parametric method, also known as the variance-covariance method

- The parametric method assumes a normal distribution of returns, commonly referred to as a bell-shaped curve.
  - For a normal distribution, 68% of the observations are within +/- one standard deviation, 95% are within +/- two standard deviations, and 99.7% are within +/- three standard deviations

- The chart below shows a normal distribution




- In reality, financial returns are not "normal;" they exhibit positive skewness (you get more positive returns above the mean than a normal distribution would predict) and kurtosis (the extreme "tails" of both positive and negative returns occur more often and are more extreme than a normal distribution would predict).

## UFCW and Safeway Variable Annuity Pension Fund

### Investment Manager Review

Large Cap Growth Equity Index

As of 3/2022
Benchmark: Russell 1000 Growth
Universe: eVestment US Large Cap Growth Equity

# Executive Summary

## Manager Search Process

- Assist the Trustees in specifying the characteristics of the investment manager that will satisfy the needs of the Fund. This is accomplished within the scope of the Fund's investment policy statement.

- IPS develops a list of qualified candidates for each asset class and investment style. Investment manager candidates are thoroughly researched from various sources, including the eVestment database, Wilshire Compass database, Morningstar mutual fund database, and industry/public information. The purpose of the due diligence discipline is to reduce the immense list of potential candidates to a manageable group of firms with an impartial eye on meeting all selection criteria. That list is further examined to determine an approved list of "best in class" managers.

- Consistency of performance is a key component of the manager search process. IPS is mindful of the mathematics of an investment loss, which requires the achievement of higher rates of positive performance to recover from a loss. Investment managers that outperform or capture a significant amount of market upside when markets are positive, while protecting capital when markets decline, are preferred. IPS believes that managers who can provide this asymmetric return profile of performance and risk will rank well when longer time periods are considered.

- For every investment manager search, as part of the IPS due diligence process, IPS sends a Request for Information (RFI) to each potential candidate, regarding the product characteristics, performance, personnel, investment process and other relevant criteria. A copy of the RFI for each manager may be provided to the Fund's Administrator and additional copies can be provided to the Trustees upon request.

- It is important to note that no fees are paid to IPS by any investment manager to be included in a search or database. The only requirement placed upon the manager is their willingness to submit and maintain data concerning their firm, its investment products, and performance results.

- IPS does not sell products or services to investment managers. However, investment managers may pay IPS to attend and to help defray the cost of IPS' annual conference, EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend and help defray the costs of EPIC.

- If the Trustees so desire, the next step can be a presentation of background information regarding the firms meeting the selection criteria. IPS will assist in the review of these candidates to help the Board of Trustees choose the best candidates to make personal interviews and presentations by their principals and/or managers who will be responsible for managing the fund's assets.

- The last meeting, held at the Trustees' discretion, is the personal presentation of the final group of candidates who appear to best meet the needs of the Trustees and their objectives. The manager presentation is a very important step in the Trustee's process of evaluating and comparing the candidates.

- The conclusion of the search process is the selection of the firm(s) by the Trustees to manage the assets.

- Importantly, as part of our ongoing performance evaluation reports, we will review the manager transfer as it occurs, and ensure the accurate accounting of the changes made.

## Perspective on Performance and Risk Data

The manager search materials include historical performance results. It is important to remember that past performance is not to be construed as a guarantee of future performance. The key to using historical performance data is to develop an expectation of returns during various market environments and to determine which type of return (and thus which type of manager) best suits the client's needs. We use historical data to "look behind" the managers' numbers for consistency of returns and to inspect how they preserve capital over full market cycles and in declining markets.

Included within the manager search materials are the following: firm's history, fund styles, fees, volatility, relative performance, and risk measures. This information is critical when comparing the candidates among each other. The material is presented in a consistent fashion to ensure there is a level playing field.

# Firm and Strategy Summary
## Periods Ending 3/2022

| Investment Manager | Founded | City | State | Ownership | E&O Coverage (Millions) | Total AUM (Millions) | Taft-Hartley AUM (Millions) | Taft-Hartley Accounts | Strategy Inception Date | Strategy AUM (Millions) |
|---|---|---|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | 1988 | Chicago | Illinois | Public Corporation | $75 | $1,248,991 | $8,939 | 17 | 04/01/1995 | $28,044 |
| State Street Global Advisors | 1978 | Boston | Massachusetts | Public Corporation | $75 | $4,021,920 | $53,839 | 533 | 10/01/1991 | $16,424 |

# Strategy and Investment Terms
## Commingled Fund
### Periods Ending 3/2022

| Investment Manager | Minimum Investment | Standard Fee | Accepts H&W Assets | 408(b)(2) Provided |
|---|---|---|---|---|
| Northern Trust Global Management | CTF - None | Lending: 3 Bps < $100MM, 1.5 Bps $100-$500MM, 1 Bps Thereafter; Non-Lending: 4 Bps <$100MM, 2 Bps $100-$500MM, 1.5 Bps Thereafter | CIT - No Common - Yes (1) | Yes |
| State Street Global Advisors | CTF - $5,000,000 | 4 Bps First $50MM, 3 Bps Next $50MM, 3 Bps Thereafter | Yes (2) | N/A (3) |

Commingled funds have proprietary investment policies that govern their investment activities. Those policies may differ from those of their separately managed clients.
(1) Typically Health and Welfare plans are not eligible to participate in the collective funds, but are eligible for the common funds.
(2) In order to participate in the CTFs, the Health and Welfare or Annuity assets must establish a trust relationship with SSGA through an Agreement of Trust, and such assets must be exempt from U.S. tax pursuant to Section 501(a), (c) or (d) of the Internal Revenue Code of 1986, as amended.
(3) As a bank, State Street Bank and Trust Company is exempt from having to register as an investment adviser with the U.S. Securities and Exchange Commission under Section 202(a)(11)(a) of the Investment Advisers Act of 1940.

## Annalized Returns
### Periods Ending 3/2022

| Investment Manager | Strategy | QTD | YTD | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|---|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT Russell 1000 Growth Index Equity Strategy | -9.01 | -9.01 | 14.97 | 23.54 | 20.84 | 17.31 | 17.03 |
| State Street Global Advisors | Russell 1000 Growth Index | -9.01 | -9.01 | 14.98 | 23.59 | 20.87 | 17.34 | 17.05 |
| Russell Index | Russell 1000 Growth | -9.04 | -9.04 | 14.98 | 23.60 | 20.88 | 17.34 | 17.04 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

## Calendar Year Returns

| Investment Manager | Strategy | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT Russell 1000 Growth Index Equity Strategy | 27.60 | 38.26 | 36.36 | -1.53 | 30.14 | 7.14 | 5.61 | 13.10 | 33.49 | 15.27 |
| State Street Global Advisors | Russell 1000 Growth Index | 27.56 | 38.45 | 36.38 | -1.50 | 30.12 | 7.16 | 5.64 | 13.09 | 33.50 | 15.35 |
| Russell Index | Russell 1000 Growth | 27.60 | 38.49 | 36.39 | -1.51 | 30.21 | 7.08 | 5.67 | 13.05 | 33.48 | 15.26 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

## 5 Year Risk Statistics
### Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT Russell 1000 Growth Index Equity Strategy | 1.00 | 1.13 | 0.05 | 17.40 | 99.79 | 99.91 |
| State Street Global Advisors | Russell 1000 Growth Index | 1.00 | 1.14 | 0.03 | 17.42 | 99.94 | 99.98 |
| Russell Index | Russell 1000 Growth | 1.00 | 1.14 | 0.00 | 17.43 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
**Sharpe Ratio** - A measure of return in excess of the risk-free rate (U.S. Treasury Bills) per unit of volatility. The ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the portfolio's standard deviation. The greater a portfolio's ratio, the better its risk-adjusted performance.
**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
**Information Ratio** – A measure of a portfolio's excess returns above (below) a benchmark to the volatility of those excess returns. Information is calculated by subtracting the return of a portfolio by the return of the benchmark and then dividing that by the tracking error of those returns. A positive information ratio implies a manager is rewarded for their active decisions around their benchmark.
**Consistency** - Defined as the percentage of months the manager outperformed the index (also referred to as "batting average").
**Standard Deviation** - A statistical measure of the dispersion of a set of data from its mean, depicting how widely returns varied over a certain period of time. Standard deviation is the most commonly cited measure of the volatility or "risk" in investment returns. An investment manager with a standard deviation in excess of the index historically had volatility greater than the index.
**Capture Ratios** - A measure an investment manager's performance relative to their benchmark in a rising ("up market capture") or falling ("down market capture") environment. Up and down market capture ratios indicate the percentage of the "market's" performance captured by an investment manager. For example, a manager with a downside capture of 80% generated a return that was less negative than the market (i.e., S&P -1.0% vs. manager -0.8%); a manager with a downside capture of 120% generated a return that was more negative than the market (i.e., S&P -1.0% vs. manager -1.2%); and a manager with a downside capture of -100% generated a positive return in a negative market environment (i.e. S&P -1.0% vs. manager +1.0%).

## 10 Year Risk Statistics
### Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT Russell 1000 Growth Index Equity Strategy | 1.00 | 1.14 | 0.05 | 14.39 | 99.86 | 99.88 |
| State Street Global Advisors | Russell 1000 Growth Index | 1.00 | 1.14 | 0.03 | 14.41 | 99.99 | 99.95 |
| Russell Index | Russell 1000 Growth | 1.00 | 1.14 | 0.00 | 14.41 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
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| Firm | Firm Background |
| --- | --- |
| Northern Trust Asset Management | About Northern Trust Asset Management: Northern Trust Asset Management is a global investment manager that helps investors navigate changing market environments, so they can confidently realize their long-term objectives. Entrusted with $1.3 trillion in assets,* we understand that investing ultimately serves a greater purpose and believe investors should be compensated for the risks they take — in all market environments and any investment strategy. That's why we combine robust capital markets research, expert portfolio construction and comprehensive risk management to craft innovative and efficient solutions that deliver targeted investment outcomes. As engaged contributors to our communities, we consider it a great privilege to serve our investors and our communities with integrity, respect, and transparency. Firm Investment Philosophy: We believe investors should be compensated for the risks they take — in all market environments and any investment strategy. At the heart of this philosophy is how we think about, view and analyze risk. This deep understanding and respect for employing risk purposely serves as the foundation for every investment solution and perspective we provide to our clients. As risk-aware investors, this means that risk is taken intentionally to help achieve investors' desired outcomes. Our products and solutions are thoughtfully designed and efficiently executed with this perspective in mind. They are managed by consistently applying an empirically based and disciplined investment approach. We believe that focusing on only taking compensated risk minimizes unintended consequences, provides consistent and persistent returns over the long-term, and enables investors to achieve their objectives. About Northern Trust Corporation: Northern Trust Corporation (Nasdaq: NTRS) is a leading provider of wealth management, asset servicing, asset management and banking to corporations, institutions, affluent families, and individuals. Founded in Chicago in 1889, Northern Trust has offices in the United States in 26 states and Washington, D.C., and 30 international locations in Canada, Europe, the Middle East, and the Asia-Pacific region. For over 130 years, Northern Trust has earned distinction as an industry leader for exceptional service, financial expertise, integrity, and innovation. *Assets under management as of Dec 31, 2021 |
| State Street Global Advisors | For nearly four decades, State Street Global Advisors has been committed to helping their clients, and those who rely on them, achieve financial security. Founded in 1978 as the Asset Management Division of State Street Bank and Trust Company, State Street Global Advisors was established to provide institutional investment management services focused on equity indexing and cash. That same year, the firm launched one of the industry's first S&P 500 index funds. In 1995, all of State Street's investment management services were reorganized under State Street Global Advisors. The firm's parent company, State Street Bank and Trust Company, has been incorporated as a Massachusetts trust company since 1891. They partner with many of the world's largest, most sophisticated investors and financial intermediaries to help them reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. With trillions in assets, their scale and global reach offer clients unrivaled access to markets, geographies and asset classes, and allows State Street to deliver thoughtful insights and innovative solutions. State Street Global Advisors has also attained ETF industry leadership with its SPDR® family, including first-to-market launches with gold, international real estate, fixed-income and sector-specific ETFs. |

INVESTMENT PERFORMANCE SERVICES, LLC

# UFCW and Safeway Variable Annuity Pension Fund

## Investment Manager Review

Large Cap Value Equity Index

As of 3/2022
Benchmark: Russell 1000 Value
Universe: eVestment US Large Cap Value Equity

# Executive Summary

## Manager Search Process

- Assist the Trustees in specifying the characteristics of the investment manager that will satisfy the needs of the Fund. This is accomplished within the scope of the Fund's investment policy statement.

- IPS develops a list of qualified candidates for each asset class and investment style. Investment manager candidates are thoroughly researched from various sources, including the eVestment database, Wilshire Compass database, Morningstar mutual fund database, and industry/public information. The purpose of the due diligence discipline is to reduce the immense list of potential candidates to a manageable group of firms with an impartial eye on meeting all selection criteria. That list is further examined to determine an approved list of "best in class" managers.

- Consistency of performance is a key component of the manager search process. IPS is mindful of the mathematics of an investment loss, which requires the achievement of higher rates of positive performance to recover from a loss. Investment managers that outperform or capture a significant amount of market upside when markets are positive, while protecting capital when markets decline, are preferred. IPS believes that managers who can provide this asymmetric return profile of performance and risk will rank well when longer time periods are considered.

- For every investment manager search, as part of the IPS due diligence process, IPS sends a Request for Information (RFI) to each potential candidate, regarding the product characteristics, performance, personnel, investment process and other relevant criteria. A copy of the RFI for each manager may be provided to the Fund's Administrator and additional copies can be provided to the Trustees upon request.

- It is important to note that no fees are paid to IPS by any investment manager to be included in a search or database. The only requirement placed upon the manager is their willingness to submit and maintain data concerning their firm, its investment products, and performance results.

- IPS does not sell products or services to investment managers. However, investment managers may pay IPS to attend and to help defray the cost of IPS' annual conference, EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend and help defray the costs of EPIC.

- If the Trustees so desire, the next step can be a presentation of background information regarding the firms meeting the selection criteria. IPS will assist in the review of these candidates to help the Board of Trustees choose the best candidates to make personal interviews and presentations by their principals and/or managers who will be responsible for managing the fund's assets.

- The last meeting, held at the Trustees' discretion, is the personal presentation of the final group of candidates who appear to best meet the needs of the Trustees and their objectives. The manager presentation is a very important step in the Trustee's process of evaluating and comparing the candidates.

- The conclusion of the search process is the selection of the firm(s) by the Trustees to manage the assets.

- Importantly, as part of our ongoing performance evaluation reports, we will review the manager transfer as it occurs, and ensure the accurate accounting of the changes made.

<u>Perspective on Performance and Risk Data</u>

The manager search materials include historical performance results. It is important to remember that past performance is not to be construed as a guarantee of future performance. The key to using historical performance data is to develop an expectation of returns during various market environments and to determine which type of return (and thus which type of manager) best suits the client's needs. We use historical data to "look behind" the managers' numbers for consistency of returns and to inspect how they preserve capital over full market cycles and in declining markets.

Included within the manager search materials are the following: firm's history, fund styles, fees, volatility, relative performance, and risk measures. This information is critical when comparing the candidates among each other. The material is presented in a consistent fashion to ensure there is a level playing field.

# Firm and Strategy Summary
## Periods Ending 3/2022

| Investment Manager | Founded | City | State | Ownership | E&O Coverage (Millions) | Total AUM (Millions) | Taft-Hartley AUM (Millions) | Taft-Hartley Accounts | Strategy Inception Date | Strategy AUM (Millions) |
|---|---|---|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | 1988 | Chicago | Illinois | Public Corporation | $75 | $1,248,991 | $8,939 | 17 | 12/01/1990 | $22,185 |
| State Street Global Advisors | 1978 | Boston | Massachusetts | Public Corporation | $75 | $4,021,920 | $53,839 | 533 | 10/01/1991 | $15,343 |

# Strategy and Investment Terms
## Commingled Fund
### Periods Ending 3/2022

| Investment Manager | Minimum Investment | Standard Fee | Accepts H&W Assets | 408(b)(2) Provided |
|---|---|---|---|---|
| Northern Trust Global Management | CTF - None | Lending: 3 Bps < $100MM, 1.5 Bps $100-$500MM, 1 Bps Thereafter; Non-Lending: 4 Bps <$100MM, 2 Bps $100-$500MM, 1.5 Bps Thereafter | CIT - No Common - Yes (1) | Yes |
| State Street Global Advisors | CTF - $5,000,000 | 4 Bps First $50MM, 3 Bps Next $50MM, 3 Bps Thereafter | Yes (2) | N/A (3) |

Commingled funds have proprietary investment policies that govern their investment activities. Those policies may differ from those of their separately managed clients.
(1) Typically Health and Welfare plans are not eligible to participate in the collective funds, but are eligible for the common funds.
(2) In order to participate in the CTFs, the Health and Welfare or Annuity assets must establish a trust relationship with SSGA through an Agreement of Trust, and such assets must be exempt from U.S. tax pursuant to Section 501(a), (c) or (d) of the Internal Revenue Code of 1986, as amended.
(3) As a bank, State Street Bank and Trust Company is exempt from having to register as an investment adviser with the U.S. Securities and Exchange Commission under Section 202(a)(11)(a) of the Investment Advisers Act of 1940.

# Annalized Returns

## Periods Ending 3/2022

| Investment Manager | Strategy | QTD | YTD | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|---|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT Russell 1000 Value Index Equity Strategy | -0.77 | -0.77 | 11.68 | 13.11 | 10.37 | 9.80 | 11.75 |
| State Street Global Advisors | Russell 1000 Value Index | -0.75 | -0.75 | 11.70 | 13.08 | 10.35 | 9.80 | 11.75 |
| Russell Index | Russell 1000 Value | -0.74 | -0.74 | 11.67 | 13.02 | 10.29 | 9.73 | 11.70 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other.  In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

## Calendar Year Returns

| Investment Manager | Strategy | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT Russell 1000 Value Index Equity Strategy | 25.21 | 3.01 | 26.59 | -8.21 | 13.76 | 17.30 | -3.72 | 13.47 | 32.53 | 17.51 |
| State Street Global Advisors | Russell 1000 Value Index | 25.23 | 2.90 | 26.57 | -8.22 | 13.80 | 17.31 | -3.67 | 13.45 | 32.51 | 17.53 |
| Russell Index | Russell 1000 Value | 25.16 | 2.80 | 26.54 | -8.27 | 13.66 | 17.34 | -3.83 | 13.45 | 32.53 | 17.51 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other.  In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

## 5 Year Risk Statistics
**Periods Ending 3/2022**

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT Russell 1000 Value Index Equity Strategy | 1.00 | 0.56 | 0.05 | 16.55 | 100.18 | 99.83 |
| State Street Global Advisors | Russell 1000 Value Index | 1.00 | 0.56 | 0.04 | 16.55 | 100.10 | 99.82 |
| Russell Index | Russell 1000 Value | 1.00 | 0.56 | 0.00 | 16.56 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
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## 10 Year Risk Statistics
### Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT Russell 1000 Value Index Equity Strategy | 1.00 | 0.81 | 0.04 | 13.81 | 100.11 | 99.83 |
| State Street Global Advisors | Russell 1000 Value Index | 1.00 | 0.81 | 0.05 | 13.81 | 100.05 | 99.79 |
| Russell Index | Russell 1000 Value | 1.00 | 0.80 | 0.00 | 13.82 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
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| Firm | Firm Background |
| --- | --- |
| Northern Trust Asset Management | About Northern Trust Asset Management: Northern Trust Asset Management is a global investment manager that helps investors navigate changing market environments, so they can confidently realize their long-term objectives. Entrusted with $1.3 trillion in assets,* we understand that investing ultimately serves a greater purpose and believe investors should be compensated for the risks they take — in all market environments and any investment strategy. That's why we combine robust capital markets research, expert portfolio construction and comprehensive risk management to craft innovative and efficient solutions that deliver targeted investment outcomes. As engaged contributors to our communities, we consider it a great privilege to serve our investors and our communities with integrity, respect, and transparency. Firm Investment Philosophy: We believe investors should be compensated for the risks they take — in all market environments and any investment strategy. At the heart of this philosophy is how we think about, view and analyze risk. This deep understanding and respect for employing risk purposely serves as the foundation for every investment solution and perspective we provide to our clients. As risk-aware investors, this means that risk is taken intentionally to help achieve investors' desired outcomes. Our products and solutions are thoughtfully designed and efficiently executed with this perspective in mind. They are managed by consistently applying an empirically based and disciplined investment approach. We believe that focusing on only taking compensated risk minimizes unintended consequences, provides consistent and persistent returns over the long-term, and enables investors to achieve their objectives. About Northern Trust Corporation: Northern Trust Corporation (Nasdaq: NTRS) is a leading provider of wealth management, asset servicing, asset management and banking to corporations, institutions, affluent families, and individuals. Founded in Chicago in 1889, Northern Trust has offices in the United States in 26 states and Washington, D.C., and 30 international locations in Canada, Europe, the Middle East, and the Asia-Pacific region. For over 130 years, Northern Trust has earned distinction as an industry leader for exceptional service, financial expertise, integrity, and innovation. *Assets under management as of Dec 31, 2021 |
| State Street Global Advisors | For nearly four decades, State Street Global Advisors has been committed to helping their clients, and those who rely on them, achieve financial security. Founded in 1978 as the Asset Management Division of State Street Bank and Trust Company, State Street Global Advisors was established to provide institutional investment management services focused on equity indexing and cash. That same year, the firm launched one of the industry's first S&P 500 index funds. In 1995, all of State Street's investment management services were reorganized under State Street Global Advisors. The firm's parent company, State Street Bank and Trust Company, has been incorporated as a Massachusetts trust company since 1891. They partner with many of the world's largest, most sophisticated investors and financial intermediaries to help them reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. With trillions in assets, their scale and global reach offer clients unrivaled access to markets, geographies and asset classes, and allows State Street to deliver thoughtful insights and innovative solutions. State Street Global Advisors has also attained ETF industry leadership with its SPDR® family, including first-to-market launches with gold, international real estate, fixed-income and sector-specific ETFs. |

eVestment and its affiliated entities (collectively, "eVestment") collect information directly from investment management firms and other sources believed to be reliable; however, eVestment does not guarantee or warrant the accuracy, timeliness, or completeness of the information provided and is not responsible for any errors or omissions. Performance results may be provided with additional disclosures available on eVestment's systems and other important considerations such as fees that may be applicable. Not for general distribution.
* All categories not necessarily included; Totals may not equal 100%. 

INVESTMENT PERFORMANCE SERVICES, LLC

# UFCW and Safeway Variable Annuity Pension Fund

## Investment Manager Review

Global Tactical Asset Allocation (GTAA)

As of 3/2022

Benchmark: 65% MSCI World/35% FTSE World Gov't Bond, S&P 500, Bloomberg US Aggregate

Universe: eVestment Global Tactical Asset Allocation

# Executive Summary

## Manager Search Process

- Assist the Trustees in specifying the characteristics of the investment manager that will satisfy the needs of the Fund. This is accomplished within the scope of the Fund's investment policy statement.

- IPS develops a list of qualified candidates for each asset class and investment style. Investment manager candidates are thoroughly researched from various sources, including the eVestment database, Wilshire Compass database, Morningstar mutual fund database, and industry/public information. The purpose of the due diligence discipline is to reduce the immense list of potential candidates to a manageable group of firms with an impartial eye on meeting all selection criteria. That list is further examined to determine an approved list of "best in class" managers.

- Consistency of performance is a key component of the manager search process. IPS is mindful of the mathematics of an investment loss, which requires the achievement of higher rates of positive performance to recover from a loss. Investment managers that outperform or capture a significant amount of market upside when markets are positive, while protecting capital when markets decline, are preferred. IPS believes that managers who can provide this asymmetric return profile of performance and risk will rank well when longer time periods are considered.

- For every investment manager search, as part of the IPS due diligence process, IPS sends a Request for Information (RFI) to each potential candidate, regarding the product characteristics, performance, personnel, investment process and other relevant criteria. A copy of the RFI for each manager may be provided to the Fund's Administrator and additional copies can be provided to the Trustees upon request.

- It is important to note that no fees are paid to IPS by any investment manager to be included in a search or database. The only requirement placed upon the manager is their willingness to submit and maintain data concerning their firm, its investment products, and performance results.

- IPS does not sell products or services to investment managers. However, investment managers may pay IPS to attend and to help defray the cost of IPS' annual conference, EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend and help defray the costs of EPIC.

- If the Trustees so desire, the next step can be a presentation of background information regarding the firms meeting the selection criteria. IPS will assist in the review of these candidates to help the Board of Trustees choose the best candidates to make personal interviews and presentations by their principals and/or managers who will be responsible for managing the fund's assets.

- The last meeting, held at the Trustees' discretion, is the personal presentation of the final group of candidates who appear to best meet the needs of the Trustees and their objectives. The manager presentation is a very important step in the Trustee's process of evaluating and comparing the candidates.

- The conclusion of the search process is the selection of the firm(s) by the Trustees to manage the assets.

- Importantly, as part of our ongoing performance evaluation reports, we will review the manager transfer as it occurs, and ensure the accurate accounting of the changes made.

## Perspective on Performance and Risk Data

The manager search materials include historical performance results. It is important to remember that past performance is not to be construed as a guarantee of future performance. The key to using historical performance data is to develop an expectation of returns during various market environments and to determine which type of return (and thus which type of manager) best suits the client's needs. We use historical data to "look behind" the managers' numbers for consistency of returns and to inspect how they preserve capital over full market cycles and in declining markets.

Included within the manager search materials are the following: firm's history, fund styles, fees, volatility, relative performance, and risk measures. This information is critical when comparing the candidates among each other. The material is presented in a consistent fashion to ensure there is a level playing field.

# EPIC

**April 30 - May 3, 2019**

The following investment managers and providers included in this search attended and helped to defray the cost of IPS' annual conference EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend EPIC.

BlackRock Financial Management

First Eagle Investment Mgmt.

# Firm and Strategy Summary
## Periods Ending 3/2022

| Investment Manager | Founded | City | State | Ownership | E&O Coverage (Millions) | Total AUM (Millions) | Taft-Hartley AUM (Millions) | Taft-Hartley Accounts | Primary Investment Approach | Strategy Inception Date | Strategy AUM (Millions) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| BlackRock | 1988 | New York | New York | Public Corporation | $25 | $9,569,513 | $143,540 | 304 | Fundamental | 02/03/1989 | $60,900 |
| First Eagle Investment Management, LLC | 1864 | New York | New York | Private Limited Liability Company | $70 | $109,399 | $2,340 | 65 | Fundamental | 01/01/1979 | $65,139 |

# Strategy and Investment Terms
## Commingled Fund
### Periods Ending 3/2022

| Investment Manager | Minimum Investment | Liquidity Terms | Redemption Notice Time | Management Fee | Performance Fee | 408(b)(2) Provided |
|---|---|---|---|---|---|---|
| BlackRock Advisors, LLC | CIT - None | Daily | Daily | 59 Bps (1) | No | N/A (2) |
| First Eagle Investment Management, LLC | Limited Partnership - $5,000,000 | Monthly | 10 Days' Notice | 75 Bps (3) | No | Yes |

(1) BlackRock has agreed to waive the minimum annual fee of $25,000 for IPS clients.
(2) As a limited purpose national banking association, BlackRock Trust Company (BTC) is exempt from registration with the SEC as an investment adviser under Section 202 of the Investment Advisers Act of 1940 and therefore is not required to file a form ADV. BTC is primarily regulated by the Office of the Comptroller of the Currency (OCC) and must file securities registration and disclosure documents with the OCC. The results, reports and recommendations by the OCC, internal and external audits and other regulatory examinations are, by regulation, confidential in nature.
(3) Effective July 1, 2018, the General Partner, in its sole discretion, has voluntarily agreed to limit (on an aggregate class and/or series basis) the operating expenses charged against the classes and series of Units issued by the Partnership to 0.78% per annum. This cap on expenses includes the Management Fee charged to each such class or series of Units, as well as all the operating expenses of the Partnership allocated to each such class or series of Units excluding non-operating expenses and certain operating costs and expenses, including investment-related expenses, brokerage, interest expenses, taxes and extraordinary items. The expense cap is voluntary and First Eagle Investment Management reserves the right to discontinue the expense cap at its discretion.

# Investment Manager Comparison
## Global Tactical Asset Allocation
### Periods Ending 3/2022

| Strategy Name | Investable Asset Classes | Instruments Traded | Trading Frequency | Does Strategy Short? | Does Strategy Use Leverage? | Leverage Max |
|---|---|---|---|---|---|---|
| BlackRock Advisors, LLC - Global Allocation Fund | Global stocks and bonds from all sectors and from all issuers. | Global stocks and bonds from all sectors and issuers; commodity-linked derivatives and commodity ETF. | Daily | Yes | No | N/A |
| First Eagle Investment Management, LLC - Global Value | US, international, and emerging market equities; US, international, and emerging market fixed income; commodities and currencies. | Equity securities, corporate bonds, gold bullion, gold ETF, currency forward contracts. | Daily | No | No | N/A |

# Investment Manager Comparison
## Global Tactical Asset Allocation
### Periods Ending 3/2022

| | | Equity | | | Fixed Income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Strategy Name** | **Benchmark** | **Domestic** | **International** | **Emerging Mkts** | **Domestic** | **International** | **Emerging Mkts** | **Commodities** | **Other** | **Cash/Cash Equivalents** |
| BlackRock Advisors, LLC - Global Allocation Fund | 36% S&P 500, 24% FTSE World Index (ex US), 24% ML Treasury Index 5-year notes, 16% FTSE Non-USD WGBI | 37.1% | 20.2% | 5.3% | 8.3% | 5.1% | 1.3% | 0.3% | 0.0% | 29.1% |
| First Eagle Investment Management, LLC - Global Value | MSCI World Index | 44.0% | 30.6% | 6.6% | 0.0% | 0.0% | 0.0% | 9.5% | 0.0% | 9.3% |

## Annalized Returns

### Periods Ending 3/2022

| Investment Manager | Strategy | QTD | YTD | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|---|---|---|---|---|---|---|---|---|
| BlackRock | Global Allocation | -6.52 | -6.52 | -1.26 | 10.51 | 8.24 | 6.80 | 7.12 |
| First Eagle Investment Management, LLC | Global Value Equity | 0.54 | 0.54 | 9.24 | 11.13 | 8.68 | 8.33 | 8.59 |
| 65% MSCI World/35% FTSE World Gov't Bond | 65% MSCI World/35% FTSE World Gov't Bond | -5.56 | -5.56 | 3.68 | 9.85 | 8.69 | 7.31 | 7.30 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

## Calendar Year Returns

| Investment Manager | Strategy | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| BlackRock | Global Allocation | 7.68 | 21.71 | 18.64 | -6.61 | 14.59 | 4.93 | -0.06 | 2.93 | 15.59 | 11.11 |
| First Eagle Investment Management, LLC | Global Value Equity | 13.42 | 9.22 | 21.39 | -7.57 | 14.67 | 11.81 | 0.16 | 4.13 | 16.90 | 13.76 |
| 65% MSCI World/35% FTSE World Gov't Bond | 65% MSCI World/35% FTSE World Gov't Bond | 11.04 | 14.59 | 19.86 | -5.80 | 16.99 | 5.61 | -1.59 | 3.07 | 15.11 | 10.86 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

# 5 Year Risk Statistics vs. GTAA Benchmark
## Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Information Ratio | Consistency | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|---|---|
| BlackRock | Global Allocation | 0.98 | 0.69 | 1.90 | -0.23 | 45.00% | 10.37 | 92.66 | 93.25 |
| First Eagle Investment Management, LLC | Global Value Equity | 1.10 | 0.62 | 4.26 | 0.00 | 43.33% | 12.15 | 104.20 | 105.71 |
| 65% MSCI World/35% FTSE World Gov't Bond | 65% MSCI World/35% FTSE World Gov't Bond | 1.00 | 0.73 | 0.00 | --- | 0.00% | 10.41 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
**Sharpe Ratio** - A measure of return in excess of the risk-free rate (U.S. Treasury Bills) per unit of volatility. The ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the portfolio's standard deviation. The greater a portfolio's ratio, the better its risk-adjusted performance.
**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
**Information Ratio** – A measure of a portfolio's excess returns above (below) a benchmark to the volatility of those excess returns. Information is calculated by subtracting the return of a portfolio by the return of the benchmark and then dividing that by the tracking error of those returns. A positive information ratio implies a manager is rewarded for their active decisions around their benchmark.
**Consistency** - Defined as the percentage of months the manager outperformed the index (also referred to as "batting average").
**Standard Deviation** - A statistical measure of the dispersion of a set of data from its mean, depicting how widely returns varied over a certain period of time. Standard deviation is the most commonly cited measure of the volatility or "risk" in investment returns. An investment manager with a standard deviation in excess of the index historically had volatility greater than the index.
**Capture Ratios** - A measure an investment manager's performance relative to their benchmark in a rising ("up market capture") or falling ("down market capture") environment. Up and down market capture ratios indicate the percentage of the "market's" performance captured by an investment manager.  For example, a manager with a downside capture of 80% generated a return that was less negative than the market (i.e., S&P -1.0% vs. manager -0.8%); a manager with a downside capture of 120% generated a return that was more negative than the market (i.e., S&P -1.0% vs. manager -1.2%); and a manager with a downside capture of -100% generated a positive return in a negative market environment (i.e. S&P -1.0% vs. manager +1.0%).

# 5 Year Risk Statistics vs. S&P 500
## Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Information Ratio | Consistency | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|---|---|
| BlackRock | Global Allocation | 0.61 | 0.69 | 7.09 | -1.09 | 38.33% | 10.37 | 51.23 | 65.64 |
| First Eagle Investment Management, LLC | Global Value Equity | 0.71 | 0.62 | 6.55 | -1.11 | 26.67% | 12.15 | 59.72 | 77.98 |
| Standard & Poors Index | S&P 500 | 1.00 | 0.94 | 0.00 | --- | 0.00% | 15.78 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
**Sharpe Ratio** - A measure of return in excess of the risk-free rate (U.S. Treasury Bills) per unit of volatility. The ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the portfolio's standard deviation. The greater a portfolio's ratio, the better its risk-adjusted performance.
**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
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# 10 Year Risk Statistics vs. GTAA Benchmark

## Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Information Ratio | Consistency | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|---|---|
| BlackRock | Global Allocation | 0.94 | 0.75 | 2.04 | -0.09 | 45.83% | 8.75 | 90.13 | 87.45 |
| First Eagle Investment Management, LLC | Global Value Equity | 1.06 | 0.78 | 3.63 | 0.36 | 50.83% | 10.29 | 107.40 | 98.39 |
| 65% MSCI World/35% FTSE World Gov't Bond | 65% MSCI World/35% FTSE World Gov't Bond | 1.00 | 0.74 | 0.00 | --- | 0.00% | 9.10 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
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# 10 Year Risk Statistics vs S&P 500
## Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Information Ratio | Consistency | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|---|---|
| BlackRock | Global Allocation | 0.61 | 0.75 | 6.08 | -1.24 | 35.83% | 8.75 | 52.62 | 69.31 |
| First Eagle Investment Management, LLC | Global Value Equity | 0.70 | 0.78 | 6.01 | -1.01 | 31.67% | 10.29 | 62.01 | 76.65 |
| Standard & Poors Index | S&P 500 | 1.00 | 1.06 | 0.00 | --- | 0.00% | 13.24 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
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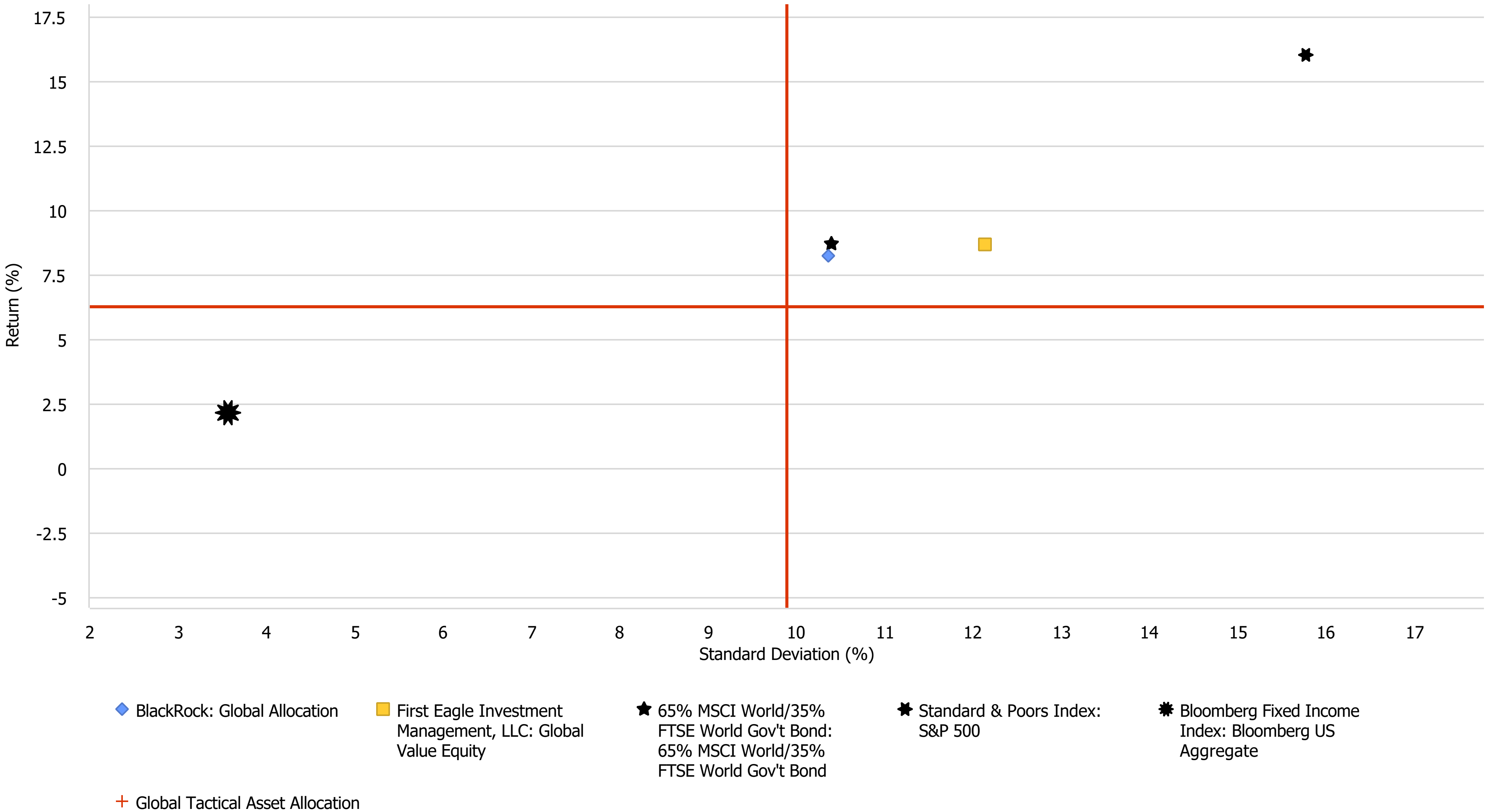
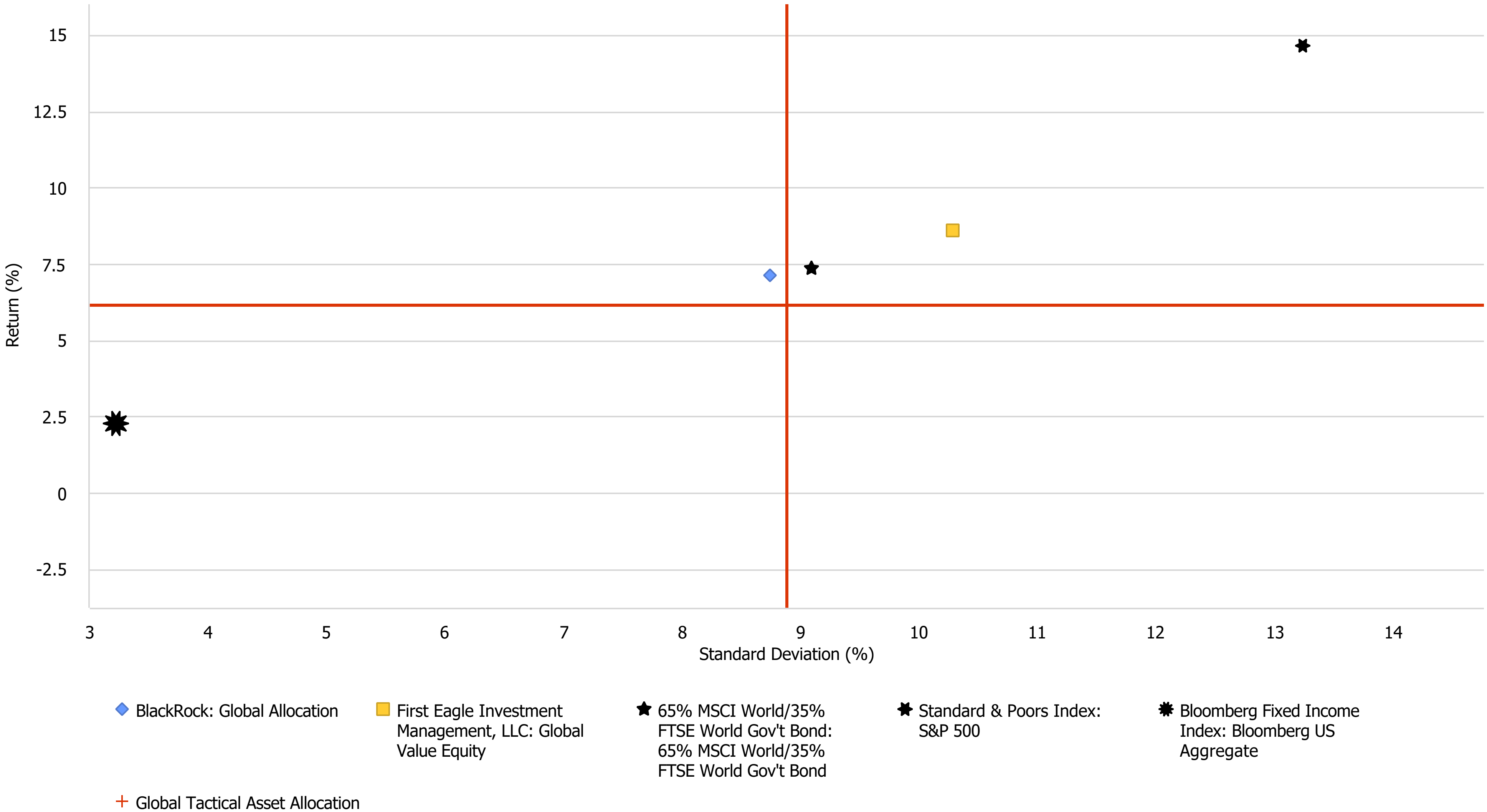
**Risk vs. Return**
**Annualized Five Year Returns**
**Periods Ending 3/2022**



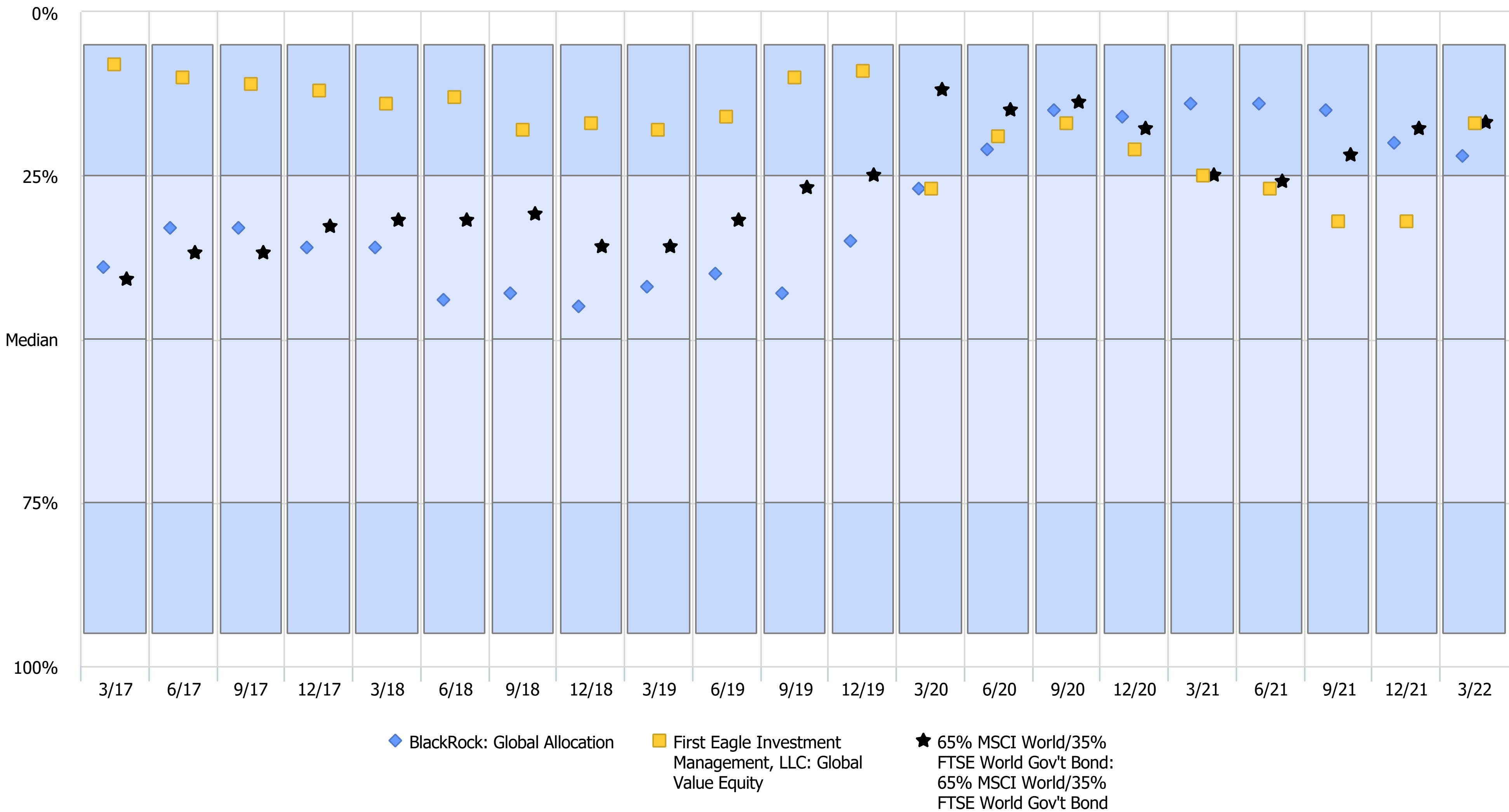

Universe: eVestment Global Tactical Asset Allocation

## Risk vs. Return
## Annualized Ten Year returns
### Periods Ending 3/2022




Universe: eVestment Global Tactical Asset Allocation

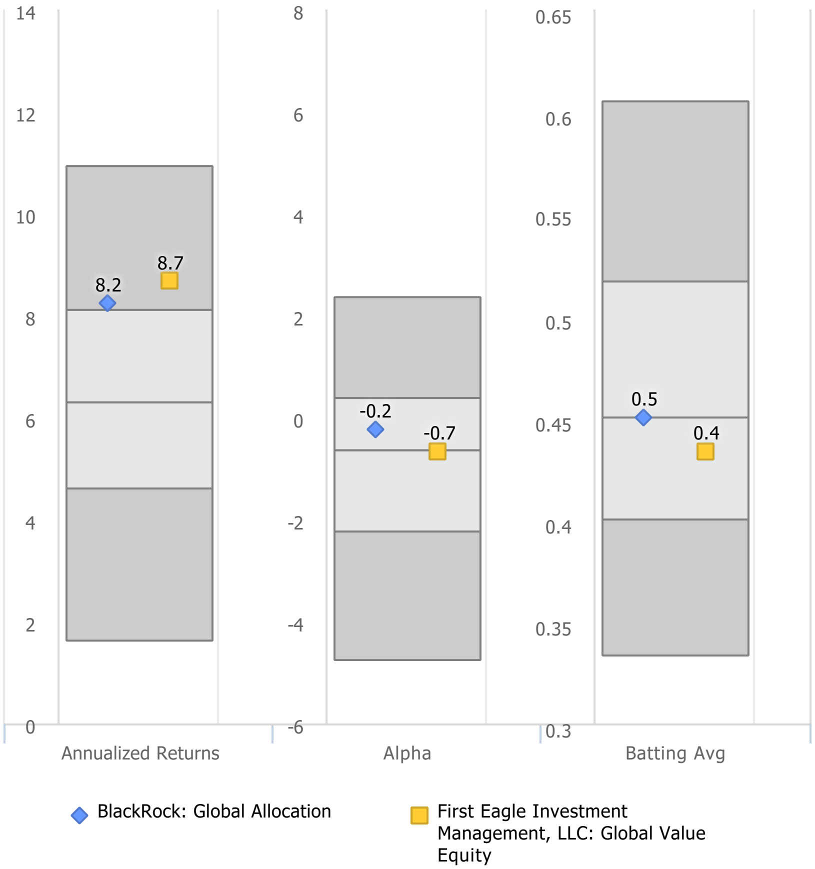
# 5 Year Rolling Returns with 1 Quarter Rollback - Universe Rankings
**Periods Ending 3/2022**




Universe: eVestment Global Tactical Asset Allocation

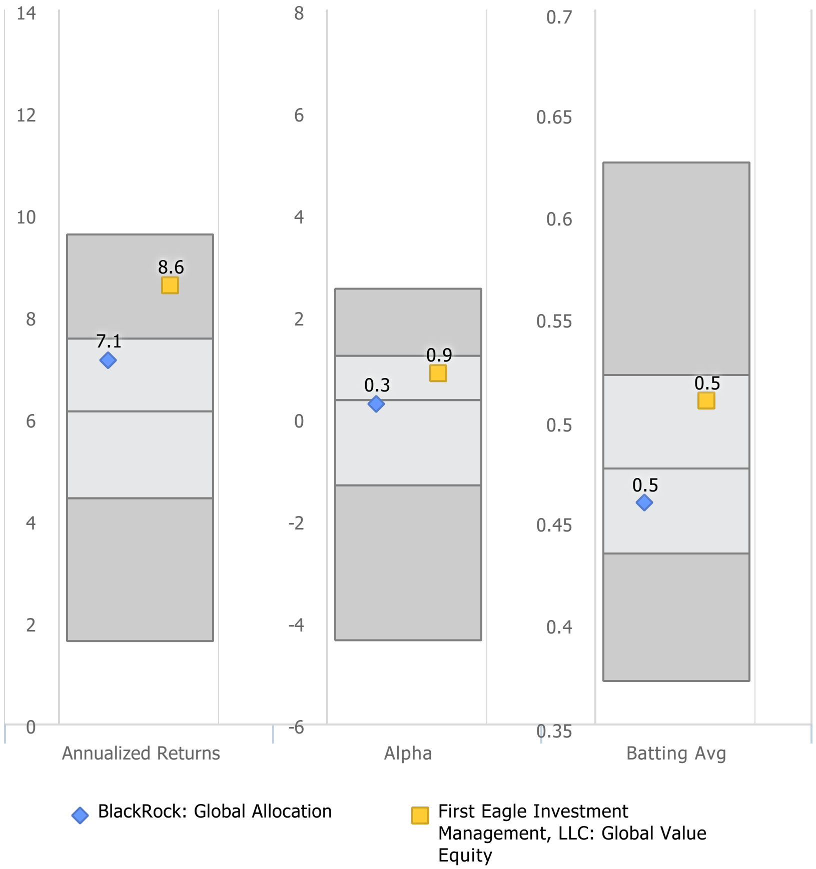
# eVestment Global Tactical Asset Allocation
## Returns and Statistics
### Periods Ending 3/2022

**5 Year Statistics**




Universe: eVestment Global Tactical Asset Allocation

**10 Year Statistics**




Universe: eVestment Global Tactical Asset Allocation

**Alpha** - The amount of an investment's return that is independent of the return of the market. Alpha is generated by active management through security selection and may be positive or negative relative to a given benchmark.

**Batting Average** - Defined as the percentage of months the manager outperformed the index (also referred to as "consistency").

| Firm | Investment Summary |
| --- | --- |
| BlackRock | The Global Allocation Team (the "Team") believes competitive returns with low-to-moderate levels of risk can be achieved through a flexible, research-intensive, approach. The strategy embraces an unconstrained, global, diversified style of investing and seeks the best investment opportunities worldwide; broadly diversified across asset classes, countries, and securities. The Team employs a disciplined process that combines macro regime identification, asset allocation and fundamental, bottom-up security selection augmented by quantitative research and analytics. The Strategy's positioning may vary in response to changing market and economic trends. |
| First Eagle Investment Management, LLC | The Global Value Strategy (the "Strategy") seeks to deliver attractive real returns while avoiding the permanent impairment of capital over time by using a value approach to investing in global equity markets. The investment team follows a bottom-up, fundamental approach, focusing on companies with businesses which it believes both exhibit sustainable profitability and are trading at significant discounts to their "Intrinsic Values". Additionally, the team has the flexibility to invest in non-equity securities, including cash and cash equivalents, corporate debt, short-term government bonds and gold. FEIM defines "Intrinsic Value" as its estimate of what a knowledgeable buyer might pay in cash for an entire business. FEIM defines "Margin of Safety" as the difference between a company's market price and the relevant strategy or fund's portfolio managers' estimate of its Intrinsic Value. Both definitions are are subjective and may vary. |

| Firm | Firm Background |
| --- | --- |
| BlackRock | BlackRock is a premier provider of global investment management services. As of 31st Dec 2021, we have been entrusted to manage $10 trillion across equity, fixed income, alternatives, multi-asset, and cash management strategies for our institutional and retail clients. We collectively support millions of people around the world by working alongside institutions and financial advisors as they contribute to the financial well-being of those who depend on them. Since our founding in 1988, BlackRock has sought to tackle clients' challenges by innovating to meet their needs. All clients, no matter their size, give us the opportunity to innovate and then scale our solutions so more of our clients can benefit. Over thirty years ago, BlackRock was founded as a fixed income manager and introduced the first risk-managed fixed income solutions. The firm was a novelty at the time, focused on the innovative potential of robust risk management within an independent buy-side firm. We also pioneered index and quantitative investing with the objective of simplifying investing. In conjunction with our expanding range of products, BlackRock developed our now industry-leading risk and portfolio construction technology, Aladdin®, to add clarity and transparency to investing. In the 1990s, BlackRock created the industry's first target date fund, helping millions of people prepare to retire with dignity. We also introduced iShares® ETFs, which served to democratize investing through radical transparency. Then, in the mid-2000s, BlackRock undertook two transformational acquisitions: Merrill Lynch Investment Managers ("MLIM") in 2006 and Barclays Global Investors ("BGI") in 2009. Through MLIM's history managing global equities and multi-asset strategies and BGI's innovative index and ETF franchise, we established an integrated, "One BlackRock" platform. Around the same time, we launched our Financial Markets Advisory business to help solve the complex financial challenges of governments, central banks, and financial institutions in the wake of the Global Financial Crisis. In the last half-decade, we have continued to write new chapters in our innovative history, including re-underwriting our OCIO platform and expanding our portfolio construction advisory services to enhance our capabilities around whole portfolio solutions. In 2019, we set a new standard of transparency for alternative investments through our acquisition of eFront, extending Aladdin's® capabilities to provide whole portfolio analysis. Furthermore, in 2020, we formalized sustainability as a central part of how we invest, integrating Environmental, Social & Governance ("ESG") considerations throughout our active investment platform. Throughout our history, we have consistently invested to create a globally diverse investment platform, industry-leading portfolio construction and risk management technology, and deep global capital markets expertise to better support our clients. The diversity of BlackRock's platform—across asset classes, investment styles and regions—positions us to serve clients through market cycles and deliver whole-portfolio solutions to meet their evolving needs. Today, we are leading a new chapter of innovation by transforming the financial industry under the concept of long-termism and sustainability, another development that will define a new role for the financial services industry. This commitment to our clients' needs, expressed in our long-term approach and relentless innovation, is embedded in our firm's history and informs all of our choices going forward. Ownership BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, "BlackRock" or the "Company") is a publicly traded investment management firm, with common stock listed on the New York Stock Exchange, providing a broad range of investment management and technology services to institutional and retail clients worldwide. As at 31 December 2020, there was no person known by BlackRock to own beneficially 10% or more of any class of outstanding voting securities of BlackRock. |
| First Eagle Investment Management, LLC | First Eagle Investment Management ("First Eagle") is an independent, privately-owned investment management firm with approximately $101B (as of 12/31/2019) in assets managed primarily on behalf of mutual funds, private investment funds and institutional accounts. With a heritage that dates to 1864, First Eagle is committed to providing prudent stewardship of clients' assets and earning their abiding trust. Founded in Europe initially as a family-owned bank, its headquarters and certain business activities were re-established in New York City in 1937. The organization is committed to nurturing an investment-centric culture and views itself as a firm of investors, not of asset-gatherers. Mindful of its history, First Eagle seeks to uphold the highest standards of integrity and to earn the enduring respect of its clients. Timeline of the History 1864 Gebr. Arnhold (Arnhold Brothers) founded in Dresden 1931 Gebr. Arnhold combined with S. Bleichröder 1937 All business activities moved to New York City under the name S. Bleichroder 1939 Firm name changed to Arnhold and S. Bleichroeder 1967 Launched first offshore fund, First Eagle Fund, N.V. 1995 Firm became SEC-registered investment adviser 1999 Acquired majority share of Société Générale Asset Management Corp., forming what is now the Global Value team 2002 Sold investment banking and global securities businesses to focus exclusively on investment management 2009 Firm renamed First Eagle Investment Management 2011 Established the High-Yield team 2012 Established the Global Income strategy 2015 Private equity funds managed by Blackstone Capital Partners and Corsair Capital acquired a majority stake in First Eagle 2017 Acquired NewStar Financial, Inc. 2020 Acquired THL Credit, Inc. First Eagle Investment Management is the global investment management brand of First Eagle Holdings, Inc. ("FE Holdings") and its subsidiaries, including, among others: • First Eagle Investment Management, LLC, an SEC-registered investment adviser • FEF Distributors, LLC , a FINRA-registered limited purpose broker/dealer • First Eagle Investment Management, Ltd, an entity authorized and regulated by the U.K. Financial Conduct Authority (FCA) • First Eagle Private Credit, LLC, an SEC-registered investment adviser • First Eagle Alternative Credit, LLC , an SEC-registered investment adviser • First Eagle Alternative Credit SLS, LLC , an SEC-registered investment adviser • THL Credit, Inc., an SEC-registered investment adviser First Eagle Investment Management, LLC First Eagle Investment Management, LLC is a privately-held Limited Liability Company and an SEC-registered investment adviser under the Investment Advisers' Act of 1940, as amended (the "Advisers Act"). The Firm provides investment advisory services primarily to mutual funds, private investment funds and institutional accounts. FEIM is the investment adviser to the First Eagle Funds and First Eagle Variable Funds (collectively, the "Funds"), which are registered investment companies. Current Ownership FEIM is owned, directly or indirectly, by various investors. BCP CC Holdings L.P., a special purpose investment vehicle of The Blackstone Group Inc. and Corsair Capital LLC, as well as a number of institutions and high-net-worth family offices who are clients of the two firms, is the majority owner with an interest of approximately 58% in FEIM. First Eagle's founding family stockholders own and/or control approximately 25% and First Eagle employees retain an ownership stake of approximately 13%. The remaining 4% of FEIM is held by former employees of the Firm. Day-to-day operations of FEIM are the responsibility of First Eagle's senior management. FE Holdings is the managing member of FEIM. FE Holdings is overseen by its board of directors, with a compensation committee and an audit committee. As a limited liability company, FEIM itself has no board of directors. Ownership History FE Holdings (formerly Arnhold and S. Bleichroeder Holdings, Inc.), the parent of First Eagle, has been owned, at least in part, by the Arnhold family and key employees since the firm began operations in the United States in 1937. In 2002, FE Holdings sold its broker-dealer and investment banking business to Natixis Banque Populaire, a French banking company. Many employees of Arnhold and S. Bleichroeder Holdings, Inc. who were shareholders of the Firm were key members of the broker-dealer and investment banking business. The Firm explored various ways to retire the shares owned by former employees and to increase the ownership stakes of key current employees in what became a business exclusively focused on asset management. Shares owned by former employees were redeemed in August 2007, and the Firm completed a recapitalization transaction with TA Associates ("TA"), a leading private equity firm. Key personnel received equity grants in First Eagle in the form of profit interests, and TA made a minority investment in FE Holdings. In late 2013, TA signaled its intent to divest its stake in First Eagle. The Firm worked closely with TA to assist it in this process. In December 2015, private equity funds managed by Blackstone and Corsair, as well as a number of institutions and high-net-worth family offices that are clients of the two firms, acquired a majority stake in First Eagle. Blackstone and Corsair exercise their oversight of the business at the Board level through an investment in the parent company and are not involved in the day-to-day management of the Firm. Additionally, as a result of the transaction, First Eagle employees increased their equity ownership in the firm and will have opportunities for further increases over time. The family shareholders, who are members of the founding family, remain substantially invested and continue to serve on the Board. |

INVESTMENT PERFORMANCE SERVICES, LLC

# UFCW and Safeway Variable Annuity Pension Fund

## Investment Manager Review

International EAFE Equity Index

As of 3/2022
Benchmark: MSCI EAFE-ND
Universe: eVestment All EAFE Equity

# Executive Summary

## Manager Search Process

- Assist the Trustees in specifying the characteristics of the investment manager that will satisfy the needs of the Fund. This is accomplished within the scope of the Fund's investment policy statement.

- IPS develops a list of qualified candidates for each asset class and investment style. Investment manager candidates are thoroughly researched from various sources, including the eVestment database, Wilshire Compass database, Morningstar mutual fund database, and industry/public information. The purpose of the due diligence discipline is to reduce the immense list of potential candidates to a manageable group of firms with an impartial eye on meeting all selection criteria. That list is further examined to determine an approved list of "best in class" managers.

- Consistency of performance is a key component of the manager search process. IPS is mindful of the mathematics of an investment loss, which requires the achievement of higher rates of positive performance to recover from a loss. Investment managers that outperform or capture a significant amount of market upside when markets are positive, while protecting capital when markets decline, are preferred. IPS believes that managers who can provide this asymmetric return profile of performance and risk will rank well when longer time periods are considered.

- For every investment manager search, as part of the IPS due diligence process, IPS sends a Request for Information (RFI) to each potential candidate, regarding the product characteristics, performance, personnel, investment process and other relevant criteria. A copy of the RFI for each manager may be provided to the Fund's Administrator and additional copies can be provided to the Trustees upon request.

- It is important to note that no fees are paid to IPS by any investment manager to be included in a search or database. The only requirement placed upon the manager is their willingness to submit and maintain data concerning their firm, its investment products, and performance results.

- IPS does not sell products or services to investment managers. However, investment managers may pay IPS to attend and to help defray the cost of IPS' annual conference, EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend and help defray the costs of EPIC.

- If the Trustees so desire, the next step can be a presentation of background information regarding the firms meeting the selection criteria. IPS will assist in the review of these candidates to help the Board of Trustees choose the best candidates to make personal interviews and presentations by their principals and/or managers who will be responsible for managing the fund's assets.

- The last meeting, held at the Trustees' discretion, is the personal presentation of the final group of candidates who appear to best meet the needs of the Trustees and their objectives. The manager presentation is a very important step in the Trustee's process of evaluating and comparing the candidates.

- The conclusion of the search process is the selection of the firm(s) by the Trustees to manage the assets.

- Importantly, as part of our ongoing performance evaluation reports, we will review the manager transfer as it occurs, and ensure the accurate accounting of the changes made.

Perspective on Performance and Risk Data

The manager search materials include historical performance results. It is important to remember that past performance is not to be construed as a guarantee of future performance. The key to using historical performance data is to develop an expectation of returns during various market environments and to determine which type of return (and thus which type of manager) best suits the client's needs. We use historical data to "look behind" the managers' numbers for consistency of returns and to inspect how they preserve capital over full market cycles and in declining markets.

Included within the manager search materials are the following: firm's history, fund styles, fees, volatility, relative performance, and risk measures. This information is critical when comparing the candidates among each other. The material is presented in a consistent fashion to ensure there is a level playing field.

# Firm and Strategy Summary
## Periods Ending 3/2022

| Investment Manager | Founded | City | State | Ownership | E&O Coverage (Millions) | Total AUM (Millions) | Taft-Hartley AUM (Millions) | Taft-Hartley Accounts | Strategy Inception Date | Strategy AUM (Millions) |
|---|---|---|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | 1988 | Chicago | Illinois | Public Corporation | $75 | $1,248,991 | $0 | 0 | 04/01/1987 | $45,487 |
| State Street Global Advisors | 1978 | Boston | Massachusetts | Public Corporation | $75 | $4,021,920 | $53,839 | 533 | 01/01/1985 | $54,877 |

# Strategy and Investment Terms
## Commingled Fund
### Periods Ending 3/2022

| Investment Manager | Minimum Investment | Standard Fee | Accepts H&W Assets | 408(b)(2) Provided |
|---|---|---|---|---|
| Northern Trust Asset Management | CTF - None | Lending: 6 Bps First $100MM, 2 Bps Next $400MM, 1.5 Bps on Balance; Non-Lending: 8 Bps <$100MM, 3 Bps $100-$500MM and 2 Bps Thereafter | CIT - No Common - Yes (1) | Yes |
| State Street Global Advisors | CTF - $5,000,000 | 6 Bps First $50MM, 5 Bps Next $50MM, 4 Bps Thereafter | Yes (2) | N/A (3) |

Commingled funds have proprietary investment policies that govern their investment activities. Those policies may differ from those of their separately managed clients.
(1) Typically Health and Welfare plans are not eligible to participate in the collective funds, but are eligible for the common funds.
(2) In order to participate in the CTFs, the Health and Welfare or Annuity assets must establish a trust relationship with SSGA through an Agreement of Trust, and such assets must be exempt from U.S. tax pursuant to Section 501(a), (c), or (d) of the Internal Revenue Code of 1986, as amended.
(3) As a bank, State Street Bank and Trust Company is exempt from having to register as an investment adviser with the U.S. Securities and Exchange Commission under Section 202(a)(11)(a) of the Investment Advisers Act of 1940.

# Annalized Returns

**Periods Ending 3/2022**

| Investment Manager | Strategy | QTD | YTD | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|---|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT EAFE Index Equity Strategy | -6.67 | -6.67 | 0.67 | 7.83 | 6.87 | 5.32 | 6.53 |
| State Street Global Advisors | MSCI EAFE Index | -5.86 | -5.86 | 1.31 | 8.03 | 6.98 | 5.38 | 6.53 |
| MSCI Index | MSCI EAFE-ND | -5.91 | -5.91 | 1.16 | 7.78 | 6.72 | 5.11 | 6.27 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

## Calendar Year Returns

| Investment Manager | Strategy | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT EAFE Index Equity Strategy | 11.49 | 8.40 | 22.23 | -13.24 | 25.10 | 1.36 | -0.50 | -4.62 | 23.17 | 17.75 |
| State Street Global Advisors | MSCI EAFE Index | 11.43 | 8.12 | 22.36 | -13.55 | 25.35 | 1.27 | -0.58 | -4.67 | 23.02 | 17.63 |
| MSCI Index | MSCI EAFE-ND | 11.26 | 7.82 | 22.01 | -13.79 | 25.03 | 1.00 | -0.81 | -4.90 | 22.78 | 17.32 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

## 5 Year Risk Statistics
### Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT EAFE Index Equity Strategy | 0.98 | 0.39 | 1.35 | 14.86 | 99.60 | 98.96 |
| State Street Global Advisors | MSCI EAFE Index | 1.00 | 0.39 | 0.10 | 15.01 | 100.77 | 99.52 |
| MSCI Index | MSCI EAFE-ND | 1.00 | 0.37 | 0.00 | 15.03 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
**Sharpe Ratio** - A measure of return in excess of the risk-free rate (U.S. Treasury Bills) per unit of volatility. The ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the portfolio's standard deviation. The greater a portfolio's ratio, the better its risk-adjusted performance.
**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
**Information Ratio** – A measure of a portfolio's excess returns above (below) a benchmark to the volatility of those excess returns. Information is calculated by subtracting the return of a portfolio by the return of the benchmark and then dividing that by the tracking error of those returns. A positive information ratio implies a manager is rewarded for their active decisions around their benchmark.
**Consistency** - Defined as the percentage of months the manager outperformed the index (also referred to as "batting average").
**Standard Deviation** - A statistical measure of the dispersion of a set of data from its mean, depicting how widely returns varied over a certain period of time. Standard deviation is the most commonly cited measure of the volatility or "risk" in investment returns. An investment manager with a standard deviation in excess of the index historically had volatility greater than the index.
**Capture Ratios** - A measure an investment manager's performance relative to their benchmark in a rising ("up market capture") or falling ("down market capture") environment. Up and down market capture ratios indicate the percentage of the "market's" performance captured by an investment manager.  For example, a manager with a downside capture of 80% generated a return that was less negative than the market (i.e., S&P -1.0% vs. manager -0.8%); a manager with a downside capture of 120% generated a return that was more negative than the market (i.e., S&P -1.0% vs. manager -1.2%); and a manager with a downside capture of -100% generated a positive return in a negative market environment (i.e. S&P -1.0% vs. manager +1.0%).

# 10 Year Risk Statistics
## Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|
| Northern Trust Asset Management | NT EAFE Index Equity Strategy | 0.99 | 0.42 | 0.95 | 14.00 | 100.29 | 99.05 |
| State Street Global Advisors | MSCI EAFE Index | 1.00 | 0.42 | 0.10 | 14.07 | 100.69 | 99.39 |
| MSCI Index | MSCI EAFE-ND | 1.00 | 0.40 | 0.00 | 14.09 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
**Sharpe Ratio** - A measure of return in excess of the risk-free rate (U.S. Treasury Bills) per unit of volatility. The ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the portfolio's standard deviation. The greater a portfolio's ratio, the better its risk-adjusted performance.
**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
**Information Ratio** – A measure of a portfolio's excess returns above (below) a benchmark to the volatility of those excess returns. Information is calculated by subtracting the return of a portfolio by the return of the benchmark and then dividing that by the tracking error of those returns. A positive information ratio implies a manager is rewarded for their active decisions around their benchmark.
**Consistency** - Defined as the percentage of months the manager outperformed the index (also referred to as "batting average").
**Standard Deviation** - A statistical measure of the dispersion of a set of data from its mean, depicting how widely returns varied over a certain period of time. Standard deviation is the most commonly cited measure of the volatility or "risk" in investment returns. An investment manager with a standard deviation in excess of the index historically had volatility greater than the index.
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| Firm | Investment Summary |
|---|---|
| Northern Trust Asset Management | Our investment philosophy is grounded in the belief that to efficiently replicate benchmark characteristics, it is vital to consider liquidity, transaction costs, and risk throughout the investment process. |
| State Street Global Advisors | The Strategy is managed using a "passive" or "indexing" investment approach, by which State Street Global Advisors attempts to replicate, before expenses, the performance of the Index. The Strategy will not necessarily own all of the securities included in the Index. The Strategy may attempt to invest in the securities comprising the Index, in the same proportions as they are represented in the Index. However, due to the diverse composition of securities in the Index and the fact that many of the securities comprising the Index may be unavailable for purchase, it may not be possible for the Strategy to purchase some of the securities comprising the Index. In such a case, State Street will select securities for the Strategy comprising a portfolio that State Street expects will provide a return comparable to that of the Index. |

| Firm | Firm Background |
|---|---|
| Northern Trust Asset Management | About Northern Trust Asset Management: Northern Trust Asset Management is a global investment manager that helps investors navigate changing market environments, so they can confidently realize their long-term objectives. Entrusted with $1.3 trillion in assets,* we understand that investing ultimately serves a greater purpose and believe investors should be compensated for the risks they take — in all market environments and any investment strategy. That's why we combine robust capital markets research, expert portfolio construction and comprehensive risk management to craft innovative and efficient solutions that deliver targeted investment outcomes. As engaged contributors to our communities, we consider it a great privilege to serve our investors and our communities with integrity, respect, and transparency. Firm Investment Philosophy: We believe investors should be compensated for the risks they take — in all market environments and any investment strategy. At the heart of this philosophy is how we think about, view and analyze risk. This deep understanding and respect for employing risk purposely serves as the foundation for every investment solution and perspective we provide to our clients. As risk-aware investors, this means that risk is taken intentionally to help achieve investors' desired outcomes. Our products and solutions are thoughtfully designed and efficiently executed with this perspective in mind. They are managed by consistently applying an empirically based and disciplined investment approach. We believe that focusing on only taking compensated risk minimizes unintended consequences, provides consistent and persistent returns over the long-term, and enables investors to achieve their objectives. About Northern Trust Corporation: Northern Trust Corporation (Nasdaq: NTRS) is a leading provider of wealth management, asset servicing, asset management and banking to corporations, institutions, affluent families, and individuals. Founded in Chicago in 1889, Northern Trust has offices in the United States in 26 states and Washington, D.C., and 30 international locations in Canada, Europe, the Middle East, and the Asia-Pacific region. For over 130 years, Northern Trust has earned distinction as an industry leader for exceptional service, financial expertise, integrity, and innovation. *Assets under management as of Dec 31, 2021 |
| State Street Global Advisors | For nearly four decades, State Street Global Advisors has been committed to helping their clients, and those who rely on them, achieve financial security. Founded in 1978 as the Asset Management Division of State Street Bank and Trust Company, State Street Global Advisors was established to provide institutional investment management services focused on equity indexing and cash. That same year, the firm launched one of the industry's first S&P 500 index funds. In 1995, all of State Street's investment management services were reorganized under State Street Global Advisors. The firm's parent company, State Street Bank and Trust Company, has been incorporated as a Massachusetts trust company since 1891. They partner with many of the world's largest, most sophisticated investors and financial intermediaries to help them reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. With trillions in assets, their scale and global reach offer clients unrivaled access to markets, geographies and asset classes, and allows State Street to deliver thoughtful insights and innovative solutions. State Street Global Advisors has also attained ETF industry leadership with its SPDR® family, including first-to-market launches with gold, international real estate, fixed-income and sector-specific ETFs. |

eVestment and its affiliated entities (collectively, "eVestment") collect information directly from investment management firms and other sources believed to be reliable; however, eVestment does not guarantee or warrant the accuracy, timeliness, or completeness of the information provided and is not responsible for any errors or omissions. Performance results may be provided with additional disclosures available on eVestment's systems and other important considerations such as fees that may be applicable. Not for general distribution.
* All categories not necessarily included; Totals may not equal 100%. 

INVESTMENT PERFORMANCE SERVICES, LLC

# UFCW and Safeway Variable Annuity Pension Fund

## Investment Manager Review

Intermediate Fixed Income

As of 3/2022
Benchmark: Bloomberg US Interm. Govt/Credit
Universe: eVestment US Intermediate Duration Fixed Income

# Executive Summary

## Manager Search Process

- Assist the Trustees in specifying the characteristics of the investment manager that will satisfy the needs of the Fund. This is accomplished within the scope of the Fund's investment policy statement.

- IPS develops a list of qualified candidates for each asset class and investment style. Investment manager candidates are thoroughly researched from various sources, including the eVestment database, Wilshire Compass database, Morningstar mutual fund database, and industry/public information. The purpose of the due diligence discipline is to reduce the immense list of potential candidates to a manageable group of firms with an impartial eye on meeting all selection criteria. That list is further examined to determine an approved list of "best in class" managers.

- Consistency of performance is a key component of the manager search process. IPS is mindful of the mathematics of an investment loss, which requires the achievement of higher rates of positive performance to recover from a loss. Investment managers that outperform or capture a significant amount of market upside when markets are positive, while protecting capital when markets decline, are preferred. IPS believes that managers who can provide this asymmetric return profile of performance and risk will rank well when longer time periods are considered.

- For every investment manager search, as part of the IPS due diligence process, IPS sends a Request for Information (RFI) to each potential candidate, regarding the product characteristics, performance, personnel, investment process and other relevant criteria. A copy of the RFI for each manager may be provided to the Fund's Administrator and additional copies can be provided to the Trustees upon request.

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- IPS does not sell products or services to investment managers. However, investment managers may pay IPS to attend and to help defray the cost of IPS' annual conference, EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend and help defray the costs of EPIC.

- If the Trustees so desire, the next step can be a presentation of background information regarding the firms meeting the selection criteria. IPS will assist in the review of these candidates to help the Board of Trustees choose the best candidates to make personal interviews and presentations by their principals and/or managers who will be responsible for managing the fund's assets.

- The last meeting, held at the Trustees' discretion, is the personal presentation of the final group of candidates who appear to best meet the needs of the Trustees and their objectives. The manager presentation is a very important step in the Trustee's process of evaluating and comparing the candidates.

- The conclusion of the search process is the selection of the firm(s) by the Trustees to manage the assets.

- Importantly, as part of our ongoing performance evaluation reports, we will review the manager transfer as it occurs, and ensure the accurate accounting of the changes made.

Perspective on Performance and Risk Data

The manager search materials include historical performance results. It is important to remember that past performance is not to be construed as a guarantee of future performance. The key to using historical performance data is to develop an expectation of returns during various market environments and to determine which type of return (and thus which type of manager) best suits the client's needs. We use historical data to "look behind" the managers' numbers for consistency of returns and to inspect how they preserve capital over full market cycles and in declining markets.

Included within the manager search materials are the following: firm's history, fund styles, fees, volatility, relative performance, and risk measures. This information is critical when comparing the candidates among each other. The material is presented in a consistent fashion to ensure there is a level playing field.

# EPIC

**April 30 - May 3, 2019**

The following investment managers and providers included in this search attended and helped to defray the cost of IPS' annual conference EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend EPIC.

Chartwell Investment Partners

## Firm and Strategy Summary
### Periods Ending 3/2022

| Investment Manager | Founded | City | State | Ownership | E&O Coverage (Millions) | Total AUM (Millions) | Taft-Hartley AUM (Millions) | Taft-Hartley Accounts | Primary Investment Approach | Strategy Inception Date | Strategy AUM (Millions) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Chartwell Investment Partners | 1997 | Berwyn | Pennsylvania | Public Limited Liability Company | $10 | $11,230 | $4,390 | 231 | Fundamental | 10/01/1997 | $1,147 |
| Income Research & Management | 1987 | Boston | Massachusetts | Private S-Type Corporation | $50 | $92,147 | $1,785 | 22 | Fundamental | 09/30/1989 | $6,370 |

# Strategy and Investment Terms
## Separate Account
### Periods Ending 3/2022

| Investment Manager | Minimum Investment | Liquidity Terms | Management Fee | 408(b)(2) Provided |
|---|---|---|---|---|
| Chartwell Investment Partners | $5,000,000 | Daily / Two Weeks' Notice | 30 Bps First $20MM, 25 Bps Next $20MM, 20 Bps Next $60MM,15 Bps Thereafter | Yes |
| Income Research & Management | $50,000,000 | Daily | 30 Bps First $50MM, 25 Bps Next $50MM, 20 Bps Next $100MM,15 Bps Over $200MM | Yes |

# Strategy and Investment Terms
## Commingled Fund
### Periods Ending 3/2022

| Investment Manager | Minimum Investment | Liquidity Terms | Management Fee | 408(b)(2) Provided |
|---|---|---|---|---|
| Chartwell Investment Partners | -- | -- | -- | -- |
| Income Research & Management | CIT - None | Daily | 35 Bps | Yes |

Commingled funds have proprietary investment policies that govern their investment activities. Those policies may differ from those of their separately managed clients.

# Strategy Fundamental Characteristics
## Periods Ending 3/2022

| Investment Manager | Strategy | Effective Duration (Yrs) | Yield to Worst | Average Quality Issue | Current # of Bond Issues |
|---|---|---|---|---|---|
| Chartwell Investment Partners | Intermediate Fixed Income | 3.6 | 2.7% | A | 90 |
| Income Research & Management | IR+M Intermediate Government Credit | 4.0 | 3.0% | AA | 230 |

**Duration** – A measure of the sensitivity of a bond's price to changes in interest rates. Duration is cited in years. When interest rates increase, positive duration implies the bond's price will decrease. When interest rates decrease, positive duration implies the bond's price will increase.
**Yield to Worst** – The lowest potential yield that can be received on a bond without the issuer actually defaulting. This would include the issuer utilizing their call option to retire the bonds early.

## Annalized Returns
### Periods Ending 3/2022

| Investment Manager | Strategy | QTD | YTD | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|---|---|---|---|---|---|---|---|---|
| Chartwell Investment Partners | Intermediate Fixed Income | -4.10 | -4.10 | -3.02 | 2.33 | 2.43 | 2.19 | 2.36 |
| Income Research & Management | IR+M Intermediate Government Credit | -4.40 | -4.40 | -3.84 | 2.12 | 2.31 | 2.11 | 2.41 |
| Bloomberg Fixed Income Index | Bloomberg US Interm. Govt/Credit | -4.51 | -4.51 | -4.10 | 1.50 | 1.81 | 1.65 | 1.85 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

## Calendar Year Returns

| Investment Manager | Strategy | 2021 | 2020 | 2019 | 2017 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Chartwell Investment Partners | Intermediate Fixed Income | -0.53 | 7.19 | 7.47 | 0.97 | 2.42 | 2.67 | 1.29 | 3.13 | -0.47 | 6.06 |
| Income Research & Management | IR+M Intermediate Government Credit | -0.96 | 7.62 | 7.06 | 1.04 | 2.53 | 2.67 | 1.30 | 3.87 | -0.57 | 6.15 |
| Bloomberg Fixed Income Index | Bloomberg US Interm. Govt/Credit | -1.44 | 6.43 | 6.80 | 0.88 | 2.14 | 2.08 | 1.07 | 3.13 | -0.86 | 3.89 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

# 5 Year Risk Statistics
## Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Information Ratio | Consistency | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|---|---|
| Chartwell Investment Partners | Intermediate Fixed Income | 0.96 | 0.48 | 1.27 | 0.49 | 66.67% | 2.79 | 110.59 | 93.41 |
| Income Research & Management | IR+M Intermediate Government Credit | 1.02 | 0.45 | 0.58 | 0.87 | 68.33% | 2.70 | 109.21 | 95.68 |
| Bloomberg Fixed Income Index | Bloomberg US Interm. Govt/Credit | 1.00 | 0.28 | 0.00 | --- | 0.00% | 2.59 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
**Sharpe Ratio** - A measure of return in excess of the risk-free rate (U.S. Treasury Bills) per unit of volatility. The ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the portfolio's standard deviation. The greater a portfolio's ratio, the better its risk-adjusted performance.
**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
**Information Ratio** – A measure of a portfolio's excess returns above (below) a benchmark to the volatility of those excess returns. Information is calculated by subtracting the return of a portfolio by the return of the benchmark and then dividing that by the tracking error of those returns. A positive information ratio implies a manager is rewarded for their active decisions around their benchmark.
**Consistency** - Defined as the percentage of months the manager outperformed the index (also referred to as "batting average").
**Standard Deviation** - A statistical measure of the dispersion of a set of data from its mean, depicting how widely returns varied over a certain period of time. Standard deviation is the most commonly cited measure of the volatility or "risk" in investment returns. An investment manager with a standard deviation in excess of the index historically had volatility greater than the index.
**Capture Ratios** - A measure an investment manager's performance relative to their benchmark in a rising ("up market capture") or falling ("down market capture") environment. Up and down market capture ratios indicate the percentage of the "market's" performance captured by an investment manager.  For example, a manager with a downside capture of 80% generated a return that was less negative than the market (i.e., S&P -1.0% vs. manager -0.8%); a manager with a downside capture of 120% generated a return that was more negative than the market (i.e., S&P -1.0% vs. manager -1.2%); and a manager with a downside capture of -100% generated a positive return in a negative market environment (i.e. S&P -1.0% vs. manager +1.0%).

# 10 Year Risk Statistics
## Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Information Ratio | Consistency | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|---|---|
| Chartwell Investment Partners | Intermediate Fixed Income | 0.96 | 0.72 | 0.97 | 0.53 | 60.00% | 2.45 | 107.61 | 91.23 |
| Income Research & Management | IR+M Intermediate Government Credit | 1.00 | 0.75 | 0.48 | 1.18 | 69.17% | 2.40 | 108.57 | 90.77 |
| Bloomberg Fixed Income Index | Bloomberg US Interm. Govt/Credit | 1.00 | 0.53 | 0.00 | --- | 0.00% | 2.36 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
**Sharpe Ratio** - A measure of return in excess of the risk-free rate (U.S. Treasury Bills) per unit of volatility. The ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the portfolio's standard deviation. The greater a portfolio's ratio, the better its risk-adjusted performance.
**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
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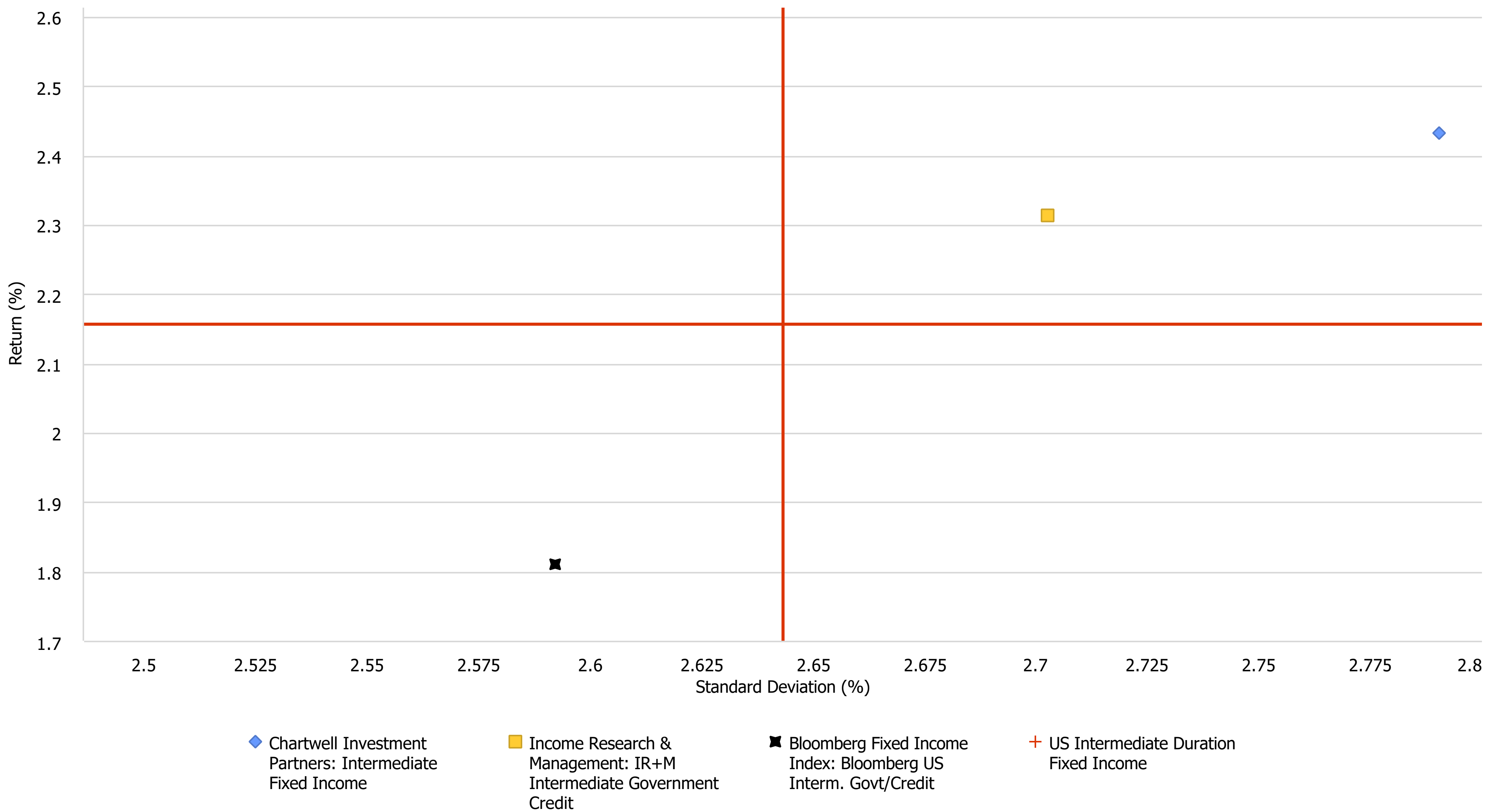
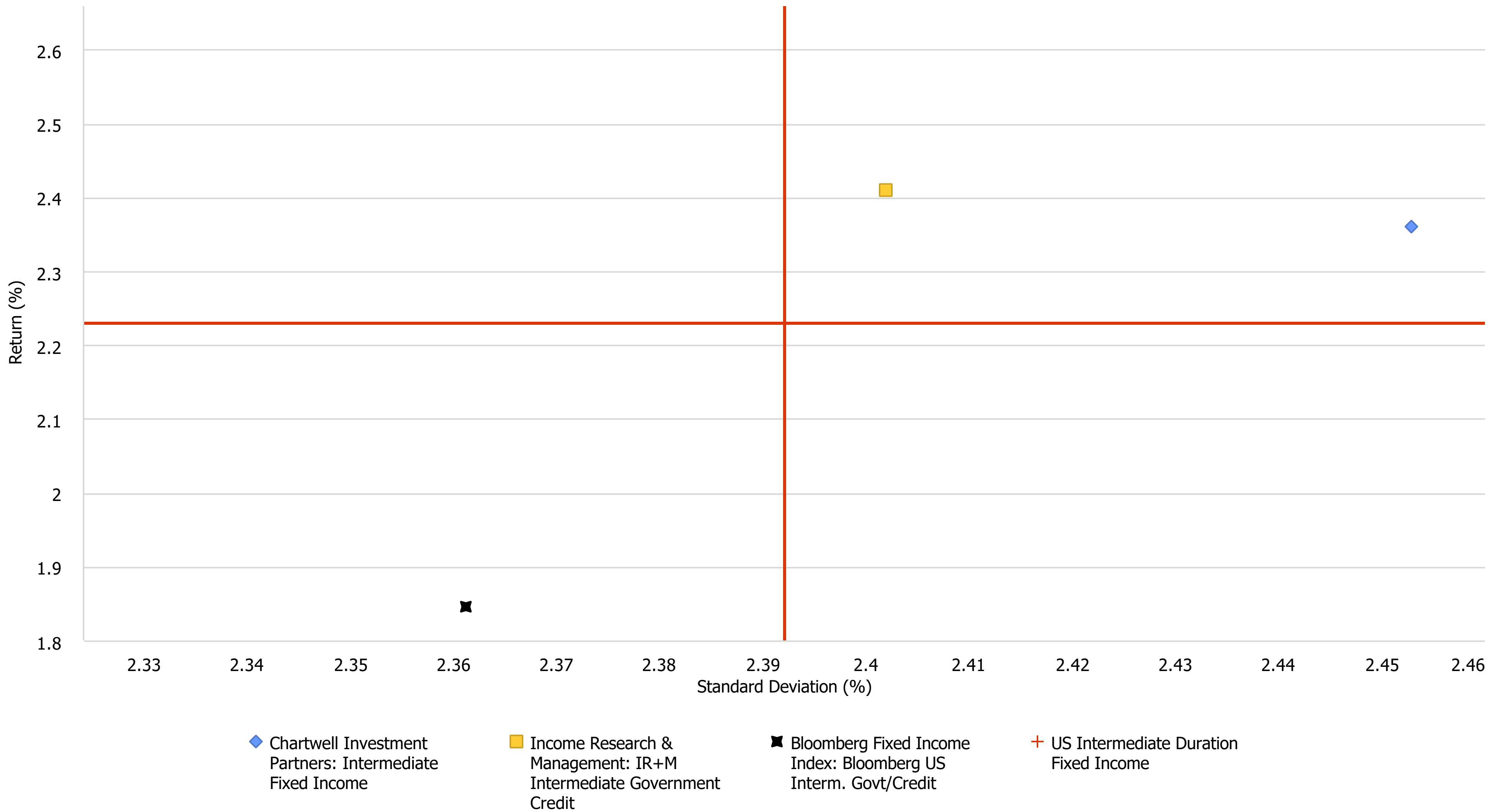
## Risk vs. Return
## Annualized Five Year Returns
### Periods Ending 3/2022



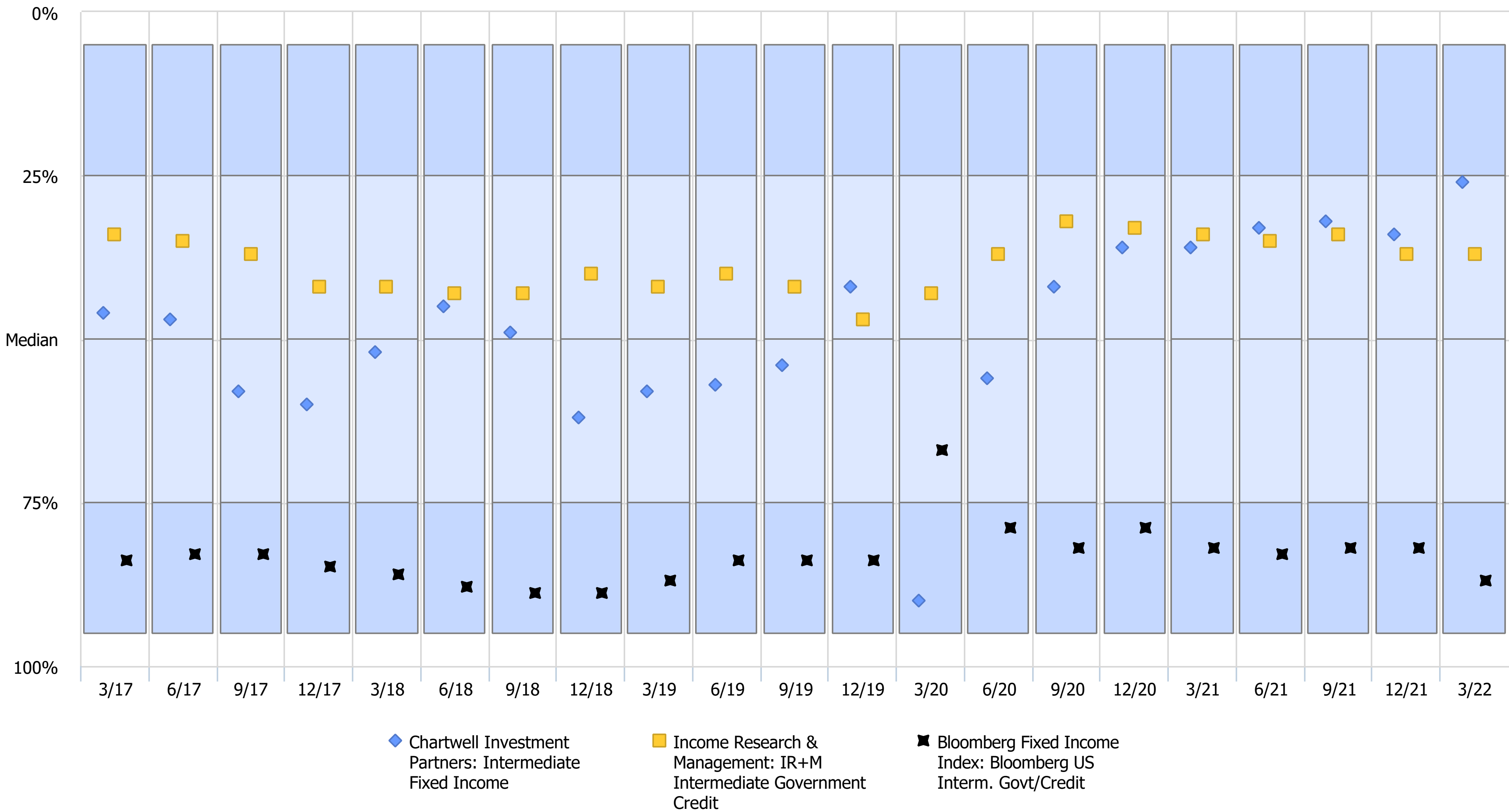

Universe: eVestment US Intermediate Duration Fixed Income

# Risk vs. Return
## Annualized Ten Year returns
### Periods Ending 3/2022




Universe: eVestment US Intermediate Duration Fixed Income

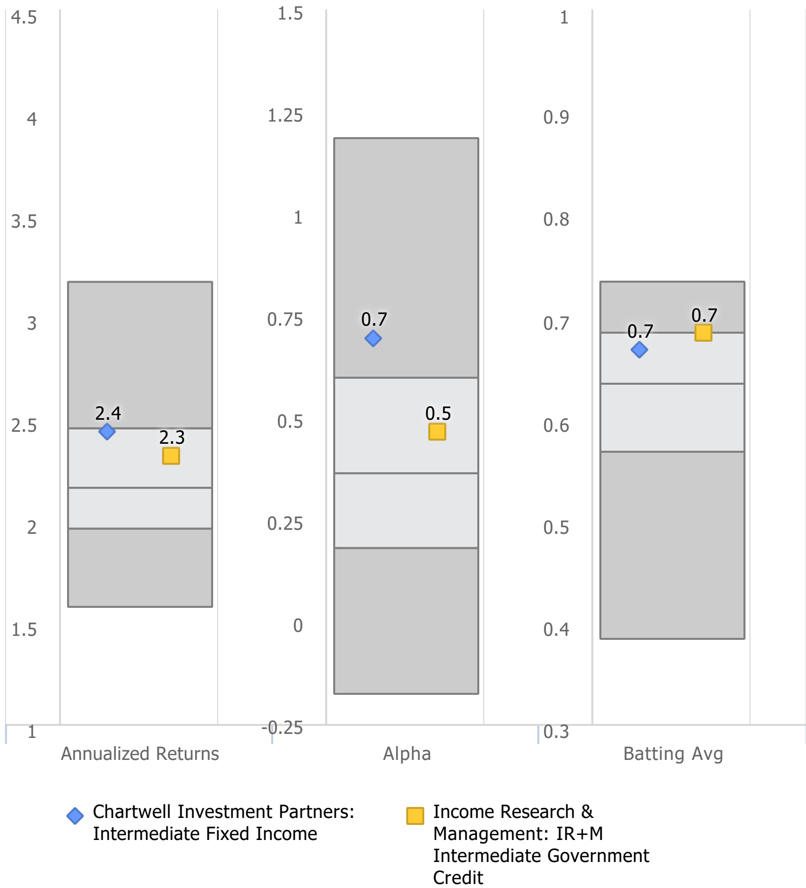
# 5 Year Rolling Returns with 1 Quarter Rollback - Universe Rankings
## Periods Ending 3/2022




Universe: eVestment US Intermediate Duration Fixed Income

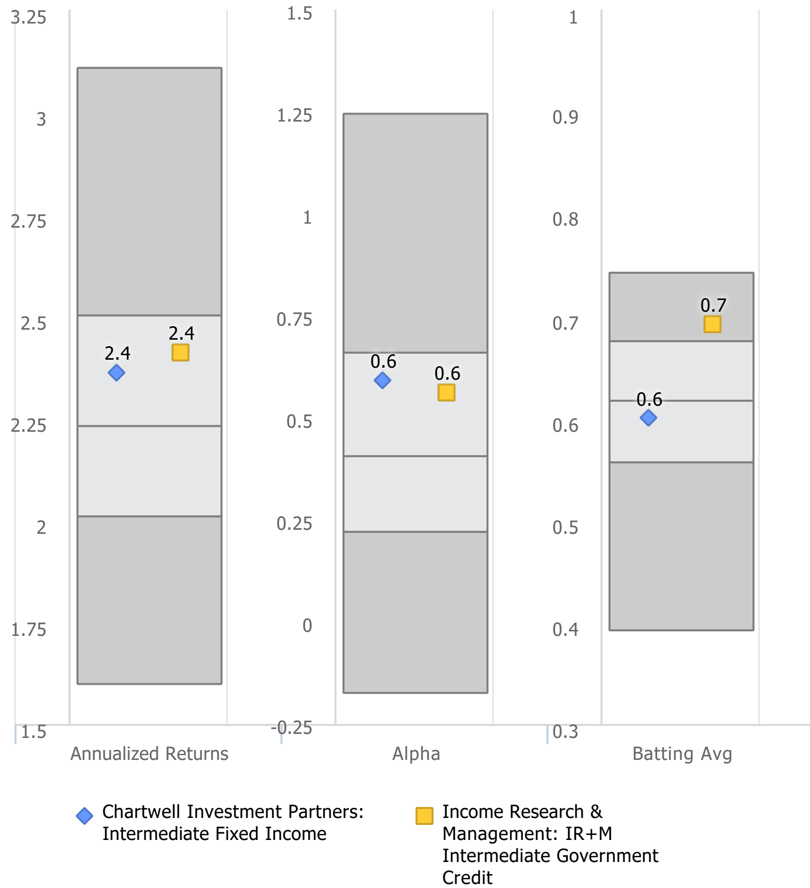
# eVestment US Intermediate Duration Fixed Income
## Returns and Statistics
### Periods Ending 3/2022

**5 Year Statistics**




Universe: eVestment US Intermediate Duration Fixed Income

**10 Year Statistics**




Universe: eVestment US Intermediate Duration Fixed Income

**Alpha** - The amount of an investment's return that is independent of the return of the market. Alpha is generated by active management through security selection and may be positive or negative relative to a given benchmark.
**Batting Average** - Defined as the percentage of months the manager outperformed the index (also referred to as "consistency").

| Firm | Investment Summary |
|---|---|
| Chartwell Investment Partners | Chartwell utilizes a disciplined value, bottom-up approach to the fixed income market, with emphasis on building the portfolio through individual security selection. This process revolves around assessing individual securities and selecting those that provide the best relative value. |
| Income Research & Management | Our investment process is driven by bottom-up security selection, which provides consistency over time relative to potentially more volatile macro decisions. Given our relatively small size, we do not have to buy everything, and we can be selective within smaller market sub-sectors in which larger managers may not be able to participate. These factors have allowed us to add value historically and should continue to allow us to add value going forward within all of our portfolios. Overall, our investment strategy centers around several core principles: bottom-up security selection, a value orientation, appropriate diversification, and risk control. We may opportunistically sacrifice liquidity when compensation is generous; however, we are always vigilant as to the availability of overall liquidity, carefully limiting our exposure to any one sector and remaining diversified at the individual holding level. |

| Firm | Firm Background |
|---|---|
| Chartwell Investment Partners | Chartwell Investment Partners, Inc., is a Berwyn, Pennsylvania based investment firm, founded in 1997, focusing on institutional, sub-advisory and private client relationships. In March of 2014, Chartwell became a wholly-owned subsidiary of TriState Capital Holdings, Inc., a publicly held bank holding company based in Pittsburgh, Pennsylvania. Timothy J. Riddle, an executive with 30+ years of investment industry experience, is the Chief Executive Officer of Chartwell and G. Gregory Hagar is our Chief Financial Officer and Chief Compliance Officer. He has 25+ years related experience. Michael J. McCloskey, an executive with 25+ years of management experience, is Director of Client Services and Marketing. |
| Income Research & Management | IR+M was founded in 1987 by two of the current Managing Principals, John and Jack Sommers, to specialize in the US fixed income market. The firm was registered as an investment adviser with the SEC on May 1, 1987 and began managing assets in June 1987. IR+M has been independent and privately-owned since its inception in 1987; as of January 1, 2020, the firm is approximately 89.3% employee owned, held across 58 employees. We remain committed to our private ownership structure and do not anticipate any material developments or fundamental changes to firm ownership. We will continue to offer equity ownership to employees who demonstrate superior contributions and commitment to the firm, which may result in ongoing adjustments to the ownership distribution. |

eVestment and its affiliated entities (collectively, "eVestment") collect information directly from investment management firms and other sources believed to be reliable; however, eVestment does not guarantee or warrant the accuracy, timeliness, or completeness of the information provided and is not responsible for any errors or omissions. Performance results may be provided with additional disclosures available on eVestment's systems and other important considerations such as fees that may be applicable. Not for general distribution. * All categories not necessarily included; Totals may not equal 100%. 

# UFCW and Safeway Variable Annuity Pension Fund

## Investment Manager Review

High Yield Fixed Income

As of 3/2022
Benchmark: U.S. HY Ba/B 2% Issuer Cap Index
Universe: eVestment US High Yield Fixed Income

# Executive Summary

## Manager Search Process

- Assist the Trustees in specifying the characteristics of the investment manager that will satisfy the needs of the Fund. This is accomplished within the scope of the Fund's investment policy statement.

- IPS develops a list of qualified candidates for each asset class and investment style. Investment manager candidates are thoroughly researched from various sources, including the eVestment database, Wilshire Compass database, Morningstar mutual fund database, and industry/public information. The purpose of the due diligence discipline is to reduce the immense list of potential candidates to a manageable group of firms with an impartial eye on meeting all selection criteria. That list is further examined to determine an approved list of "best in class" managers.

- Consistency of performance is a key component of the manager search process. IPS is mindful of the mathematics of an investment loss, which requires the achievement of higher rates of positive performance to recover from a loss. Investment managers that outperform or capture a significant amount of market upside when markets are positive, while protecting capital when markets decline, are preferred. IPS believes that managers who can provide this asymmetric return profile of performance and risk will rank well when longer time periods are considered.

- For every investment manager search, as part of the IPS due diligence process, IPS sends a Request for Information (RFI) to each potential candidate, regarding the product characteristics, performance, personnel, investment process and other relevant criteria. A copy of the RFI for each manager may be provided to the Fund's Administrator and additional copies can be provided to the Trustees upon request.

- It is important to note that no fees are paid to IPS by any investment manager to be included in a search or database. The only requirement placed upon the manager is their willingness to submit and maintain data concerning their firm, its investment products, and performance results.

- IPS does not sell products or services to investment managers. However, investment managers may pay IPS to attend and to help defray the cost of IPS' annual conference, EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend and help defray the costs of EPIC.

- If the Trustees so desire, the next step can be a presentation of background information regarding the firms meeting the selection criteria. IPS will assist in the review of these candidates to help the Board of Trustees choose the best candidates to make personal interviews and presentations by their principals and/or managers who will be responsible for managing the fund's assets.

- The last meeting, held at the Trustees' discretion, is the personal presentation of the final group of candidates who appear to best meet the needs of the Trustees and their objectives. The manager presentation is a very important step in the Trustee's process of evaluating and comparing the candidates.

- The conclusion of the search process is the selection of the firm(s) by the Trustees to manage the assets.

- Importantly, as part of our ongoing performance evaluation reports, we will review the manager transfer as it occurs, and ensure the accurate accounting of the changes made.

## Perspective on Performance and Risk Data

The manager search materials include historical performance results. It is important to remember that past performance is not to be construed as a guarantee of future performance. The key to using historical performance data is to develop an expectation of returns during various market environments and to determine which type of return (and thus which type of manager) best suits the client's needs. We use historical data to "look behind" the managers' numbers for consistency of returns and to inspect how they preserve capital over full market cycles and in declining markets.

Included within the manager search materials are the following: firm's history, fund styles, fees, volatility, relative performance, and risk measures. This information is critical when comparing the candidates among each other. The material is presented in a consistent fashion to ensure there is a level playing field.

# EPIC

**April 30 - May 3, 2019**

The following investment managers and providers included in this search attended and helped to defray the cost of IPS' annual conference EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend EPIC.

MacKay Shields
Segall Bryant & Hamill

## Firm and Strategy Summary
### Periods Ending 3/2022

| Investment Manager | Founded | City | State | Ownership | E&O Coverage (Millions) | Total AUM (Millions) | Taft-Hartley AUM (Millions) | Taft-Hartley Accounts | Primary Investment Approach | Strategy Inception Date | Strategy AUM (Millions) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| MacKay Shields LLC | 1938 | New York | New York | Private Limited Liability Company | $50 | $151,937 | $7,274 | 63 | Fundamental | 07/01/1991 | $28,504 |
| Segall Bryant & Hamill | 1994 | Chicago | Illinois | Other | $20 | $24,476 | $3,360 | 206 | Fundamental | 10/01/2000 | $311 |

# Strategy and Investment Terms
## Commingled Fund
### Periods Ending 3/2022

| Investment Manager | Minimum Investment | Liquidity Terms | Management Fee | 408(b)(2) Provided | Accepts H&W Assets |
|---|---|---|---|---|---|
| MacKay Shields, LLC | CIT - No Minimum | Daily | 45 Bps | Yes | No |
| Segall Bryant & Hamill | CIT - $1,000,000 | Daily | Founder 40 Bps (1) | Yes | No |

Commingled funds have proprietary investment policies that govern their investment activities. Those policies may differ from those of their separately managed clients.
(1) This is an "all-in" fee and is a discount to the standard fee of 45 Bps.

# Strategy Fundamental Characteristics
## Periods Ending 3/2022

| Investment Manager | Strategy | Effective Duration (Yrs) | Yield to Worst | Average Quality Issue | Current # of Bond Issues |
|---|---|---|---|---|---|
| MacKay Shields LLC | High Yield | 3.8 | 5.3% | BB | 526 |
| Segall Bryant & Hamill | Quality High Yield Fixed Income | 4.1 | 5.0% | BB | 86 |

**Duration** – A measure of the sensitivity of a bond's price to changes in interest rates. Duration is cited in years. When interest rates increase, positive duration implies the bond's price will decrease. When interest rates decrease, positive duration implies the bond's price will increase.
**Yield to Worst** – The lowest potential yield that can be received on a bond without the issuer actually defaulting. This would include the issuer utilizing their call option to retire the bonds early.

## Annualized Returns
**Periods Ending 3/2022**

| Investment Manager | Strategy | QTD | YTD | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|---|---|---|---|---|---|---|---|---|
| MacKay Shields LLC | High Yield | -3.36 | -3.36 | 0.95 | 5.50 | 5.55 | 6.09 | 6.47 |
| Segall Bryant & Hamill | Quality High Yield Fixed Income | -4.43 | -4.43 | -0.47 | 4.49 | 4.62 | 5.01 | 5.65 |
| Bloomberg | U.S. HY Ba/B 2% Issuer Cap Index | -4.94 | -4.94 | -0.83 | 4.80 | 4.83 | 4.92 | 5.66 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

## Calendar Year Returns

| Investment Manager | Strategy | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| MacKay Shields LLC | High Yield | 5.86 | 7.21 | 14.21 | -0.67 | 7.67 | 16.77 | -0.52 | 2.73 | 7.09 | 14.19 |
| Segall Bryant & Hamill | Quality High Yield Fixed Income | 3.99 | 7.75 | 13.23 | -1.05 | 6.84 | 13.64 | -0.68 | 5.89 | 5.18 | 11.41 |
| Bloomberg | U.S. HY Ba/B 2% Issuer Cap Index | 4.68 | 7.66 | 15.18 | -1.88 | 6.92 | 14.09 | -2.72 | 3.45 | 6.23 | 15.00 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

# 5 Year Risk Statistics

**Periods Ending 3/2022**

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Information Ratio | Consistency | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|---|---|
| MacKay Shields LLC | High Yield | 0.94 | 0.66 | 0.89 | 0.80 | 61.67% | 6.74 | 98.66 | 85.77 |
| Segall Bryant & Hamill | Quality High Yield Fixed Income | 0.86 | 0.57 | 1.34 | -0.15 | 51.67% | 6.18 | 85.36 | 79.08 |
| Bloomberg | U.S. HY Ba/B 2% Issuer Cap Index | 1.00 | 0.52 | 0.00 | --- | 0.00% | 7.12 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
**Sharpe Ratio** - A measure of return in excess of the risk-free rate (U.S. Treasury Bills) per unit of volatility. The ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the portfolio's standard deviation. The greater a portfolio's ratio, the better its risk-adjusted performance.
**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
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## 10 Year Risk Statistics
### Periods Ending 3/2022

| Investment Manager | Strategy | Beta Ratio | Sharpe Ratio | Tracking Error | Information Ratio | Consistency | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|---|---|
| MacKay Shields LLC | High Yield | 0.93 | 1.02 | 1.05 | 0.77 | 60.83% | 5.73 | 99.34 | 84.25 |
| Segall Bryant & Hamill | Quality High Yield Fixed Income | 0.85 | 0.95 | 1.41 | -0.01 | 50.00% | 5.31 | 87.54 | 76.80 |
| Bloomberg | U.S. HY Ba/B 2% Issuer Cap Index | 1.00 | 0.83 | 0.00 | --- | 0.00% | 6.09 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
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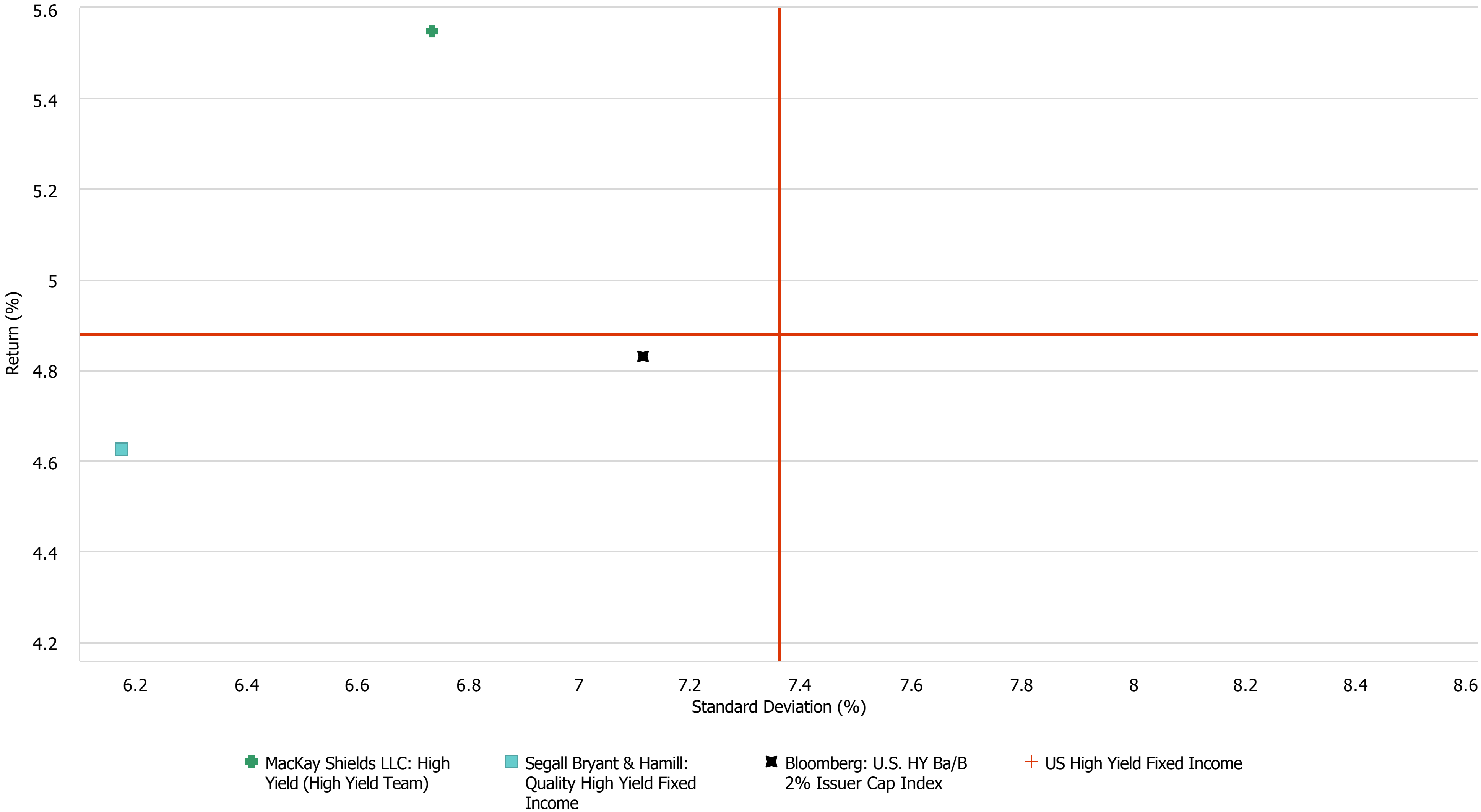
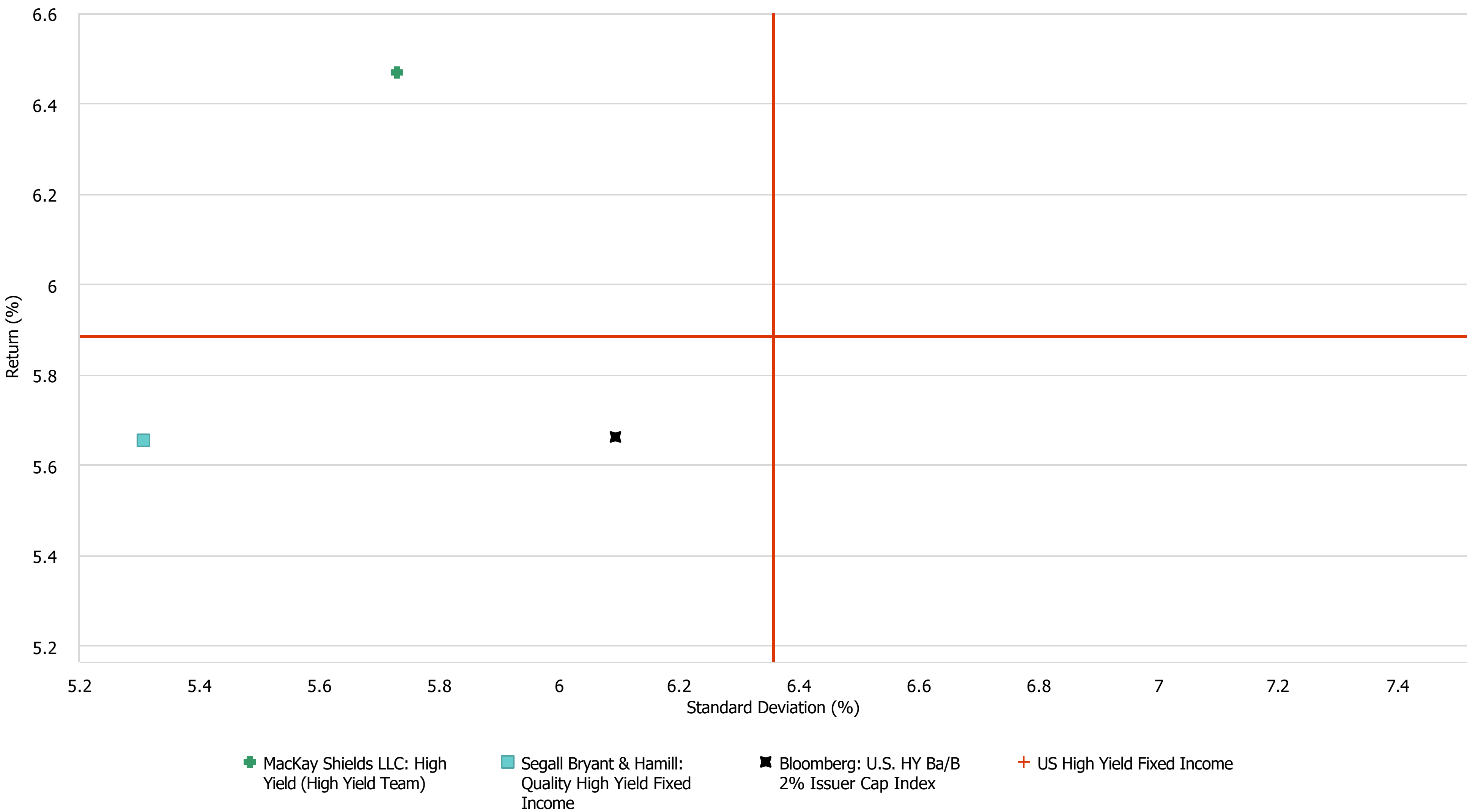
## Risk vs. Return
## Annualized Five Year Returns
### Periods Ending 3/2022



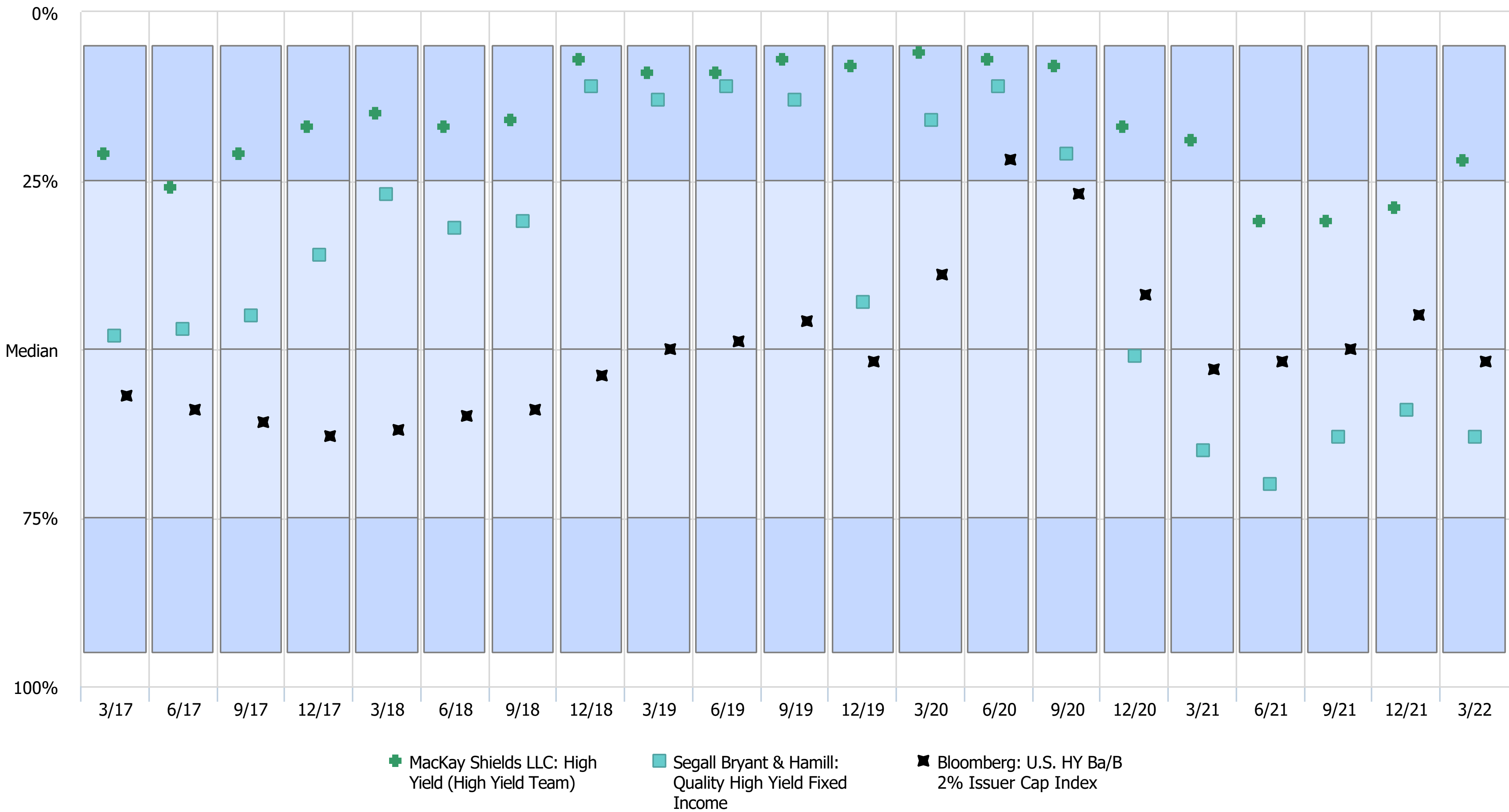

Universe: eVestment US High Yield Fixed Income

## Risk vs. Return
## Annualized Ten Year returns
### Periods Ending 3/2022




Universe: eVestment US High Yield Fixed Income

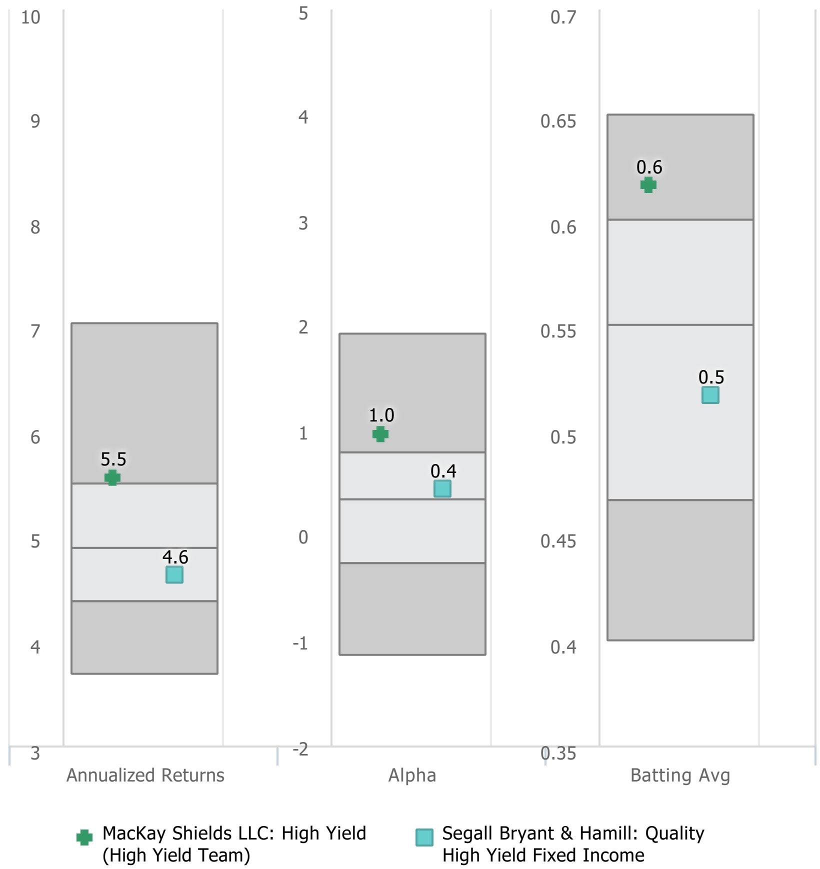
## 5 Year Rolling Returns with 1 Quarter Rollback - Universe Rankings
### Periods Ending 3/2022




Universe: eVestment US High Yield Fixed Income

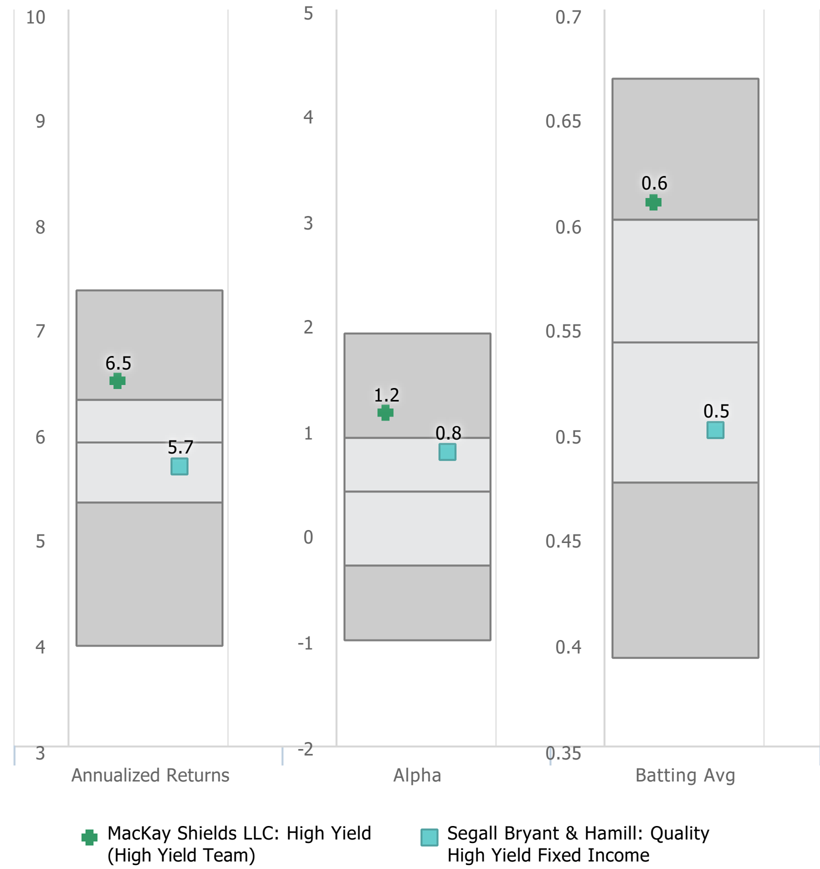
# eVestment US High Yield Fixed Income
## Returns and Statistics
### Periods Ending 3/2022

**5 Year Statistics**




Universe: eVestment US High Yield Fixed Income

**10 Year Statistics**




Universe: eVestment US High Yield Fixed Income

**Alpha** - The amount of an investment's return that is independent of the return of the market. Alpha is generated by active management through security selection and may be positive or negative relative to a given benchmark.

**Batting Average** - Defined as the percentage of months the manager outperformed the index (also referred to as "consistency").

| Firm | Investment Summary |
|---|---|
| MacKay Shields LLC | MacKay Shields High Yield Group’s strategy takes a bottom-up, value oriented approach to investing in the high yield market. Their objective is to outperform the high yield market over the long term through superior credit selection, while mitigating downside risks. They focus on credit selection, rather than indexing or pursing macro or momentum strategies. They have a long-term outlook, and do not attempt to time the market or trade excessively. The team believes their long-term performance is evidence of their style, which has remained consistent since 1991. They only invest in high yield companies that they understand well and which they believe have a large margin-of-safety through excess asset coverage and free cash flow. By only buying debt securities with a minimum 1.5x asset coverage and significant free cash flow, the team believes they are building in a significant margin-of-safety into their investments. |
| Segall Bryant & Hamill | SBHs' Fixed Income strategy is based on the belief that consistently strong risk-adjusted returns are best achieved through an emphasis on income rather than short-term market timing. Using a relative value strategy, the team seeks to deliver alpha primarily through security and sector selection and, secondarily, through portfolio level decisions. Using a collaborative approach grounded in proprietary research, the team constructs a diversified portfolio while adhering to its risk control measures. |

| Firm | Firm Background |
| --- | --- |
| MacKay Shields LLC | MacKay Shields was founded in 1938 as an economic consulting firm by Gilbert MacKay and became a registered investment adviser in 1969. We were acquired by the New York Life Insurance Company in 1984, as the foundation to its multi-boutique investment advisor model. The model, which was designed to combine the benefits of nimble and independent investment boutiques with the strength of a financially strong partner, has been key to MacKay Shields' success for more than 35 years. Proprietary research has always been at the core of MacKay Shields' strategies. MacKay Shields investment teams leverage the firm's fundamental, macro and quantitative insights. In the investment management industry, MacKay Shields is well known for its research acumen and quality of its investment strategies. Over the past 50 years, MacKay Shields' has partnered with our clients to tailor fixed-income and equity solutions and provide high levels of client service. As of December 31, 2021, we managed approximately $164 billion in assets on behalf of a global clientele that includes insurance companies, corporate pension funds, non-profits, occupational pension schemes, Taft-Hartley, public pension plans, sub-advisory clients and family offices. Within MacKay Shields our investment teams enjoy autonomy and independence, and have a vested interest in the success of their investment strategies. The members of our experienced investment teams have worked together on average for many years, successfully navigating various market cycles. MacKay Shields has six main investment teams: MacKay Municipal ManagersTM, Global Fixed Income, High Yield, Global Credit, Convertibles, and Fundamental Equity, whose areas of responsibility largely align with specific asset classes in the market. Ownership MacKay Shields LLC is 100% owned by New York Life Investment Management Holdings LLC ("NYL Investment Holdings"), which is wholly owned by New York Life Insurance Company ("NYLIC"), our ultimate parent. |
| Segall Bryant & Hamill | Segall Bryant & Hamill LLC (SBH) is an SEC Registered investment Adviser established in October 1994 by co-founders Ralph Segall, Alfred Bryant, Jonathan Hamill, and Jeffrey Slepian. The firm is headquartered in Chicago, with additional offices in Denver, Philadelphia, St. Louis, and Naples, Florida. The firm serves a diverse and growing clientele, which includes public funds, Taft-Hartley benefit funds, corporations, endowments, foundations, associations, and high-net-worth individuals. SBH provides fee-based investment management of equity, fixed income, and alternative investment portfolios on a discretionary and non-discretionary basis. Over the years, the firm has achieved organic growth through its existing strategies. SBH has supplemented its organic growth with a series of acquisitions to better serve clients' dynamic needs. • In June 2015, SBH acquired the Quantitative International team led by Scott E. Decatur, Ph.D., from Philadelphia International Advisors to expand its client offerings to include International Small Cap Equity and Emerging Markets Equity strategies. The team has been managing portfolios for taxable and tax-exempt clients since the inception of the International Small Cap strategy in May 2008. The team also launched an Emerging Markets Small Cap strategy in June 2016. • On April 30, 2018, SBH acquired Denver Investments, an independent investment firm located in Denver, Colorado, to further diversify the firm's offering of alpha-generating institutional investment solutions and enhance its research capabilities. Denver Investments had been a Registered Investment Adviser since 1983. CI Financial Corp. ("CI") (TSX: CIX; NYSE: CIXX), a leading independent financial services firm located in Toronto, Canada, acquired the firm on April 30, 2021. CI provides SBH with strong financial backing and access to capital for future strategic investments to strengthen our firm and expand our global reach. |

# UFCW and Safeway Variable Annuity Pension Fund

## Investment Manager Review

Real Estate Core

As of 3/2022
Benchmark: NCREIF ODCE Equal Weight Index ($Net)
Universe: eVestment US Private Real Estate

# Executive Summary

## Manager Search Process

- Assist the Trustees in specifying the characteristics of the investment manager that will satisfy the needs of the Fund. This is accomplished within the scope of the Fund's investment policy statement.

- IPS develops a list of qualified candidates for each asset class and investment style. Investment manager candidates are thoroughly researched from various sources, including the eVestment database, Wilshire Compass database, Morningstar mutual fund database, and industry/public information. The purpose of the due diligence discipline is to reduce the immense list of potential candidates to a manageable group of firms with an impartial eye on meeting all selection criteria. That list is further examined to determine an approved list of "best in class" managers.

- Consistency of performance is a key component of the manager search process. IPS is mindful of the mathematics of an investment loss, which requires the achievement of higher rates of positive performance to recover from a loss. Investment managers that outperform or capture a significant amount of market upside when markets are positive, while protecting capital when markets decline, are preferred. IPS believes that managers who can provide this asymmetric return profile of performance and risk will rank well when longer time periods are considered.

- For every investment manager search, as part of the IPS due diligence process, IPS sends a Request for Information (RFI) to each potential candidate, regarding the product characteristics, performance, personnel, investment process and other relevant criteria. A copy of the RFI for each manager may be provided to the Fund's Administrator and additional copies can be provided to the Trustees upon request.

- It is important to note that no fees are paid to IPS by any investment manager to be included in a search or database. The only requirement placed upon the manager is their willingness to submit and maintain data concerning their firm, its investment products, and performance results.

- IPS does not sell products or services to investment managers. However, investment managers may pay IPS to attend and to help defray the cost of IPS' annual conference, EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend and help defray the costs of EPIC.

- If the Trustees so desire, the next step can be a presentation of background information regarding the firms meeting the selection criteria. IPS will assist in the review of these candidates to help the Board of Trustees choose the best candidates to make personal interviews and presentations by their principals and/or managers who will be responsible for managing the fund's assets.

- The last meeting, held at the Trustees' discretion, is the personal presentation of the final group of candidates who appear to best meet the needs of the Trustees and their objectives. The manager presentation is a very important step in the Trustee's process of evaluating and comparing the candidates.

- The conclusion of the search process is the selection of the firm(s) by the Trustees to manage the assets.

- Importantly, as part of our ongoing performance evaluation reports, we will review the manager transfer as it occurs, and ensure the accurate accounting of the changes made.

## Perspective on Performance and Risk Data

The manager search materials include historical performance results. It is important to remember that past performance is not to be construed as a guarantee of future performance. The key to using historical performance data is to develop an expectation of returns during various market environments and to determine which type of return (and thus which type of manager) best suits the client's needs. We use historical data to "look behind" the managers' numbers for consistency of returns and to inspect how they preserve capital over full market cycles and in declining markets.

Included within the manager search materials are the following: firm's history, fund styles, fees, volatility, relative performance, and risk measures. This information is critical when comparing the candidates among each other. The material is presented in a consistent fashion to ensure there is a level playing field.

# EPIC

**April 30 - May 3, 2019**

The following investment managers and providers included in this search attended and helped to defray the cost of IPS' annual conference EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend EPIC.

American Realty Advisors

MEPT/Bentall Kennedy

# Firm and Strategy Summary
## Periods Ending 3/2022

| Investment Manager | Founded | City/State | Ownership | Total AUM (Millions) | Total Taft-Hartley AUM (Millions) | Total Assets Managed in Style (Millions) |
|---|---|---|---|---|---|---|
| American Realty Advisors | 1990 | Los Angeles, CA | Employee Owned | $12,245 | $7,752 | $9,191 |
| Bentall GreenOak (MEPT) | 1982 | Bethesda, MD | SLC Management | $74,000 | $7,210 | $6,800 |

# Strategy and Investment Terms
## Commingled Fund
### Periods Ending 3/2022

| Investment Manager | Fund Name | Minimum Investment | Management Fee | Accepts HW Assets | 408(b)(2) Provided |
|---|---|---|---|---|---|
| American Realty Advisors | ARA Core Property Fund | Limited Partnership - $1,000,000 | 110 Bps < $25MM, 95 Bps $25-$75MM, 85 Bps > $75MM (1) | Yes | Yes |
| Bentall GreenOak (MEPT) | Multi-Employer Property Trust | CIT - None | 98.5 Bps First $10MM, 92.5 Bps Next $15MM, 87.5 Bps Next $75MM, 72.5 Bps Next $150MM, 50 Bps Next $250MM | No | Yes |

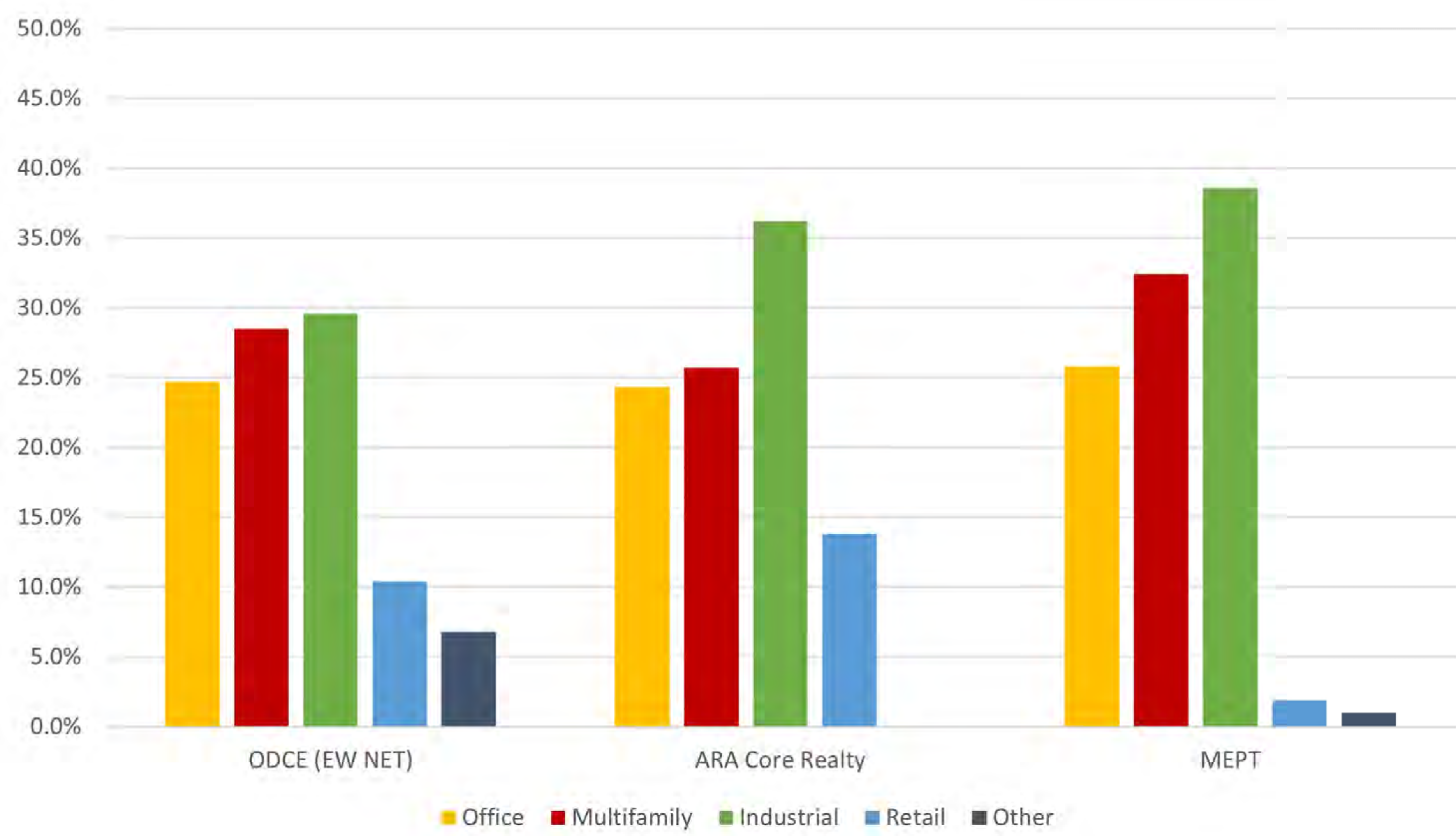
Commingled funds have proprietary investment policies that govern their investment activities. Those policies may differ from those of their separately managed clients.
(1) Applicable asset management fee is applied to net investment assets only (there is no fee on uninvested commitments). Fee schedule is not a tiered fee structure.

# Investment Strategy
## Sector Allocation
### Periods Ending 3/2022

| Investment Manager | Fund Name | Office | Multifamily | Industrial | Retail | Other |
|---|---|---|---|---|---|---|
| American Realty Advisors | ARA Core Property Fund | 24.3% | 25.7% | 36.2% | 13.8% | -- |
| Bentall GreenOak (MEPT) | Multi-Employer Property Trust | 25.8% | 32.4% | 38.6% | 1.9% | 1.0% |
| NCREIF ODCE Equal Weight Index ($Net) | Index | 24.7% | 28.5% | 29.6% | 10.4% | 6.8% |

The NCREIF ODCE Equal Weight Index ($Net) is a fund level equally weighted return index and includes property investments at ownership share, cash balances and leverage (i.e. returns reflect each member fund's actual asset ownership positions and financing strategy).

# Investment Strategy
## Sector Allocation
### Periods Ending 3/2022



## Annualized Returns
### Periods Ending 3/2022

| Investment Manager | QTR | YTD | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year |
|---|---|---|---|---|---|---|---|
| American Realty Advisors - ARA Core Property Fund | 8.46 | 8.46 | 29.66 | 11.92 | 10.38 | 10.26 | 10.86 |
| Bentall GreenOak - MEPT | 6.14 | 6.14 | 25.91 | 10.30 | 9.04 | 9.36 | 9.84 |
| NCREIF ODCE Equal Weight Index ($Net) | 7.77 | 7.77 | 28.69 | 11.11 | 9.46 | 9.73 | 10.24 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

# Calendar Year Returns

| Investment Manager | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| American Realty Advisors - ARA Core Property Fund | 21.78 | 1.57 | 6.30 | 8.72 | 8.08 | 7.09 | 15.35 | 11.60 | 12.35 | 11.27 | 15.05 |
| Bentall GreenOak - MEPT | 22.74 | 1.37 | 4.57 | 8.17 | 6.62 | 9.23 | 13.98 | 13.61 | 13.79 | 5.23 | 13.43 |
| NCREIF ODCE Equal Weight Index ($Net) | 21.90 | 0.75 | 5.21 | 7.31 | 6.92 | 8.35 | 14.19 | 11.42 | 12.36 | 9.92 | 14.99 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

# 3 Year Risk Statistics
## Periods Ending 3/2022

| Investment Manager | Beta | Sharpe Ratio | Tracking Error | Information Ratio | Batting Average | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|---|
| American Realty Advisors - ARA Core Property Fund | 1.02 | 1.75 | 1.32 | 0.62 | 0.67 | 6.38 | 106.24 | 84.02 |
| Bentall GreenOak - MEPT | 0.90 | 1.68 | 1.48 | -0.55 | 0.25 | 5.68 | 96.64 | 173.25 |
| NCREIF ODCE Equal Weight Index ($Net) | 1.00 | 1.69 | 0.00 | --- | 0.00 | 6.10 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
**Sharpe Ratio** - A measure of return in excess of the risk-free rate (U.S. Treasury Bills) per unit of volatility. The ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the portfolio's standard deviation. The greater a portfolio's ratio, the better its risk-adjusted performance.
**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
**Information Ratio** – A measure of a portfolio's excess returns above (below) a benchmark to the volatility of those excess returns. Information is calculated by subtracting the return of a portfolio by the return of the benchmark and then dividing that by the tracking error of those returns. A positive information ratio implies a manager is rewarded for their active decisions around their benchmark.
**Consistency** - Defined as the percentage of months the manager outperformed the index (also referred to as "batting average").
**Standard Deviation** - A statistical measure of the dispersion of a set of data from its mean, depicting how widely returns varied over a certain period of time. Standard deviation is the most commonly cited measure of the volatility or "risk" in investment returns. An investment manager with a standard deviation in excess of the index historically had volatility greater than the index.
**Capture Ratios** - A measure an investment manager's performance relative to their benchmark in a rising ("up market capture") or falling ("down market capture") environment. Up and down market capture ratios indicate the percentage of the "market's" performance captured by an investment manager. For example, a manager with a downside capture of 80% generated a return that was less negative than the market (i.e., S&P -1.0% vs. manager -0.8%); a manager with a downside capture of 120% generated a return that was more negative than the market (i.e., S&P -1.0% vs. manager -1.2%); and a manager with a downside capture of -100% generated a positive return in a negative market environment (i.e. S&P -1.0% vs. manager +1.0%).

# 5 Year Risk Statistics
## Periods Ending 3/2022

| Investment Manager | Beta | Sharpe Ratio | Tracking Error | Information Ratio | Batting Average | Standard Deviation | Upside Market Capture | Downside Market Capture |
|---|---|---|---|---|---|---|---|---|
| American Realty Advisors - ARA Core Property Fund | 1.02 | 1.88 | 1.04 | 0.88 | 0.75 | 4.95 | 108.88 | 84.02 |
| Bentall GreenOak - MEPT | 0.90 | 1.80 | 1.21 | -0.35 | 0.30 | 4.41 | 98.25 | 173.25 |
| NCREIF ODCE Equal Weight Index ($Net) | 1.00 | 1.76 | 0.00 | --- | 0.00 | 4.76 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
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**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
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# UFCW and Safeway Variable Annuity Pension Fund

## Investment Manager Review

Real Estate Value Added

As of 3/2022
Benchmark: NCREIF ODCE Equal Weight Index ($Net)
Universe: eVestment US High Yield Fixed Income

# Executive Summary

## Manager Search Process

- Assist the Trustees in specifying the characteristics of the investment manager that will satisfy the needs of the Fund. This is accomplished within the scope of the Fund's investment policy statement.

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- The conclusion of the search process is the selection of the firm(s) by the Trustees to manage the assets.

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Included within the manager search materials are the following: firm's history, fund styles, fees, volatility, relative performance, and risk measures. This information is critical when comparing the candidates among each other. The material is presented in a consistent fashion to ensure there is a level playing field.

# EPIC

**April 30 - May 3, 2019**

The following investment managers and providers included in this search attended and helped to defray the cost of IPS' annual conference EPIC. EPIC is an educational conference addressing various issues related to employee benefit plans. IPS does not give preferential treatment to investment managers or any other provider that pays to attend EPIC.

Boyd Watterson Asset Management
Christenson Investment Partners
Intercontinental Real Estate Corp.

# Firm and Strategy Summary
## Periods Ending 3/2022

| Investment Manager | Founded | City / State | Ownership | Total AUM (Millions) | Taft-Hartley AUM (Millions) | Total Assets Managed in Style |
|---|---|---|---|---|---|---|
| Boyd Watterson Asset Management, LLC | 2000 | Cleveland, OH | Employee Owned | $17,109 | $5,971 | $2,673 |
| Intercontinental Real Estate Corporation | 1998 | Boston, MA | Employee Owned | $13,875 | $10,364 | $13,500 |

# Strategy and Investment Terms
## Commingled Fund
### Periods Ending 3/2022

| Investment Manager | Fund Name | Minimum Investment | Management Fee | Incentive Fee | Hurdle Rate | High Water Mark | Accepts HW Assets | 408(b)(2) Provided |
|---|---|---|---|---|---|---|---|---|
| Boyd Watterson Asset Management, LLC | State Government Fund | Limited Partnership - $1,000,000 | 115 Bps in 2021, Beginning 1/1/22: 125 Bps First $25MM, 115 Bps Next $75MM, 105 Bps over $100MM | None | N/A | N/A | Yes | Yes |
| Intercontinental Real Estate Corporation | U.S. Real Estate Investment Fund | LLC - $2,000,000 | 110 Bps < $25MM, 100 Bps $25-50MM, 85 Bps $50-100MM, 75 Bps $100-200MM, 70 Bps $200-250MM, 65 Bps $250-300MM, 60 Bps $300-350MM, 55 Bps $350-400MM, 50 Bps for aggregate capital commitments over $400MM (1) | 20% | 8% | Yes | Yes | Yes |

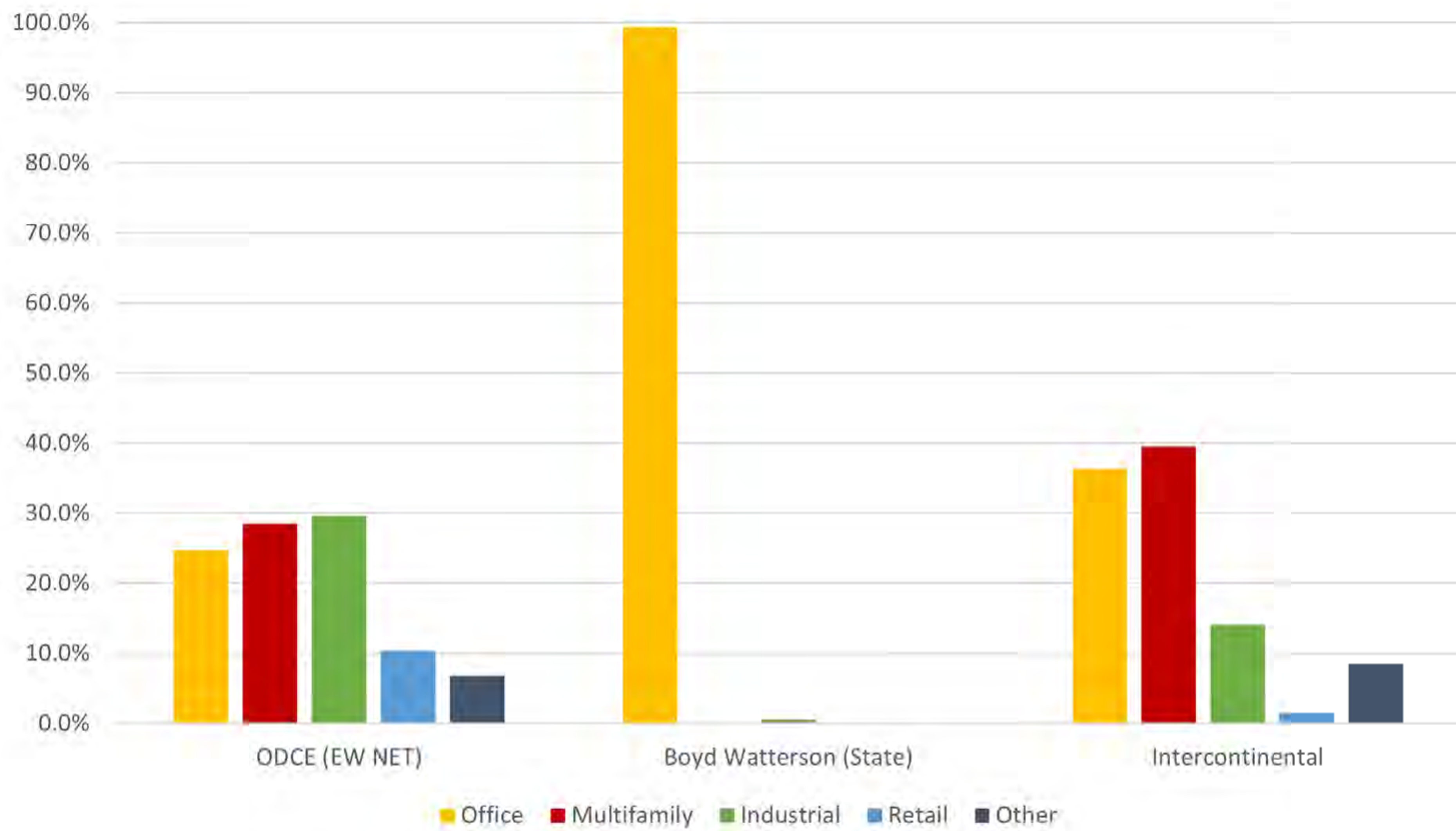
Commingled funds have proprietary investment policies that govern their investment activities. Those policies may differ from those of their separately managed clients.
(1) The management fee is determined based on an investor's total committed capital, but fees are charged on original par amount of invested capital only. The assets of affiliated plans may be aggregated for the purposes of determining the management fee.

# Investment Strategy
## Sector Allocation
### Periods Ending 3/2022

| Investment Manager | Office | Multifamily | Industrial | Retail | Other |
|---|---|---|---|---|---|
| Boyd Watterson Asset Management, LLC - State Government Fund | 99.4% | -- | 0.6% | -- | -- |
| Intercontinental Real Estate Corporation - U.S. REIF | 36.3% | 39.5% | 14.1% | 1.5% | 8.5% |
| NCREIF ODCE Equal Weight Index ($Net) | 24.7% | 28.5% | 29.6% | 10.4% | 6.8% |

The NCREIF ODCE Equal Weight Index ($Net) is a fund level equally weighted return index and includes property investments at ownership share, cash balances and leverage (i.e. returns reflect each member fund's actual asset ownership positions and financing strategy).

# Investment Strategy
## Sector Allocation
### Periods Ending 3/2022



## Annualized Returns
### Periods Ending 3/2022

| Investment Manager | QTR | YTD | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year |
|---|---|---|---|---|---|---|---|
| Boyd Watterson - State Government Fund | 2.24 | 2.24 | 10.36 | 10.64 | N/A | N/A | N/A |
| Intercontinental Real Estate Corporation - U.S. REIF | 5.76 | 5.76 | 28.27 | 12.78 | 11.59 | 12.27 | 12.97 |
| NCREIF ODCE Equal Weight Index ($Net) | 7.77 | 7.77 | 28.69 | 11.11 | 9.46 | 9.73 | 10.24 |

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

## Calendar Year Returns

| Investment Manager | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Boyd Watterson - State Government Fund | 10.60 | 9.07 | 12.44 | 6.12 (1) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Intercontinental Real Estate Corporation - US REIF | 24.33 | 1.64 | 9.44 | 10.51 | 8.54 | 12.41 | 12.66 | 13.66 | 16.44 | 15.31 | 15.87 |
| NCREIF ODCE Equal Weight Index ($Net) | 24.30 | 3.70 | 6.66 | 11.35 | 9.60 | 10.49 | 20.86 | 15.71 | 19.72 | 12.44 | 23.56 |

(1) The 2018 return is since inception in February 2018.

The investment policy guidelines of each individual portfolio within the composite results presented above may differ among each other. In addition, the investment policy guidelines of commingled and institutional mutual funds may differ from investment guidelines governing separately managed portfolios. Composite results are reported gross of investment management fees.

# 3 Year Risk Statistics
## Periods Ending 3/2022

| Investment Manager | Product Name | Beta Ratio | Sharpe Ratio | Tracking Error | Information Ratio | Consistency | Standard Deviation | Upside Mkt Capture | Downside Mkt Capture |
|---|---|---|---|---|---|---|---|---|---|
| Boyd Watterson | Boyd Watterson - State Government Fund | -0.03 | 7.20 | 6.45 | -0.07 | 0.67 | 1.37 | 82.72 | -198.53 |
| Intercontinental Real Estate Corporation | U.S. Real Estate Investment Fund LLC | 0.87 | 2.06 | 2.52 | 0.66 | 0.67 | 5.83 | 109.74 | 1.39 |
| NCREIF | ODCE Equal Weight Index ($Net) | 1.00 | 1.69 | 0.00 | --- | 0.00 | 6.10 | 100.00 | 100.00 |

**Beta Ratio** – A measure of an investment's volatility relative to a market benchmark. The beta of the market is 1.0. A beta above 1.0 indicates higher volatility than the benchmark; a beta below 1.0 indicates less volatility than the benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta of 1.0 is expected to perform in line with the benchmark.
**Sharpe Ratio** - A measure of return in excess of the risk-free rate (U.S. Treasury Bills) per unit of volatility. The ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the portfolio's standard deviation. The greater a portfolio's ratio, the better its risk-adjusted performance.
**Tracking Error** - A measure of how closely a portfolio's return follows its benchmark, tracking error is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. Tracking error is often used as a measurement of consistency of returns against a benchmark over time.
**Information Ratio** – A measure of a portfolio's excess returns above (below) a benchmark to the volatility of those excess returns. Information is calculated by subtracting the return of a portfolio by the return of the benchmark and then dividing that by the tracking error of those returns. A positive information ratio implies a manager is rewarded for their active decisions around their benchmark.
**Consistency** - Defined as the percentage of months the manager outperformed the index (also referred to as "batting average").
**Standard Deviation** - A statistical measure of the dispersion of a set of data from its mean, depicting how widely returns varied over a certain period of time. Standard deviation is the most commonly cited measure of the volatility or "risk" in investment returns. An investment manager with a standard deviation in excess of the index historically had volatility greater than the index.
**Capture Ratios** - A measure an investment manager's performance relative to their benchmark in a rising ("up market capture") or falling ("down market capture") environment. Up and down market capture ratios indicate the percentage of the "market's" performance captured by an investment manager. For example, a manager with a downside capture of 80% generated a return that was less negative than the market (i.e., S&P -1.0% vs. manager -0.8%); a manager with a downside capture of 120% generated a return that was more negative than the market (i.e., S&P -1.0% vs. manager -1.2%); and a manager with a downside capture of -100% generated a positive return in a negative market environment (i.e. S&P -1.0% vs. manager +1.0%).

| Firm | Investment Summary |
| --- | --- |
| Boyd Watterson Asset Management, LLC | The Fund's investment objective is to provide income stability and capital preservation while seeking to deliver excess returns with moderate risk over market cycles by investing predominantly in commercial real estate properties leased to state, county and municipal government agencies with an underlying credit rating at the time of acquisition of Aa3 or higher from Moody's or AA or higher from S&P or Fitch (collectively, "State Government Tenants"). This will include single tenant, multi-tenant, recently or to-be-constructed build-to-suit properties with the development risk borne by the developers/sellers. The Advisor's strategy is to utilize its knowledge and experience in the government leased market and the experience of the Advisor's real estate management team to acquire a portfolio of assets leased to State Government Tenants which will generate attractive income returns and have moderate risk. Investments undertaken by the Fund may take the form of individual real estate or real estate-related assets or equity or other interests in entities that own or control such real estate or real estate-related assets (each, an "Investment" and collectively, the "Investments"). The Advisor's strategy is to employ leverage targeted at a range of forty (40%) to fifty percent (50%) of the total cost of the real estate investment in an effort to enhance returns for investors. The Advisor intends to utilize its knowledge of federal and state government leasing, employ its databases and proprietary management systems, and utilize its existing relationships with lenders to aid in the formation and operation of the Fund. |
| Intercontinental Real Estate Corporation | Potential opportunities are subjected to a consistent and focused assessment of the relationship between risk and return. Intercontinental employs a rigorous approach to analyzing acquisitions and dispositions, including proprietary investment analysis models and a variety of macro and micro-economic data sources. Investment models range from relatively simple feasibility models to highly sophisticated discounted cash flow models employing a high degree of precision and sensitivity. Software employed includes proprietary Excel models and the industry standard Argus Real Estate Financial Software. The typical underwriting timeframe from opportunity identification to closing ranges from 30 to 120 days, or longer in some cases. |

| Firm | Firm Background |
| --- | --- |
| Boyd Watterson Asset Management, LLC | Boyd Watterson is an independent, employee-owned firm with approximately $11.0 billion of assets under management including gross real estate assets under management and unified managed accounts ($8.2 billion GIPS). Boyd Watterson has successfully achieved the scale and diversification which will allows Boyd Watterson to deliver consistent and controlled growth. As a private firm, Boyd Watterson has the ability to make decisions that are more strategic in nature and in the best interests of the firm and clients. As such, the interests of the firm and clients are fully aligned – an essential element in the growth and success of Boyd Watterson's relationships. |
| Intercontinental Real Estate Corporation | Intercontinental Real Estate Corporation ("Intercontinental") is an outgrowth of a construction and development firm established in 1959 by Petros A. Palandjian. During the 1970's and 1980's, Intercontinental evolved from a successful large-scale construction company into a highly focused real estate development firm with the competitive advantage of in-house construction capabilities. On its foundation of construction and development expertise, Intercontinental undertook projects for its own portfolio and for third-party investors and applied these skills to a diverse range of property types including; office, multi-family, hotel, industrial, retail and mixed-use properties. In the mid 1990's, Intercontinental began to focus on private equity real estate investment management and advisory services to taxable and tax-exempt entities through commingled real estate investment funds. Today, Intercontinental is a vertically integrated firm encompassing all aspects of real estate, including acquisitions, asset management, portfolio management, finance, development, construction management and property management. Intercontinental is an SEC registered Investment Adviser. Peter Palandjian, Chairman & CEO, and an affiliated family entity, own 100% of Intercontinental. |

eVestment and its affiliated entities (collectively, "eVestment") collect information directly from investment management firms and other sources believed to be reliable; however, eVestment does not guarantee or warrant the accuracy, timeliness, or completeness of the information provided and is not responsible for any errors or omissions. Performance results may be provided with additional disclosures available on eVestment's systems and other important considerations such as fees that may be applicable. Not for general distribution.
* All categories not necessarily included; Totals may not equal 100%. 

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# INVESTMENT POLICY STATEMENT
# ADOPTED __________

# UFCW AND SAFEWAY VARIABLE ANNUITY PENSION FUND

## I. INTRODUCTION

In accordance with the provisions of Section 402 (b)(1) of the Employee Retirement Income Security Act (ERISA) and its general fiduciary duties, the Board of Trustees (the "Trustees") of the UFCW and Safeway Variable Annuity Pension Fund (the "Fund"), a defined benefit plan, hereby formulates and states the Fund's investment policy which includes guidelines for each Investment Manager (the "Investment Manager").

ERISA charges the Trustees with responsibility for the investment of the assets of the Fund. To assist the Trustees in this function, they are authorized to engage the services of the professional Investment Manager (as defined by ERISA), who shall be a fiduciary with respect to the Fund and who possess the necessary specialized research facilities and skills to manage Fund assets. The Trustees having delegated said investment authority, the Investment Manager is empowered with the sole and exclusive power and authority to manage the investment assets of the Fund, including the power to acquire and dispose of said assets, subject to guidelines and limitations herein contained and the Investment Manager's contracts.

This Investment Policy Statement (the "Policy") shall be reviewed periodically by the Trustees in order to keep it responsive to the Fund's needs. All modifications shall be in writing and approved by the Trustees.

## II. INVESTMENT POLICY

### A. General

Assets of the Fund shall be invested in a manner consistent with the fiduciary standards of ERISA; namely, (1) all transactions undertaken must be in the sole interest of Plan participants and their beneficiaries, (2) to provide benefits and defray reasonable expenses of plan administration in a prudent manner, and (3) assets are to be diversified in order to minimize the impact of large losses in individual investments. Furthermore, all investments shall be made in compliance with all other relevant laws and consistent with the provisions of the Agreement and

Declaration of Trust that governs the Fund (the "Trust Agreement"). The Trustees will provide a copy of the Trust Agreement (and any amendments which may affect the management of the Fund) upon the request of the Investment Manager.

## B. Delineation of Responsibilities

**1. Trustees:** Asset Allocation and Liquidity

The Trustees have the responsibility for establishing the basic investment policy that will guide the investment program, which will include a description of the overall fund structure in accordance with a risk level they ascertain to be appropriate. The responsibility for providing for the Fund's liquidity needs also rests with the Trustees, as does the responsibility for engaging Investment Managers to implement investment policy. The Fund's fiscal year ends Decemer 31. The Trustees should review the actuary's report at least annually to gain better knowledge of the Fund's position, and its impact on asset allocation and liquidity.

**2. Investment Manager:** Execution of Policy

The Investment Manager appointed by the Trustees shall invest the portion of the Fund's assets placed under its management in accordance with the Policy, but shall apply its own judgment concerning relative investment values. The Investment Manager is accorded full discretion, within general and specific Investment Policy guideline limits and restrictions, to select and time individual purchase and sale transactions and to diversify assets appropriately within the parameters of the investment style for which said Investment Manager has been engaged. The Investment Manager shall acknowledge in writing that: (1) it is a fiduciary with respect to the Fund as defined by ERISA; (2) it will discharge its responsibilities with respect to that portion of allocated assets under its management in accordance with ERISA and this Investment Policy Statement; (3) it is a Bank, an Insurance Company or an Investment Advisor under the Investment Advisers Act of 1940.

**3. Investment Consultant:**

The investment consultant shall assist the Trustees in accordance with the services specified in the investment consulting agreement.

## C. Investment Objectives

The Fund shall seek to achieve the following long-term investment objectives, net of expenses:

1. A long-term rate of return, which meets or exceeds the hurdle of the Fund as listed in the Fund's actuarial report. The present hurdle rate as determined by the Plan's actuary is 5.5% and may be changed from time to time.
2. Maintenance of sufficient income and liquidity to fund benefit payments.
3. Preserve the principal value of the Fund.

These objectives are intended to serve as guidance for the Trustees in making asset allocation decisions and evaluating the performance of the Fund as a whole and shall not be deemed to be guidelines applicable to the Investment Manager.

## D. Asset Classes and Allocation of Assets

All assets of the Fund shall be allocated by the Trustees and invested in accordance with the allocations listed in the following table:

**Allocation of Fund Assets**
**Measured at Market Value**

| Asset Class | Policy | Policy Range |
|---|---|---|
| Domestic Large Cap Equity | xx% | xx – xx% |
| Domestic Small / Mid Cap Equity | xx% | xx – xx% |
| International Equity | xx% | xx – xx% |
| Global Tactical Asset Allocation | xx% | xx – xx% |
| Investment Grade Fixed Income | xx% | xx – xx% |
| High Yield Fixed Income | xx% | xx – xx% |
| Real Estate – Core | xx% | xx – xx% |
| Real Estate – Value Add | xx% | xx – xx% |
| Opportunistic Strategies | xx% | xx – xx% |
| Private Equity | xx% | xx – xx% |
| Cash Equivalents | Minimal | |

The Trustees shall monitor on a regular basis the percentage allocation of each asset class that may change from time to time. Due to market conditions, the asset allocation of the Fund may vary from the targets established above. The Trustees considering the advice of the investment consultant will take the necessary actions to rebalance the Fund from time to time to take best advantage of market conditions.

**E. STANDARDS AND MEASURES OF PERFORMANCE**

Performance measurement will be made by the Investment Consultant and reported to the Trustees on a regular basis and will include comparisons against established indexes. While performance of the Investment Manager will be reviewed quarterly, quantitative evaluation will normally be considered of more importance over a three to five-year investment horizon. Performance shall mean the total rate of return, computed on a time-weighted basis, after all expenses. The Investment Manager is expected to add value after expenses to the Fund's investment return and provide performance that exceeds representative indexes. The continuing compliance of all investment portfolios with this Investment Policy Statement is the specific responsibility of the Investment Manager and not that of an investment consultant. Appropriate performance benchmarks for Investment Managers will be defined in individual addendums specific to each manager.

**F. COMMUNICATION AND REPORTING OF INVESTMENT MANAGERS**

The Investment Manager is responsible for frequent and open communication with the Board of Trustees and Investment Consultant on all significant matters pertaining to investment policies and the management of the Fund's assets. The Investment Manager shall report to the Trustees with respect to:

1. Changes, which in the Investment Manager's view, are significant and material in the Investment Manager's investment outlook, investment strategy, portfolio structure and risk level.
2. Any significant changes in the Investment Manager's ownership, investment process, organizational structure, financial condition, senior personnel staffing, employees having significant responsibilities for the Fund's portfolio or Form ADV filed with the Securities and Exchange Commission.
3. Quarterly transactions, valuation, and performance returns (gross and net of fees) to coincide with the Fund's fiscal quarters.
4. Quarterly, list derivative and structured finance securities held during the quarter together with a certification that these instruments were prudent investments for the Fund and the Investment Manager is in full compliance with the March 28,

1996 Letter of Guidance and Statement on Derivatives from the Department of Labor.

5. Any security which declines below the minimum quality standards of the Fund and any action the Investment Manager plans to take with such security. If the Investment Manager's decision is to hold the security, the Investment Manager must keep the Trustees fully informed of the improvement/deterioration of the valuation as well as any change in their decision.
6. Any action taken by the Investment Manager on the voting of proxies for shares for which the Fund is the beneficial owner, which will include the company name, date, the number of shares voted, a description of the question, denote whether voted for or against management and the reason the shares were voted in a certain manner. This report will be rendered not less than annually.
7. Any change that the Investment Manager believes is necessary in the Fund's Investment Policy Statement and/or Addendum to prudently invest the assets of the Fund under its management.
8. Brokerage placement practices on all security transactions and the use of commissions to purchase research and other services.
9. Any material litigation brought by a current or former client of the Investment Manager relating to investment advisory services and any regulatory enforcement action if the Investment Manager has been notified by a regulatory agency that it is the subject of such enforcement action.
10. Any deviations from the Investment Policy and Guidelines governing the Investment Manager's portfolio.
11. Any other significant matter that the Investment Manager believes would impact the Investment Manager's ability to manage the Fund's assets or that is reasonably requested in writing by the Trustees.

### G. Fiduciary Liability Insurance

The Investment Manager must maintain an Errors and Omissions and/or fiduciary liability insurance policy with a minimum coverage of $5,000,000, be registered under the Investment Advisers Act of 1940 and provide bonding for the Fund as required under ERISA. Each Investment Manager shall provide the Fund with written confirmation of compliance with this requirement.

## H. Cybersecurity Liability Insurance

The Investment Manager must maintain a stand-alone cybersecurity liability insurance policy. The coverage must be in a commercially reasonable amount and provide for commercially reasonable terms, commensurate with the firm's annual revenues and the robustness of its current level of network security protection. Each Investment Manager shall provide the Fund with written confirmation of compliance with this requirement, and a copy of such policy upon request.

# III. INVESTMENT POLICY GUIDELINES FOR INVESTMENT MANAGERS

The Fund's investments are expected to maintain certain minimum standards which shall be viewed as guidelines in formulating investment strategies for all separately managed portfolios.

## A. Domestic Equity

### 1. Types of Securities

Domestic equity investments shall mean common stocks, tracking stocks, preferred stocks, convertible securities, American Depository Receipts (ADRs), shares of foreign companies traded on U.S. stock exchanges and tracking stocks as outlined below.

### 2. Minimum Requirements

Equity investments shall be limited to securities of corporations listed on the following: New York Stock Exchange, NYSE MKT LLC (formerly American Stock Exchange) and the NASDAQ Global Select and Global Markets. In addition, securities listed on other nationally recognized securities exchanges and those over-the-counter securities of sufficient liquidity to be readily marketable are permitted.

Convertible and preferred securities shall have a minimum rating of "BBB-" (Standard and Poor's/Fitch) or Baa3 (Moody's) or better. If a security is rated by all three agencies, two of the agencies must rate the security Baa3 or BBB- or above. If only two of the rating agencies rate a security, the lower rating applies. If only one of the rating agencies rates a security, that rating will apply.

### 3. Tracking Stocks

Tracking stocks may be allowed in equity portfolios only if the Investment Manager has conducted thorough due diligence on the specific security and has determined that the issue is an appropriate investment under the letter and spirit of the Investment Policy Statement. Areas to be considered by the Investment Manager in their analysis to ensure the Fund's rights as an investor should include (but are not limited to) the following:

1. Shareholder rights to profits, either through dividends or price appreciation.
2. Shareholder protection in the event of sale or separation of the business unit.
3. Whether or not shareholders have voting rights to ensure that the beneficial interest of the Fund in the business unit is protected.
4. Clear guidelines as to how assets, liabilities, debts, shareholder equity and voting rights will be allocated among the business unit and the balance of the organization.

Inclusion of tracking stocks in the portfolio will indicate that the Investment Manager has conducted such due diligence as to be satisfied that the security is appropriate for the Fund, and is consistent with the terms and spirit of the Investment Policy Statement and related investment guidelines.

### 4. Diversification

Equity investments in any one company in a portfolio by the Investment Manager shall be limited to no more than 5% of the market value of an individual manager's total portfolio measured at market value. Industry and sector allocations within an Investment Manager's portfolio must ensure prudent diversification and risk control.

## B. International Equity

### 1. Types of Investments

The Fund may invest in equity investments of foreign companies utilizing commingled funds appropriate for tax-exempt ERISA investors.

## C. Global Tactical Asset Allocation ("GTAA")

### 1. Types of Investments

The Fund may invest in GTAA strategies utilizing commingled funds appropriate for tax-exempt ERISA investors. In addition, exchange traded fund ("ETF") separate accounts are permitted. ETFs are only permitted for a manager designated as a GTAA manager per their investment policy addendum. ETFs remain a prohibited category for all other managers unless authorized in writing by the Board of Trustees.

## D. Investment Grade Fixed Income

### 1. Types of Securities

Fixed income investments shall mean publicly traded debt securities issued by the United States Government or agencies of the United States Government, sovereign and supranational debt, municipal bonds, domestic corporations and domestic banks, global bonds, Yankee bonds and other United States financial institutions or mortgage/asset backed securities. "Yankee bonds" (debt securities issued by foreign entities denominated in U.S. dollars which are traded domestically) are also available for investment. Rule 144A securities are also available for investment, however, it is the responsibility of the Investment Manager to determine if the Fund is a qualified institutional buyer ("QIB").

### 2. Minimum Quality

Debt investments are limited to the first four quality grades as established by Standard & Poor's, Fitch or Moody's. Credit ratings for the securities held in the portfolio shall be limited to BBB-(Standard & Poor's/Fitch) or Baa3(Moody's) and above as established by at least two of the three bond rating agencies. If a security is rated by all three agencies, two of the agencies must rate the security BBB- or Baa3 or above. If only two of the rating agencies rate a security, the lower rating applies. If only one of the rating agencies rates a security, that rating will apply. Unrated bonds shall conform to the Investment Manager's internal standards which are to be comparable to the minimum quality standards defined in the investment policy statement.

### 3. Diversification

Except for Treasury and Agency obligations including federally sponsored entities, debt investments of any one entity may not cumulatively exceed 5% of an individual manager's total portfolio measured at market value. Investments in bonds rated below A- (Standard & Poor's/Fitch), A3 (Moody's) and non-rated bonds shall not exceed 25% of fixed income investments measured at market.

### 4. Use of To Be Announced (TBA) Securities

All investments in TBA securities shall be issued by a Federal Agency or be of investment grade. Cash equivalent balances to satisfy the transaction must be available at the time of purchase and held until final settlement.

## E. High Yield Fixed Income

### 1. Types of Securities

The Fund may invest in High Yield Fixed Income securities through qualified investment managers in either a separate account or by utilizing commingled funds specifically appropriate for tax-exempt institutional investors. High Yield Fixed Income investments shall mean publicly traded debt securities, municipal bonds, domestic corporations and domestic banks and other United States financial institutions or mortgage/asset backed securities. Global bonds and "Yankee bonds" (debt securities issued by foreign entities denominated in U.S. dollars which are traded domestically) are also available for investment. Sovereign or foreign debt securities not denominated in U.S. dollars are prohibited in separate accounts.

Rule 144A securities are also available for investment; however, it is the responsibility of the Investment Manager to determine if the Fund is a qualified institutional buyer ("QIB").

### 2. Minimum Quality

High Yield Fixed Income debt investments held in separate account are limited to the first six quality grades as established by Standard & Poor's, Fitch or Moody's. Credit ratings for the securities held in the portfolio shall be limited to B- (Standard & Poor's/Fitch) or B3 (Moody's) and above as established by at least two of the three bond rating agencies. If a security is rated by all three agencies, two of the agencies must rate the security B- or B3 or above. If only two of the rating agencies rate a security, the lower rating applies. Unrated bonds shall conform to the minimum quality ratings of the investment policy.

### 3. Diversification

High Yield Fixed Income debt investments held in separate account are limited such that any one entity may not cumulatively exceed 5% of an individual manager's total portfolio measured at market value.

## F. Real Estate

### 1. Types of Investments

The Fund may invest in real estate utilizing commingled funds appropriate for tax-exempt ERISA investors. No direct real estate investments shall be permitted unless authorized in writing by the Board of Trustees.

## G. Opportunistic Strategies

### 1. Types of Investments

Opportunistic strategies include a wide range of opportunistic investments utilizing commingled funds, limited partnerships, fund of funds, or other legal structures appropriate for tax-exempt ERISA investors. Opportunistic investment strategies may include a wide range of US. and non-U.S. dollar denominated private and publicly-traded investments, including, but not limited to, equity, loan pools, structured debt securities, closed end funds, investment grade debt, high yield debt, unrated debt, direct lending, mezzanine debt, specialty finance, structured investment vehicles, asset backed securities (ABS), commercial mortgage backed securities (CMBS), distressed and non-performing debt, bank loans, payment in kind (PIK) securities, zero coupon securities, equity warrants and rights, ownership of intellectual property or royalty rights, commodities, physical assets, use leverage, hedging strategies and derivative securities.

## H. Private Equity

### 1. Types of Investments

The Fund may invest in private equity investments utilizing commingled funds or limited partnership structures, appropriate for tax-exempt ERISA investors, that are sponsored by a private equity firm. Investments in private equity will be long-term and illiquid by their nature. Permitted investment strategies in primary private equity funds or funds of funds (including secondary funds) may include, but are not limited to, venture capital, leveraged buyouts, growth capital, high yield debt, secured and unsecured mezzanine debt, distressed debt, which may or may not have equity warrants or options and distressed equity investments.

## I. Cash Equivalents

### 1. Types of Securities

Cash equivalents include publicly traded debt securities issued by the United States Government or agencies of the United States Government, commercial paper, certificates of deposit, savings accounts and short-term investment or money market funds of institutional quality of entities domiciled in the U.S.

### 2. Minimum Quality

Commercial paper must be only of the highest quality (A-1 or P-1 as established by Moody's or Standard & Poor's respectively). Certificates of deposit and savings accounts must be made of United States banks or financial institutions which carry a similar A-1 or P-1 rating. Certificates of deposit and savings accounts should have values equal or less than federal insured limits.

### 3. Short-Term Investment Funds

Automatic sweeps of cash held in the Fund's accounts into the Short-Term Investment Funds ("STIF") are required. The Investment Manager is responsible for selecting a STIF from the ones offered by the custodian that it deems to be low risk and appropriate as a daily cash sweep vehicle. Low risk shall mean best efforts in maintaining a $1 net asset value per share at all times.

## J. General

### 1. Uninvested Assets

Assets of the Fund held by the Investment Manager as liquidity or investment reserves shall, at all times, be invested in interest bearing accounts. However, due to the timing of the posting of sales of securities and/or interest and dividends payments, the sweep of cash may inadvertently miss uninvested cash for short periods of time.

### 2. Compliance

If any of the parameters described in this Investment Policy Statement are violated as a result of market movements, changes in credit rankings or other events outside of the Investment Manager's control, the Investment Manager shall inform the Trustees and Investment Consultant of such violation, as soon as reasonably practicable, and of the Investment Manager's decision to hold or sell the affected securities. If the Investment

Manager's decision is to sell the securities, the Investment Manager shall do so within a reasonable period of time, subject to market conditions. If the Investment Manager's decision is to hold the securities, the Investment Manager must keep the Trustees fully informed of the improvement/deterioration of the securities valuation as well as any change in their decision.

**3. Derivative Securities**

The Trustees have determined the use of derivative securities should be controlled and all derivative security investments shall comply with the basic investment objectives of the Fund. The Investment Manager must be familiar with and is solely responsible for being in compliance with the March 28, 1996 Letter of Guidance and Statement on Derivatives from the Department of Labor and certify quarterly that these investments of the Fund comply with it, especially as related to management experience, the analysis of risk and the stress simulation of derivative and portfolio performance under various market conditions. After such an investment has been made, the Investment Manager must continually evaluate the risks associated with derivative investments. These investment instruments carry extra reporting requirements as listed under "Communication and Reporting of Investment Managers".

**4. Volatility of Returns**

As a general investment guideline, the volatility of a portfolio's returns as measured by standard deviation will be measured against the volatility of the benchmark index as listed in the Investment Manager's addendum over a market cycle of three to five years.

**5. Investment Transactions**

All transactions are to be governed by negotiation to achieve "best execution" (best price net of trading costs and terms). The lowest commission rate does not necessarily mean "best execution". Best execution shall include, among other considerations, the execution capability of a broker/dealer. Responsibility for achieving best execution is retained by the Investment Manager at all times.

**6. Proxies**

The duty to vote proxies is delegated to the Investment Manager or a qualified third party. It is the Investment Manager's responsibility to determine if the Fund engages a third party to vote proxies. Proxies must be intelligently voted with the interest of preserving or enhancing the security's value and in a manner that best serves the interest of the participants and beneficiaries of the Fund. The Investment Manager is expected to be aware of corporate provisions that may adversely affect stockholdings including, but not limited to, "golden parachutes", "super majorities", "poison pills", "fair price" provisions, staggered boards of directors, and other tactics.

**7. Securities Lending**

It is the Investment Manager’s responsibility to contact the custody bank to determine if the Fund has entered into a securities lending arrangement. The Investment Manager shall advise the Trustees and Investment Consultant if it is determined that the arrangement may be a detriment to their ability to manage the Fund’s assets.

**8. Commingled Funds**

The Trustees, in recognition of the benefits of commingled funds as investment vehicles (e.g., the ability to diversify more extensively than in a small, direct, investment account and the lower costs that can be associated with these funds) may, from time to time, elect to invest in such funds. The Board recognizes that the practices of such funds will be in accordance with the fund’s prospectus or investment guidelines. However, the practices of such funds as identified in the fund’s prospectus or investment guidelines shall be consistent with this Policy.

## IV. INVESTMENT POLICY RESTRICTIONS

The following categories of securities and trading practices are not permissible investments in separate accounts using the Fund's assets:

1. Unregistered or restricted stock.
2. Foreign equity and foreign fixed income securities, except as described above.
3. Exchange traded funds (ETFs).
4. Derivative securities, except as described above.
5. Commodities, including gold or currency futures.
6. Conditional sales contracts.
7. Options.
8. Futures.

9. Warrants and Rights (except for those received and distributed due to direct ownership of securities of a company).
10. Margin buying.
11. Short selling.
12. Leasebacks.
13. Investments which would be in violation of the Prohibited Transactions Standards of ERISA.
14. Direct investment in private debt or equity securities except as described above.
15. Annuities or Guaranteed Insurance Contracts.
16. All investments shall be made on an unleveraged basis.
17. Master Limited Partnerships and Limited Partnerships traded on stock exchanges and any investment that may generate unrelated business taxable income (UBTI) and/or a K-1.
18. Payment in kind bonds (including "toggle bonds").
19. Any new, untested investment securities or instruments not specifically addressed by this document.
20. Structured Investment Vehicles (SIVs), and the debt of SIVs.
21. Exchange Traded Notes (ETNs).

The following types of asset backed securities and collateralized mortgage obligations are <u>not</u> permissible for investment using the Fund's assets:

22. Securities paying Interest Only (IOs).
23. Securities representing Principal Only (POs).
24. Accrual Bonds (z tranches).
25. Inverse or Reverse Floaters with a multiplier greater than 1.00 or less than -1.00.
26. Asset pools not domiciled in the United States.
27. Collateralized Bond Obligations (CBOs)
28. Collateralized Debt Obligations (CDOs)
29. Collateralized Loan Obligations (CLOs)
30. Companion bonds.

## V. IMPLEMENTATION

All monies invested for the Trustees by the Investment Manager after the adoption of this Statement of Investment Policy shall conform to this Statement.

Adopted this ____ day of ________________, 2022.

**BOARD OF TRUSTEES**
**UFCW AND SAFEWAY VARIABLE ANNUITY PENSION FUND**

BY: ________________________________
LABOR TRUSTEE

BY: ________________________________
MANAGEMENT TRUSTEE

# Glossary of Investment Terminology

| | |
|---|---|
| Total Return | The annual return on an investment including appreciation, depreciation and income (interest, dividends, net operating income). |
| Alpha | The excess return (positive or negative) generated by active portfolio management and security selection, relative to a benchmark. |
| Beta | A historical measure of an investment's volatility relative to the market. The beta of the market is 1.0 (as represented by a benchmark such as the S&P 500 Index). A beta of greater than 1.0 indicates an investment with greater volatility than the benchmark. A beta of less than 1.0 indicates less volatility than the benchmark. |
| Standard Deviation | Standard deviation is a statistical measurement of the dispersion of a set of data from its mean. The more spread apart the data are, the greater the standard deviation. |
| Risk | For an investment portfolio, risk is typically defined as the volatility of the returns, as measured by calculating the standard deviation. The risk does not necessarily indicate the risk of loss, but does indicate the risk of inconsistent returns. |
| Capture Ratio | Calculates how well a manager performs in a rising or falling market as a percentage of a benchmark. In a rising market, a percentage of 100 or better is preferred, and indicates the manager exceeded the benchmark (upside capture ratio). In a falling market, a percentage of less than 100 is preferred, indicating that the manager lost less than the benchmark (downside capture ratio). |
| Correlation | A statistical measure of how two asset classes perform in relation to each other. Asset classes with a correlation of 1.0 have perfect positive correlation (exactly the same). Assets with perfect negative correlation of -1.0 will perform equally but in opposite directions. |
| Efficient Frontier | A series of portfolios with the maximum expected return for any level of risk, which is calculated based on assumptions of risk, return and correlation. These portfolios are shown graphically on a risk and return chart, and represent the most efficient tradeoff between risk and return. |
| Market Cap | The dollar value of a corporation, which is calculated by multiplying the share price and the number of outstanding shares. |
| Large Cap | Stocks which typically have a market capitalization of $10 billion or higher. |
| Mid Cap | Stocks which typically have a market capitalization of $2 to $10 billion. |
| Small Cap | Stocks which typically have a market capitalization of $2 billion or less. |
| Geometric Calculation | Geometric Calculations are used when determining an annualized investment return and tends to dampen the effect of very high or very low values. The result is a number that is smaller than (or equal to) the arithmetic average of the values. |
| Compound Annual Returns | Compound annual returns show the annual investment return, assuming the investment grew at a constant rate, and reflects the impact of the time in the calculation of an investment return. |
| Return/Risk Ratio | The return/risk ratio is the expected return of an investment divided by the expected standard deviation (risk). When comparing return/risk ratios a higher value is presumed to be better than a lower value |

**Disclaimer:**

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**April 30 - May 3, 2019**

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- American Realty Advisors
- ASB Real Estate Investments
- Atlanta Capital Management
- BlackRock Financial Management
- BNY Mellon Asset Management (Mellon)
- Boyd Watterson Asset Management
- Brown Advisory
- Capital Institutional Services, Inc. (CAPIS)
- Chartwell Investment Partners
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- National Investment Services
- Neuberger Berman
- Nuveen
- Patriot Financial Partners
- PENN Capital Management
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- PNC Capital Advisors
- Post Advisory Group
- Quantitative Management Associates
- Quest Investment Management
- Rothschild Asset Management
- Ryan Labs Asset Management
- Segall Bryant & Hamill
- Sierra Investment Partners
- Smith Graham & Co.
- Ullico Investment Company
- U.S. Bank
- Victory Capital Management
- Washington Capital Management
- WEDGE Capital Management
- Wellington Management Company
- Westfield Capital Management
- William Blair & Company

Classic Values, Innovative Advice

# DRAFT

Celebrating 20 years

# UFCW and Safeway Variable Annuity Pension Plan

## Actuarial Valuation Report as of January 1, 2021

**Produced by Cheiron**
**May 2022**

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May 11, 2022

UFCW and Safeway Variable Annuity Pension Plan Trustees
c/o Ms. Anne-Marie Sims
Associated Administrators, LLC
4301 Garden City Drive, Suite 201
Landover, Maryland 20785

Dear Trustees:

At the Board's request, we have performed the January 1, 2021 Actuarial Valuation of the UFCW and Safeway Variable Annuity Pension Plan (the "Plan"). This report is for the use of the Plan Sponsor and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

The purpose of this report is to present the annual actuarial valuation of the Plan. This report contains information on the Plan's assets and liabilities and discloses the minimum required contribution amount as mandated by Federal law.

In the Foreword section, we refer to the general approach employed in the preparation of this report and comment on the sources and reliability of both the data and the actuarial assumptions on which the findings are based. Those comments are the basis for the certification that this report is complete and accurate to the best of our knowledge and belief. The results of this report are only applicable to the Plan Year ending December 31, 2021. Future results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions and applicable law.

The results shown in this report reflect the Pension Protection Act of 2006 (PPA), including changes made in the American Rescue Plan Act of 2021 (ARPA). The liability results reflect the interest rate relief under ARPA. Although ARPA permits plan sponsors to elect to move to a 15-year period for purposes of amortizing the funding shortfall for the 2021 Plan year, there is no funding shortfall as of this valuation. Effective with the 2022 valuation, the 15-year amortization period will apply in accordance with ARPA for future valuations.

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This report was prepared solely for the UFCW and Safeway Variable Annuity Pension Plan for the purpose described herein. Other users of this valuation report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,
Cheiron

Gene Kalwarski, FSA, EA, MAAA
CEO, Principal Consulting Actuary

Kevin J. Woodrich, FSA, EA, MAAA
Principal Consulting Actuary

## FOREWORD

Cheiron has performed the Actuarial Valuation of the UFCW and Safeway Variable Annuity Pension Plan (the Plan) as of January 1, 2021. The purpose of this report is to:

1) **Measure and disclose**, as of the valuation date, the financial condition of the Plan;
2) **Provide specific information** and documentation required by the Federal Government and the auditors of the Plan; and
3) **Determine** the minimum required and maximum deductible contribution under the Internal Revenue Code.

An actuarial valuation establishes and analyzes Plan assets and liabilities on a consistent basis and traces the progress of both from one year to the next. It includes measurement of the Plan's investment performance as well as an analysis of actuarial liability gains and losses. This valuation report is organized as follows:

**Section I -** presents a summary of the valuation and relevant risk disclosures.
**Section II -** contains information relating to risk analysis.
**Section III -** contains exhibits relating to the valuation of assets.
**Section IV -** shows various measures of liabilities.
**Section V -** shows the development of the minimum contribution

The appendices to this report contain a summary of the Plan's membership at the valuation date, a summary of the major provisions of the Plan, and the actuarial methods and assumptions used in the valuation.

In preparing our report, we relied on information (some oral and some written) supplied by the Plan. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The actuarial assumptions reflect our understanding of the likely future experience of the Plan and each of the assumptions, not mandated by regulation, represents our best estimate for the future experience of the Plan. As a result, this report is dependent upon future experience conforming to these assumptions. Future results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions and applicable law.

**SECTION I – SUMMARY**

## Valuation Highlights

Below are highlights of the valuation.

- Note the Plan's effective date is January 1, 2021. As such, the Plan has no assets, liabilities, carryover balance or prefunding balance as of January 1, 2021. The Plan does have a Target Normal Cost for purposes of determining the minimum required contribution and maximum deductible contribution for the 2021 plan year due to benefits expected to accrue during the 2021 plan year.

- The American Rescue Plan Act (ARPA) was signed into law on March 10, 2021. This legislation altered the interest rate basis for minimum funding requirements. A brief summary of the ARPA provisions follows:
  - The three-segment rates used to determine liability must fall within a corridor of the 25-year average of the segment rates. For 2021, the corridor is no less than 95% and no more than 105% of the corresponding 25-year average of the applicable segment rates.
  - The liabilities based upon the ARPA segment rates are used to determine the following:
    - Exemption from quarterly contributions
    - **Funding Target liabilities and Target Normal Cost**
    - Determination of the **minimum required contribution**
    - Ability to use the credit balance to offset required contributions
    - Whether or not the Plan is subject to benefit restrictions

- Under the segment rates permitted by ARPA, payments made within five years of the valuation date have been discounted at 4.75%, payments made from five years to 20 years of the valuation date have been discounted at 5.36%, and payments made more than 20 years from the valuation date have been discounted at 6.11%. These rates are referred to as the **ARPA segment rates** throughout the report.

- For various other measurements, liabilities are based on published base segment interest rates as of January 1, 2021 in accordance with the Pension Protection Act of 2006 (PPA). Under these segment rates, expected payments made within five years of the valuation date are discounted at 1.75%, payments made from five to 20 years of the valuation date are discounted at 3.04%, and payments made more than 20 years from the valuation date are discounted at 3.65%. These rates are referred to as the **PPA segment rates** throughout the report.

- The liabilities used to determine the following are based on the PPA segment rates:
  - Maximum deductible contributions;
  - The funding ratio under Section 4010 of ERISA to determine if additional information needs to be provided to the PBGC; and
  - Variable rate premium payable to the PBGC.

## SECTION I – SUMMARY

- The mortality table for healthy and disabled lives is the IRS 2021 Static Mortality table to comply with mandated assumptions prescribed by the regulatory guidance of the Pension Protection Act of 2006 (PPA) regarding plan years beginning on or after January 1, 2021.

- Because the Plan has no assets or liabilities as of January 1, 2021, the funded status of the Plan based on the Adjusted Funding Target Attainment Percentage (AFTAP) is 100% funded as of January 1, 2021. PPA requires benefit restrictions if a Plan has an AFTAP below 80% and must cease accruals if below 60%. Per IRC Section 436, these benefit restrictions do not apply during the first five plan years for the Plan.

- The **minimum required contribution (MRC) for 2021**, after taking into account the carryover balance and the prefunding balance, is **$7,002,926**. Since both the carryover balance and the prefunding balance are $0 as of January 1, 2021, the minimum required contribution before taking both of these into account is also $7,002,926 for 2021.

- Because the Funding Target Attainment Percentage is 100%, quarterly contributions are not required for the Plan Year ending December 31, 2022.

- Since the Plan's funded percentage is at least 80% on a PPA basis, this Plan on its own will not trigger a PBGC 4010 filing. However, the PBGC 4010 filing requirement should be reviewed on a controlled group basis in the event other single employer defined benefit pension plans exist in the controlled group which may trigger a filing. Note that a 4010 filing is required if any defined benefit plan in the controlled group has a funded percentage on a PPA basis of less than 80% and neither of the following exemptions apply: fewer than 500 participants in all controlled group pension plans or the unfunded liabilities on a PPA basis for all pension plans in the controlled group is no greater than $15 million.

## SECTION I – SUMMARY

**TABLE I - 1**

**SUMMARY OF PRINCIPAL RESULTS**

| | | January 1, 2021 |
|---|---|---|
| **Participant Counts** | | |
| Actives | | 5,653 |
| Deferred Inactives | | 0 |
| In Pay Status | | 0 |
| **Total** | | **5,653** |
| **Total Salary** | $ | 0 |
| **Liabilities** | | |
| Funding Target Liability (FTL) | $ | 0 |
| Effective Interest Rate | | 5.84% |
| Target Normal Cost[1] | $ | 7,002,926 |
| PBGC Funding Target (PBGC FT) | $ | 0 |
| Effective Interest Rate for PBGC FT | | 3.42% |
| Present Value of Accumulated Benefits (PVAB) (ASC Topic 960) | $ | 0 |
| Interest Rate for PVAB | | 5.50% |
| **Assets** | | |
| Market Value of Assets (MVA) | | |
| (Discounted receivables) | $ | 0 |
| (Receivables not discounted) | $ | 0 |
| Actuarial Value of Assets (AVA) | $ | 0 |
| **Funding Ratios** | | |
| Funding Percentage (AVA/FTL)[2] | | 100.00% |
| Adjusted Funding Target Attainment[3] | | 100.00% |
| Funding Target Attainment Percentage[4] | | 100.00% |
| PVAB Funded Percentage (ASC Topic 960)[5] | | 100.00% |

[1] *Target Normal Cost reflects administrative expenses, as required under PPA.*
[2] *The Funding Percentage is equal to the ratio of the Actuarial Value of Assets (AVA) to the Funding Target.*
[3] *If the Funding Percentage is greater than 100% and there were also no annuity purchases for non-highly compensated employees (NHCEs) in the two years prior to the valuation, this is equal to the ratio of the AVA to the Funding Target. Otherwise, this is equal to the ratio of the AVA less credit balances plus annuity purchases for NHCES to the Funding Target plus annuity purchases for NHCEs.*
[4] *The Funding Target Attainment Percentage is assets reduced by the credit balances, compared to the Funding Target.*
[5] *The Accrued Liability Funded Percentage is equal to the ratio of Market Value of Assets with receivables not discounted to Accrued Liability (ASC Topic 960).*

## SECTION I – SUMMARY

**TABLE I - 1**
**SUMMARY OF PRINCIPAL RESULTS (CONTINUED)**

| | | January 1, 2021 |
|---|---|---|
| **Contributions and Cash Flows** | | |
| Carryover Balance (Beginning of Year) | $ | 0 |
| Prefunding Balance (Beginning of Year) | $ | 0 |
| Minimum Required Contribution (Before Credit Balance) | $ | 7,002,926 |
| Maximum Deductible Contribution | $ | TBD |
| Employer Contribution (*Expected*)[1] | $ | *7,002,926* |
| | | |
| Prior Year Benefit Payments | $ | 0 |
| Prior Year Net Investment Return | $ | 0 |

[1] *Discounted back to valuation date using the Effective Interest Rate.*

**SECTION II – RISK ANALYSIS**

## Historical Summary

It is important to take a step back from the results and view them in the context of the Plan's recent history. Because 2021 is the first plan year for the Plan, historical results are not applicable.

## Identification of Risks

The fundamental risk to the Plan is that the contributions required to fund the Plan become unaffordable to the Plan Sponsor, leading to the funded ratio declining. The funded ratio is the assets of the Plan divided by the liabilities of the Plan. It is a measure of how well the obligation for current Accrued Benefits is met by the current plan assets.

We believe the primary risks for this Plan are:

- Investment risk,
- Assumption change risk and
- Longevity and other demographic risks.

Other risks that are not explicitly identified may also turn out to be important. Note that because of the actuarial valuation methodology described in Appendix C, we do not anticipate interest rate risk to be a primary risk for the Plan.

***Investment Risk*** is the potential for investment returns to be different than expected. Lower investment returns than anticipated may decrease the expected future funded ratio and increase the minimum contribution requirement. Since this is a variable plan, unfavorable returns also pose a risk to participants' benefits being decreased. The potential volatility of future investment returns is influenced by the Plan's asset allocation. The impact of investment risk is magnified in periods with negative net cash flows because assets are depleted to pay benefits in down markets, leaving less principal available to be reinvested during favorable return periods. The affordability of investment risk is correlated to the amount of assets invested relative to the size of the contribution base or the revenue base of the Plan Sponsor. Partially offsetting the risk of lower investment returns is the resulting impact of the variable annuity aspect of the Plan. Specifically, assets returns less than or greater than the 5.50% hurdle rate will decrease or increase accrued benefits, respectively. Adjustments are limited by the 9.00% cap rate for increases and 2.00% floor rate for decreases. Downward adjustments are also subject to the applicability and availability of the Stabilization Reserve should investment returns fall below 2.00%.

***Assumption Change Risk*** is the potential for the environment to change such that future valuation assumptions are different than the current assumptions. For single employer defined benefit plans, some assumptions are mandated by the IRS, and legislation can require changes in the basis for the assumptions. Assumption change risk is an extension of the other risks identified, but rather than capturing the risk as it is experienced, it captures the cost of recognizing a change in environment when the current assumption is no longer reasonable.

**SECTION II – RISK ANALYSIS**

***Longevity and Other Demographic Risks*** are the potential for mortality or other demographic experience to be different than expected. Plan experience relative to the assumptions is reviewed annually to determine whether or not a change in assumptions could further mitigate this risk.

## Plan Maturity Measures

Mature pension plans are more sensitive to each of the risks identified above than less mature plans. Before assessing each of these risks, it is important to understand the maturity of the Plan and how the maturity has changed over time. As a new plan, there are only active members in the Plan as of January 1, 2021. The maturity metrics will be monitored as actives move to inactive status in the future.

Inactives per Active (Support Ratio)

One simple measure of plan maturity is the ratio of the number of inactive members (those receiving benefits or entitled to a deferred benefit) to the number of active members. The revenue base supporting the Plan is usually proportional to the number of active members. Note the Plan consists of all active Participants as of January 1, 2021, which would indicate a larger revenue base and less mature plan.

Net Cash Flow

Actuaries often gauge plan maturity by examining the net cash flow – the more negative the net cash flow the more mature the Plan. Net cash flow is equal to contributions less benefit payments and administrative expenses.

When a plan has negative net cash flow, investment losses in the short-term are compounded by the net withdrawal from the plan leaving a smaller asset base to try to recover from the investment losses. Large negative cash flows can also create liquidity issues and sequence of return risk.

Because the Plan was established on January 1, 2021, historical net cash flow cannot be measured at this time but will be reviewed prospectively.

## More Detailed Assessment

A more detailed assessment can be valuable to enhance the understanding of the risks identified above. However, given the risk assessment presented in this report, the advantages of a more detailed assessment may not justify its costs. The rate of terminations and retirements can be very volatile and will depend on individual participant situations causing an analysis of this risk to be very complicated. We would be happy to provide the Board with a more detailed assessment.

**SECTION III – ASSETS**

## Assets at Market Value

Market values represent "snap-shot" or "cash-out" values that provide the principal basis for measuring financial performance from one year to the next.

Because the effective date for the Plan is January 1, 2021, the market value of the Plan as of January 1, 2021 is $0.

## Assets at Actuarial Value

The actuarial value of assets is calculated as the average market value over the past 24 months. In general, the market value for each of the prior two years is adjusted for benefit payments, contributions, and expected investment return. The expected investment return rate is limited by the third segment rate for each plan year. The actuarial value of assets is constrained so that it cannot exceed 110% of the market value and cannot be less than 90% of the market value.

Since the effective date of the Plan was January 1, 2021, the actuarial value of assets as of January 1, 2021 is $0. The average market value of assets methodology noted above will be phased-in over the next two measurement dates (January 1, 2022 and January 1, 2023).

## SECTION IV – LIABILITIES

In this section, we present detailed information on Plan liabilities including:

- **Development of Funding Target Liability** as of January 1, 2021 based upon the ARPA segment rates;
- **Development of Maximum Deductible Funding Target Liability** as of January 1, 2021 based upon the PPA segment rates;
- **Present Value of Accumulated Benefits** in accordance with the applicable Accounting Standards, along with the corresponding Reconciliation of the changes in the Present Value of Accumulated Benefits over the last plan year, if applicable.

Several different measures of liability are calculated and presented in this report. The different measures are used for different purposes.

- **Funding Target liability (ARPA rates):** Used in determining minimum funding standards requirements, and benefit restriction funding targets. This amount is calculated using prescribed assumptions and the Unit Credit cost method.
- **Maximum Deductible Funding Target (original PPA segment rates):** Used in determining maximum tax-deductible contributions. This amount is calculated using prescribed assumptions and the Unit Credit cost method and the segment rates as in effect under the original PPA rates.
- **Accrued Liabilities:** Used for communicating the current levels of liabilities. This liability represents the total estimated amount of money needed to fully pay off all future obligations of the Plan using funding assumptions and assuming no further accrual of benefits. These liabilities are required for plan accounting standard purposes and are used to establish comparative benchmarks with other plans in plan accounting reports.
- **Vested Liabilities:** Also reported for accounting standard purposes, this liability represents the portion of the accrued liability that is vested.

## Funding Target Liability

PPA defines three possible measures for the Funding Target and the Target Normal Cost. The lowest of the targets is the “Not-At-Risk” target which uses the normal decrements for valuing the liabilities. Above this is the “At-Risk” target which modifies the assumption about when participants retire for all participants who can retire within 11 years of the valuation. The “At-Risk” target is used if the Plan’s regular Funding Target Attainment Percentage (FTAP) and modified FTAP (using the at-risk liability assumptions) for the prior year are below levels set out in the law. For 2021, the FTAP hurdle is 80.00%. The modified FTAP hurdle is 70%. If a plan is “At-Risk” and was also “At-Risk” for two out of the prior four years, the “At-Risk” target is further increased to add expense loads similar to those contained in PBGC’s termination valuation assumptions.

## SECTION IV – LIABILITIES

### Allocation of Liabilities by Type

The Plan's participants may qualify for a benefit upon death, termination, and disability as well as upon retirement. The value of the liabilities arising from each of these sources is shown in the following table as of January 1, 2021.

**TABLE IV - 1**

**ALLOCATION OF LIABILITIES**

| Benefit Type | Retirement | Termination | Death | Disability | Total |
|---|---|---|---|---|---|
| Not At-Risk Target Normal Cost | $ 4,799,264 | $ 985,977 | $ 41,859 | $ 325,826 | $ 6,152,926 |
| Not At-Risk Funding Target Liability | | | | | |
| Actives | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Vested Terms & Inactives | 0 | 0 | 0 | 0 | 0 |
| Retirees and Beneficiaries | 0 | 0 | 0 | 0 | 0 |
| Total | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| ASC 960 Normal Cost | $ 4,799,264 | $ 985,977 | $ 41,859 | $ 325,826 | $ 6,152,926 |
| ASC 960 Vested Liability (at 5.50%) | | | | | |
| Actives | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Vested Terms & Inactives | 0 | 0 | 0 | 0 | 0 |
| Retirees and Beneficiaries | 0 | 0 | 0 | 0 | 0 |
| Total | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| ASC 960 Accrued Liability (at 5.50%) | | | | | |
| Actives | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Vested Terms & Inactives | 0 | 0 | 0 | 0 | 0 |
| Retirees and Beneficiaries | 0 | 0 | 0 | 0 | 0 |
| Total | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |

## SECTION IV – LIABILITIES

| TABLE IV - 2<br>DEVELOPMENT OF FUNDING TARGET | | |
|---|---|---|
| 1. More than 500 participants in controlled group in prior year? | | Yes |
| 2. Prior year funding target attainment percentage | | |
| (a) Not-at-risk liability | | N/A |
| (b) At-risk liability | | N/A |
| 3. Funding target benchmark percentage | | 80.00% |
| 4. At-risk status | | |
| (a) Current year: If 1. and 2.(a)< 3. and 2.(b)<70% | | No |
| (b) Year-1 | | No |
| (c) Year-2 | | No |
| (d) Year-3 | | No |
| (e) Year-4 | | No |
| (f) At-risk current year and 2 of preceding 4 years? | | No |
| *(If yes, loads apply)* | | |
| 5. Not-at-risk funding liability | | |
| (a) Funding liability | | |
| (i) Retirees and beneficiaries receiving payments | $ | 0 |
| (ii) Terminated vested participants | | 0 |
| (iii) Active participants, vested liability | | 0 |
| (iv) Active participants, total liability | | 0 |
| (v) Total liability: (i)+(ii)+(iv) | $ | 0 |
| (b) Normal cost before adjustments | $ | 6,152,926 |
| (c) Expenses included in Normal Cost | | 850,000 |
| (d) Expected employee contributions | | 0 |
| (e) Normal cost: (b)+(c)-(d) | $ | 7,002,926 |

## SECTION IV – LIABILITIES

**TABLE IV - 2**

**DEVELOPMENT OF FUNDING TARGET (CONTINUED)**

| | | |
|---|---|---|
| 6. At-risk funding liability | | |
| (a) At-risk funding liability | | |
| (i) Retirees and beneficiaries receiving payments | $ | N/A |
| (ii) Terminated vested participants | | N/A |
| (iii) Active participants, vested liability | | N/A |
| (iv) Active participants, total liability | | N/A |
| (v) Total liability: (i)+(ii)+(iv) | $ | N/A |
| (b) Number of plan participants | | N/A |
| (c) Per-participant load: $700 x (b) | | N/A |
| (d) Liability load: 4% of 5.(a)(v) | | N/A |
| (e) At-risk funding target: (a)(v)+(c)+(d), not less than 5.(a)(v) | $ | N/A |
| (f) Preliminary at-risk normal cost (adj. for expenses) | | N/A |
| (g) Normal cost load: 4% of 5.(b) | | N/A |
| (h) At-risk normal cost: (f)+(g), not less than 5.(e) | $ | N/A |
| 7. Funding target | | |
| (a) Number of consecutive years at-risk (max 5) | | 0 |
| (b) Transition percentage: 20% of (a) | | N/A |
| (c) Funding target: 5.(a)(v)+[7.(b)x{6.(e)-5.(a)(v)}] | $ | 0 |
| (d) Target normal cost: 5.(e)+[7.(b)x{6.(h)-5.(e)}] | $ | 7,002,926 |

**SECTION IV – LIABILITIES**

## Changes in Liabilities

Because the Plan was established as of January 1, 2021, the change in liabilities section is not applicable this year.

**SECTION V – CONTRIBUTIONS**

In this section, we present detailed information on Plan contributions.

## Pension Protection Act of 2006 (PPA) – Key Funding Ratios and Usage

In addition to changing the rules relating to required contributions, PPA added plan benefit restriction rules that may apply to some underfunded plans. We have provided a chart that outlines many of the key funding ratios as defined by PPA and describes their various uses. Note that because the Plan has not assets or liabilities as of January 1, 2021, all funded ratios as of January 1, 2021 are 100%.

## Minimum Required Contribution

As required by PPA, the funding method employed is the Unit Credit Cost Method. The Minimum Required Contribution (MRC) is determined in two parts, the first of which is the Funding Target Normal Cost. This is the cost of providing the benefits promised by the Plan over the current year of service. It also includes administrative expenses expected to be paid by the Trust during the current plan year.

The second part is an amortization payment to pay off the Funding Shortfall, called the Shortfall Amortization Charge (SAC). The Funding Shortfall is the difference between the Funding Target and the Actuarial Value of Assets reduced for all credit balances. There is no Funding Shortfall for the 2021 Plan year.

For plans where the adjusted Actuarial Value of Assets (reduced for all credit balances) exceeds the Funding Target, the MRC is reduced by the value of any excess assets. The Minimum Required Contribution for the 2021 Plan year is $7,002,926.

**SECTION V – CONTRIBUTIONS**

## Government Limitations

ERISA and the IRS tax code place various limits on the contributions made to qualified pension plans. The limits impact the minimum that must be paid, the maximum that can be deducted, and the timing of contributions. To ensure that minimum contributions are met, pension plans are required to retain an Enrolled Actuary to complete Schedule SB to Form 5500 on an annual basis. If contributions are made in excess of the Minimum Required Contribution, the plan may build up a credit balance. For plans that are greater than 80% funded in the prior year, a credit balance may be used to offset the Minimum Required Contribution for the current plan year.

The Funding Target and Funding Target Normal Cost are calculated using mandated interest rates and mortality table. The mortality table for the January 1, 2021 valuation is the IRS 2021 Static Mortality Table. The present value of benefits as determined by IRC 430(h)(2)(B) are determined using the base segment interest rates as of January 1, 2021, after reflecting IRC 430(h)(2)(C)(iv), which was added by MAP-21 and amended most recently by ARPA. Payments made within 5 years of the valuation date have been discounted at 4.75%, from 5 years to 20 years of the valuation date have been discounted at 5.36% and more than 20 years from the valuation date have been discounted at 6.11%.

## SECTION V – CONTRIBUTIONS

**TABLE V - 1**
**SUMMARY OF PPA FUNDING RATIOS AND USAGE**

| | January 1, 2020 | | January 1, 2021 |
|---|---|---|---|
| Funding Target Liability (FT) | N/A | Funding Target Liability (FT) | 0 |
| Actuarial Value of Assets (AVA) | N/A | Actuarial Value of Assets (AVA) | 0 |
| Carryover Balance (COB) | N/A | Carryover Balance (COB) | 0 |
| Prefunding Balance (PFB) | N/A | Prefunding Balance (PFB) | 0 |

**TABLE V - 2**
**PPA FUNDING RATIOS**

| **Ratio Application** | **Asset Measure** | | **Liability Measure** | | **Actual Funded %** | **Threshold Funded %** | **Comments** |
|---|---|---|---|---|---|---|---|
| Exemption from new shortfall amortization base (SAB) | 0 | *(AVA – PFB (if PFB used toward MRC), 2021)* | 0 | *(FT, 2021)* | 100.00% | 100% | Eligible for 2021 SAB exemption. |
| Quarterly contribution exemption | | | | | | | |
| - 2022 Plan Year | 0 | *(AVA – COB – PFB, 2021)* | 0 | *(FT, 2021)* | 100.00% | 100% | No Quarterly contributions are required for 2022. |
| Ability to use credit balance to offset contribution requirement | | | | | | | |
| - 2022 Plan Year | 0 | *(AVA – PFB, 2021)* | 0 | *(FT, 2021)* | 100.00% | 80% | If credit balance exists, then it may be used to offset contributions for 2022. |

# SECTION V – CONTRIBUTIONS

**TABLE V - 2**

**PPA FUNDING RATIOS (CONTINUED)**

| **Ratio Application** | **Asset Measure** | | **Liability Measure** | | **Actual Funded %** | **Threshold Funded %** | **Comments** |
|---|---|---|---|---|---|---|---|
| Test if trigger 4010 Filing Required | 0 | *(AVA, 2021)* | 0 | *(NAR FT Pre-MAP-21, 2021)* | 100.00% | 80% | This plan will not trigger 4010 filing requirements. |
| Benefit restrictions ("AFTAP")[1] | 0 | *(AVA, 2021)* | 0 | *(NAR FT, 2021)* | 100.00% | 80%/60% | No restrictions in 2021. |

## SECTION V – CONTRIBUTIONS

# Minimum Required Contributions

**TABLE V - 3**

**SUMMARY OF MINIMUM REQUIRED CONTRIBUTIONS**

| | | |
|---|---|---|
| 1. Effective interest rate | | 5.84% |
| 2. Target normal cost | $ | 7,002,926 |
| 3. Shortfall amortization charge | $ | 0 |
| 4. Credit for excess assets | | |
| (a) Adjusted assets | $ | 0 |
| (b) Funding target | $ | 0 |
| (c) Excess assets [(a) – (b), not less than 0] | $ | 0 |
| 5. Preliminary minimum required contribution (MRC) [2. + 3. – 4.(c), not less than 0] | $ | 7,002,926 |
| 6. Credit balance available to apply against MRC | | |
| (a) Eligible to apply against MRC? Yes if prior year funded ratio >= 80% | | N/A |
| (b) Funding Standard Carryover Balance (FSCB) | $ | 0 |
| (c) Elected to apply FSCB against MRC? | | N/A |
| (d) Prefunding Balance (PFB) | $ | 0 |
| (e) Elected to apply PFB against MRC? | | No |
| (f) Balances eligible to apply against MRC: (b)+(d) if eligible and elected | $ | 0 |
| 7. MRC adjusted for credit balances [5. – 6.(f), not less than 0] | $ | 7,002,926 |
| 8. Required quarterly contributions | | |
| (a) Quarterlies required?: Yes if prior year funding shortfall | | No |
| (b) Prior year applicable MRC | $ | 0 |
| (c) Current year MRC: 5. | $ | 7,002,926 |
| (d) Required annual payment: lesser of (b) and 90% of (c), if applicable | $ | 0 |
| (e) Required installment: 25% of (d) | $ | 0 |
| 9. Expected contributions | | |
| (a) Actual contributions through September 15, 2022 | $ | 7,714,107 |
| (b) Expected contributions after September 15, 2022 | | 0 |
| (a) Total employer contributions | $ | 7,714,107 |
| (b) Total contributions discounted to January 1, 2021 | $ | 7,002,926 |

## SECTION V – CONTRIBUTIONS

| TABLE V - 4<br>DEVELOPMENT OF SHORTFALL AMORTIZATION CHARGE | | |
|---|---|---|
| 1. Funding Target | $ | 0 |
| 2. Adjusted plan assets | | |
| (a) Actuarial Assets | $ | 0 |
| (b) Funding Standard Carryover Balance (FSCB) | | 0 |
| (c) Prefunding Balance (PFB) | | 0 |
| (d) Adjusted assets: (a) - (b) - (c), not less than 0 | $ | 0 |
| 3. Funding Shortfall [1. – 2.(d), not less than 0] | $ | 0 |
| 4. Current Shortfall Amortization Installments | | None |
| 5. Exemption from New Shortfall Amortization Base | | |
| (a) Target Liability Percentage | | 100% |
| (b) Shortfall Funding Target [1. x (a)] | $ | 0 |
| (c) Actuarial Value of Assets Less Prefunding Balance if used to reduce the Minimum Required Contribution | $ | 0 |
| (d) Exempt? [if (c) >= (b)] | | Yes |
| 6. Shortfall Amortization Base | | |
| (a) Adjusted funding shortfall [5.(b) – 2.(d), not less than 0] | $ | 0 |
| (b) New Current Year Base [(a) – 4., or 0 if exempt] | $ | 0 |
| (c) New 7-Year Installment Amount | $ | 0 |
| 7. Shortfall Amortization Charge [4. + 6.(c), not less than 0] | $ | 0 |

## SECTION V – CONTRIBUTIONS

# Required Quarterly Contribution

In general, the minimum required contribution must be paid within 8½ months of the end of the Plan Year. However, earlier payment is often required, depending on the Plan's funded status as of the prior actuarial valuation. Because the 2021 FTAP was at least 100%, quarterly contributions are not required for the 2022 Plan Year.

## SECTION V – CONTRIBUTIONS

### Maximum Deductible Contribution

PPA also changed the maximum deductible contribution to permit single-employer plans to contribute up to the Target Normal Cost including administrative expenses plus 150% of the Maximum Deductible Funding Target (PPA segment rates). The table below develops the maximum deductible contribution including allowance for future pay increases.

**TABLE V - 5**

**DETERMINATION OF MAXIMUM DEDUCTIBLE CONTRIBUTION**

| | | |
|---|---|---|
| 1. Funding Target for Plan Year | $ | 0 |
| 2. Target Normal Cost | $ | 7,007,012 |
| 3. Cushion amount | | |
| (a) 50% of Funding Target | $ | 0 |
| (b) Expected Benefit Increases | | |
| (i) Not-at-risk maximum liability | $ | 0 |
| (ii) At-risk maximum liability | | N/A |
| (iii) Per-participant load | | N/A |
| (iv) Liability load: 4% of (i) | | N/A |
| (v) At-risk target: (ii)+(iii)+(iv), not less than (i) | | N/A |
| (vi) Transition percentage | | N/A |
| (vii) Maximum funding target: (i)+[(vi)x((v)-(i))] | $ | 0 |
| (c) Cushion [(a) + (b)(vii) - 1.] | $ | 0 |
| 4. Actuarial Value of Assets | $ | 0 |
| 5. Preliminary limit: 1.+2.+3.(c)-4., not less than 0 | $ | 7,007,012 |
| 6. Minimum required contribution | $ | 7,002,926 |
| 7. Maximum Deductible Contribution [1] Max of (5) and (6) | $ | 7,007,012 |

[1] *The Maximum Deductible Contribution is not less than the amount as determined under IRC 404(a)(2)(B) for not at-risk plans.*

**SECTION V – CONTRIBUTIONS**

## Credit Balances

PPA may require a plan to waive its Funding Standard Carryover Balance (FSCB) and/or Prefunding Balance (PFB) if benefit accruals or restrictions could be avoided by so doing. Additionally, a plan sponsor may elect to waive part of the FSCB/PFB to meet funding requirements if certain conditions are met.

Because the Plan was established on January 1, 2021, the credit balances are $0 as of January 1, 2021.

## APPENDIX A – MEMBERSHIP INFORMATION

The data for this valuation was provided by Associated Administrators, LLC. Cheiron reviewed this data for reasonableness but did not audit any of the data. Note that all Participants in the Plan as of January 1, 2021 are active.

The following pages contain a summary of the data provided.

- Participant Data Summary.
- Age/Total Pension Service Credit Distribution for Active Participants as of January 1, 2021

**PARTICIPANT DATA SUMMARY**
**AS OF JANUARY 1, 2021**

| | | | |
|---|---|---|---|
| **Actives** | | | |
| Vested Counts | | | 3,499 |
| Nonvested Counts | | | 2,154 |
| **Total** | | | **5,653** |
| Average Age | | | 45.77 |
| Average Service | | | 12.45 |
| **Inactives** | **Count** | **Average Age** | **Average Annual Benefits** |
| Beneficiary | 0 | 0.00 | $ 0 |
| Disability Retirees | 0 | 0.00 | 0 |
| Retirees | 0 | 0.00 | 0 |
| Vested Deferred | 0 | 0.00 | 0 |
| **Total** | **0** | **0.00** | **$ 0** |

## APPENDIX A – MEMBERSHIP INFORMATION

**AGE/SERVICE DISTRIBUTION OF ACTIVE PARTICIPANTS**
**TIER I ACTIVE PARTICIPANTS AS OF JANUARY 1, 2021**

| | COMPLETED YEARS OF SERVICE | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| AGE | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | Total |
| Under 25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25-29 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30-34 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35-39 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 40-44 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 45-49 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 50-54 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 2 |
| 55-59 | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 9 | 61 | 6 | 80 |
| 60-64 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 3 | 19 | 67 | 91 |
| 65 & Up | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 5 | 60 | 67 |
| Total | 0 | 0 | 0 | 1 | 1 | 1 | 3 | 15 | 86 | 133 | 240 |

* Past service under the FELRA & UFCW Pension Fund is permissible towards benefit eligibility and therefore reflected above.

## APPENDIX A – MEMBERSHIP INFORMATION

**AGE/SERVICE DISTRIBUTION OF ACTIVE PARTICIPANTS**
**TIER II ACTIVE PARTICIPANTS AS OF JANUARY 1, 2021**

| | COMPLETED YEARS OF SERVICE | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| AGE | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | Total |
| Under 25 | 223 | 483 | 24 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 730 |
| 25-29 | 39 | 230 | 142 | 22 | 0 | 0 | 0 | 0 | 0 | 0 | 433 |
| 30-34 | 37 | 139 | 104 | 147 | 14 | 0 | 0 | 0 | 0 | 0 | 441 |
| 35-39 | 23 | 111 | 68 | 106 | 123 | 13 | 0 | 0 | 0 | 0 | 444 |
| 40-44 | 28 | 117 | 62 | 73 | 105 | 89 | 12 | 0 | 0 | 0 | 486 |
| 45-49 | 21 | 110 | 62 | 73 | 90 | 73 | 75 | 24 | 0 | 0 | 528 |
| 50-54 | 26 | 154 | 61 | 97 | 105 | 52 | 40 | 114 | 18 | 0 | 667 |
| 55-59 | 26 | 133 | 79 | 100 | 127 | 69 | 47 | 88 | 35 | 0 | 704 |
| 60-64 | 19 | 108 | 70 | 93 | 106 | 66 | 33 | 65 | 20 | 0 | 580 |
| 65 & Up | 14 | 90 | 46 | 61 | 78 | 35 | 30 | 40 | 6 | 0 | 400 |
| Total | 456 | 1,675 | 718 | 772 | 748 | 397 | 237 | 331 | 79 | 0 | 5,413 |

Average Age for All Actives = 45.77

Average Service for All Actives = 12.45

* Past service under the FELRA & UFCW Pension Fund is permissible towards benefit eligibility and therefore reflected above.

## APPENDIX B – SUMMARY OF PLAN PROVISIONS

### 1. Effective Date

January 1, 2021

### 2. Plan Year

January 1 through December.

### 3. Eligibility

An employee is any person employed by Safeway and covered by bargaining units represented by either of Locals No. 400 or 27 of the UFCW, AFO-CIO, or their successors.

Any employee who is eligible to participate as described above in the FELRA & UFCW Pension Fund (Prior Plan) immediately prior to the Effective Date became a Participant as of the Effective Date. Any employee who was not eligible to participate in the FELRA & UFCW Pension Fund immediately prior to the Effective Date shall become a Participant following the completion of twelve months of Covered Employment.

### 4. Normal Retirement Age

An employee's Normal Retirement Date is the later of last day of the month in which his 65$^{th}$ birthday occurs or the fifth anniversary of participation in the Plan.

### 5. Future Service Credit

On and after January 1, 2021, future service credit earned by a Participant under the Plan is described below. Note Tier 1 participants (those for whom contributions are made at a monthly rate) are defined in the Prior Plan.

Tier 1 Participants are granted one month of Future Service Credit for each month of employment or during which he is reported as being in the military service of the United States and returns to covered employment within the period for protection of his statutory rights to re-employment.

Tier 2 Participants (those for whom contributions are made at an hourly rate) are granted Future Service Credit as follows:

*Full-Time Service*

| Hours | Service Credit |
|---|---|
| 1,600 or more | One Year |
| 1,200 – 1,599 | 3/4 Year |
| 800 – 1,199 | 1/2 Year |
| 400 – 799 | 1/4 Year |
| Under 400 | None |

*Part-Time Service*

| Hours | Service Credit |
|---|---|
| 800 or more | One Year |
| 600 – 799 | 3/4 Year |
| 400 – 599 | 1/2 Year |
| 200 – 799 | 1/4 Year |
| Under 200 | None |

## APPENDIX B – SUMMARY OF PLAN PROVISIONS

### 6. Accrued Monthly Pension

An employee's Accrued Monthly Pension is determined as the Variable Income Benefit earned by a Participant. The Variable Income Benefit is computed as follows:

A Participant's Accrued Benefit for the initial Plan Year is equal to the Participant's Annual Credit for that Plan Year (defined below). For the following year, the Participant's Accrued Benefit is equal to the Annual Credits Earned by the Participant in the initial Plan Year, multiplied the Annual Adjustment Rate (defined below) plus the Annual Credit earned in that Plan Year. For each year thereafter, a Participant's Accrued Benefit will consist of the Accrued Benefit earned as of the end of the prior Plan Year multiplied by the Annual Adjustment Rate and then added to the Annual Credit earned in the current Plan Year.

The Annual Credit is defined as follows:
- Tier I Full Time (Monthly): $52.00
- Tier I Part Time (Monthly): $37.00
- Tier II (Hourly):
    - Safeway: $25.00 FT, $15.00 PT
    - Safeway Service Clerks-L.27: $15.00 FT, $10.00 PT

The Annual Adjustment Rate is defined as follows:
- The Hurdle Rate is 5.50%. The Annual Adjustment Rate is defined as: (1+ Actual Investment Return for the Prior Plan Year) divided by (1 + Hurdle Rate)). Note the Actual Investment Return has a minimum value in this formula of 2.00% (Floor Rate) assuming the Stabilization Reserve is utilized and a maximum value of 9.00% (Ceiling Rate).

### 7. Normal Retirement Benefit

An employee's Normal Retirement Benefit is his Accrued Monthly Pension determined as of his Normal Retirement Age (65).

### 8. Employment after Age 65

An employee whose employment continues beyond his Normal Retirement Age will continue to receive additional pension credit for that employment.

### 9. Early Retirement Benefit

An employee who has both attained age 55 and completed at least 15 years of Credited Service can retire prior to his Normal Retirement Date. Tier II participants are also eligible to retire provided the Participant has both attained age 62 and completed at least 10 years of Credited Service. His early retirement pension is equal to his Accrued Monthly Pension, reduced as follows:

## APPENDIX B – SUMMARY OF PLAN PROVISIONS

- For Tier I Participants, benefits are actuarially reduced to the actual commencement age from age 60.
- For Tier II Participants, benefits are actuarially reduced to the actual commencement age from age 65.

**10. Special Early Retirement**

Tier 1 participants who have either (a) attained age 60 and completed at least five years of Credited Service, or (b) has completed at least 30 years of Credited Service regardless of age, may retire and receive his Accrued Monthly Pension without actuarial reduction.

**11. Disability Retirement**

An employee who becomes totally and permanently disabled (according to Social Security criteria) after he has completed at least ten years of Credited Service, is entitled to a Disability Retirement Pension. His Accrued Pension will be payable without actuarial reduction as soon as his disability is established to the satisfaction of the Trustees and the six-month waiting period is completed.

**12. Vesting**

If an employee who has completed five or more years of "Vesting Service" terminates covered employment other than by death or disability prior to the time he is eligible for an Early (or Normal) Retirement Benefit, he will be entitled to a Deferred Vested Pension beginning on his 60th birthday (65th in the case of Tier II), equal to his Accrued Monthly Pension up to the date his covered employment terminates. A former employee may elect to receive his pension payments on the first day of any month on or after his 55th birthday, in which case his pension amount will be reduced by one-half of one percent for each month in the period between the date his pension begins and his 60th birthday (65th in the case of Tier II employees). For this purpose, Vesting Service is equal to (a) the years of Credited Service granted prior to 1976, and (b) the sum of the years of Credited Service granted after 1975, except that one full year of Vesting Service is granted for each calendar year in which either five or more months of Credited Service were granted or 750 Regular Time Hours were credited; if an employee has less than 750 Regular Time Hours or five months of Credited Service in any plan year and transfers to (or is transferred from) non-covered service with a participating employer, such non-covered service will also be included as Vesting Service.

**13. Pre-Retirement Spouse's Pension**

Each employee who is vested under the Fund (other than as set out below) is provided with pre-retirement spouse's pension coverage, whereby if his death occurs before actual retirement, his spouse will receive a lifetime pension from the Fund. The spouse's pension will be payable starting with the later of (a) the earliest date the employee could have elected to retire under the plan, or (b) the employee's death. The amount of such pension will be one-half of that which would have been payable to the employee if he had retired early on the date of the start of the spouse's pension and elected a Joint and 50 Percent Survivor option.

## APPENDIX B – SUMMARY OF PLAN PROVISIONS

### 14. Normal Form of Pension

The normal form of pension for an unmarried employee (or for a married employee who so elects) will be a lifetime pension. If his pension accrual was greater than $15 per month per year of service (or $10 for part-time employees), the pension is also payable for 60-months certain. The normal form of pension payable to a married employee who does not elect otherwise will be an actuarially reduced pension on the Joint and 50 Percent Survivor basis.

Upon the death of a pensioner, other than pensioners receiving Deferred Vested Pensions, a lump sum death benefit will be paid to the employee's designated beneficiary. The amount is $500, $1,000, or $2,500 depending on the Accrual Rate (i.e., Annual Credit) applicable to the participant and the full-time/part-time employment status.

### 14. Reciprocity

An employee covered by this Fund may transfer to (or from) the UFCW and Participating Employers' Pension Fund without loss of pension credits. Upon eventual retirement, each Fund will pay the benefit for service accrued under that Fund, according to the benefit rate in effect under that Fund, at the time of retirement. Reciprocity also has been authorized between this Fund and certain other collectively bargained plans in the retail food industry, under which payment of benefits from each Fund is made according to the benefit rate in effect at the end of his covered employment under each Fund.

**Note:** This summary is for the sole purpose of stating the principal plan provisions on which the valuation is based. Entitlement to benefits under the Plan is determined under the terms and provisions of the pension plan document.

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

# A. Actuarial Assumptions

### 1. Mortality Rates

IRS 2021 Static Mortality

### 2. Termination Rates Before Retirement

Terminations of employment for reasons other than death or retirement are assumed to be in accordance with annual rates as shown below.

| | Number Expected to Terminate Annually Per 1,000 | |
|---|---|---|
| Service | Males | Females |
| 0 | 400 | 400 |
| 1 | 220 | 220 |
| 2 | 180 | 180 |
| 3 | 150 | 150 |
| 4 | 130 | 130 |
| 5 | 120 | 120 |
| 6 | 110 | 110 |
| 7 | 105 | 105 |
| 8 | 90 | 90 |
| 9 | 90 | 90 |
| 10 | 90 | 90 |
| 11 | 80 | 80 |
| 12 | 80 | 80 |
| 13 | 80 | 80 |
| 14 | 70 | 70 |
| 15 | 70 | 70 |
| 16 | 70 | 70 |
| 17 | 50 | 50 |
| 18 | 50 | 50 |
| 19 | 50 | 50 |
| 20 | 40 | 40 |
| 21 | 30 | 30 |
| 22 and over | 25 | 25 |

* Withdrawal rates cut out at age 55.

### 3. Salary Scale

Not applicable

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

### 4. Rate of Retirement

Tier I rates of retirement depend on whether a participant has fewer than 30 years of service or more than 30 years of service.

| | Number Expected to Retire Annually Per 1,000 | | |
|---|---|---|---|
| Age | Tier 1 Less than 30 years | Tier 1 Over 30 years | Tier 2 |
| 50 | 0 | 200 | 0 |
| 51 | 0 | 200 | 0 |
| 52 | 0 | 200 | 0 |
| 53 | 0 | 200 | 0 |
| 54 | 0 | 200 | 0 |
| 55 | 85 | 200 | 75 |
| 56 | 85 | 200 | 75 |
| 57 | 85 | 200 | 75 |
| 58 | 85 | 200 | 75 |
| 59 | 85 | 200 | 75 |
| 60 | 150 | 200 | 100 |
| 61 | 150 | 250 | 100 |
| 62 | 300 | 350 | 150 |
| 63 | 200 | 400 | 125 |
| 64 | 200 | 400 | 150 |
| 65 | 300 | 400 | 200 |
| 66 | 300 | 400 | 200 |
| 67 | 200 | 400 | 200 |
| 68 | 200 | 400 | 200 |
| 69 | 200 | 400 | 200 |
| 70 and over | 1,000 | 1,000 | 1,000 |

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

### 5. Rate of Disability

Terminations of employment for disability are assumed to be equal to 50% of the Group Long-Term Disability Insurance Crude Rates of Disablement for males published in the Transactions of the Society of Actuaries, 1979.

Illustrative rates are shown below.

| Number Expected to Become Disabled Annually Per 1,000 | |
|---|---|
| **Age** | **Rate** |
| 25 | 0.3 |
| 30 | 0.3 |
| 35 | 0.4 |
| 40 | 0.7 |
| 45 | 1.4 |
| 50 | 2.7 |

### 6. Marital Status and Elections

80% of participants are assumed to be married at death, and eligible for pre-retirement spouse benefits.

56% of participants are assumed to elect the joint and survivor option on retirement. The rest are assumed to elect the single life form.

Husbands are assumed to be three years older than their wives.

### 7. Administrative Expenses

$850,000 payable as of the beginning of the year.

### 8. Future Benefit Accruals

One service credit per year per active employee included in the valuation.

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

**9. Interest Rates**

| | | |
|---|---|---|
| a. | ARPA segment rates (Minimum Funding Requirement, AFTAP & at-risk status) | Segment 1 – 4.75%<br>Segment 2 – 5.36%<br>Segment 3 – 6.11%<br>Effective rate: 5.84% |
| b. | PPA segment rates (Maximum Deductible Limit, PBGC Variable Rate Premium & ERISA 4010 Testing) | Segment 1 – 1.75%<br>Segment 2 – 3.04%<br>Segment 3 – 3.65%<br>Effective rate: 3.42% |
| c. | ASC Topic 960 | 5.50% |

**10. Assumed Long Term Asset Return**

The asset value is zero as of January 1, 2021. Further, the initial employer contribution is not expected to be made until after December 31, 2021. Therefore, the assumed return on assets is not applicable for the 2021 plan year.

**11. Rationale for Assumptions**

Mortality and interest rates for funding are prescribed by the law. The administrative expense assumption for 2021 is based on anticipated expenses to be paid from the Plan for the 2021 Plan year. All other assumptions are based on the latest experience study review performed in 2007 for the predecessor plan (FELRA and UFCW Pension Fund). The results of that study are incorporated here by reference. The assumptions continue to be closely monitored.

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

# B. Actuarial Methods

### 1. Asset Valuation Method

As noted, the market value of assets is $0 as of January 1, 2021. As such, the methodology described will be phased in starting in 2021.

24-month average of assets as described in Internal Revenue Code Section 420. The market value for the prior two years is adjusted for benefit payments, administrative expenses, contributions, and expected investment return as described in Notice 2009-22 under Section 430(g)(3)(B). The actuarial value of assets is constrained so that it cannot exceed 110% of the market value and cannot be less than 90% of the market value.

### 2. Actuarial Cost Method

The Unit Credit cost method as required under the Pension Protection Act of 2006.

In order to account for anticipated Annual Adjustment Rates due to future investment experience greater or less than the Hurdle Rate of 5.50%, cash flows reflect an accumulated adjustment. This accumulated adjustment for each projected year is based on assumed annual asset returns (determined as the spot rate for each applicable year based on the prescribed interest rates used to calculate the liabilities), divided by the hurdle rate adjustment. Per the Plan's provisions, the investment returns used to determine projected Annual Adjustment Rates are adjusted to be no greater than the Ceiling Rate (9.00%) and no less than the Floor Rate (2.00%) assuming the Stabilization Reserve is utilized.

### 3. Modeling Disclosures

In accordance with Actuarial Standard of Practice No. 56 (Modeling), the following disclosures are made:

***Proval***

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities, normal costs, and project benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal as it relates to the Plan and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in the output of ProVal that would affect the contents of this actuarial valuation report.

## APPENDIX D – GLOSSARY

### Actuarial Assumptions

Assumptions used in the calculation of the present value of benefits. Assumptions include such items as the interest rate used to value liabilities, probability of retirement at each age, probability of death, termination of employment, and occurrence of disability.

### Actuarial Funding Method

The method used to allocate costs to various time periods: prior years, the current year, and future years.

### Actuarial (Gain)/Loss

The difference between the expected liability and the actual liability based on the prior valuation, according to the prior valuation's actuarial assumptions.

### Adjusted Funding Target Attainment Percentage (AFTAP)

This is equal to the FTAP for the Plan because there were no annuity purchases for non-highly compensated employees in the two years prior to the valuation. If the AFTAP is below 80%, the Plan is restricted from paying the full amount of lump sums and from making benefit improvements. If the AFTAP is below 60%, accruals must cease.

### Funding Standard Carryover Balance (FSCB)

The present value of contributions made prior to 2008 in excess of the required minimums and not waived by the Plan Sponsor.

### Funding Ratios

The ratio of a defined set of assets to a defined set of liabilities.

### Funding Target Liability

The present value of benefits accrued as of the valuation date using the funding methods and assumptions mandated by the Pension Protection Act of 2006.

### Funding Target Attainment Percentage (FTAP)

This is used in a test to determine if the Plan is "At-Risk" and is to be communicated to Plan participants in an annual notice. Also, if the FTAP (based on PPA liability) is below 80%, a filing with PBGC under ERISA §4010 may be required.

### Minimum Required Contribution

The least amount the Plan Sponsor can contribute and still comply with all regulations. We also refer to this as minimum contribution.

### Normal Cost

The amount which represents the cost of the current year's additional accrual of benefits.

## APPENDIX D – GLOSSARY

### Plan Sponsor

The organization responsible for the UFCW and Safeway Variable Annuity Pension Fund, which is Safeway.

### Prefunding Balance (PFB)

The present value of contributions made in 2008 or later in excess of the Minimum Required Contributions for which the Plan Sponsor has elected to create a prefunding balance.

CHEIRON

*Classic Values, Innovative Advice*

# UFCW AND SAFEWAY
# VARIABLE ANNUITY PENSION FUND

## INVOICES

### MAY 13, 2022

1. **Associated Administrators, LLC**

| | | | |
|---|---|---|---|
| 02/01/2022 | January 2022 Admin Fees | $ | 29,906.48 |

2. **Schmitz Printing**

| | | | |
|---|---|---|---|
| 04/30/2022 | Annual Funding Notice Mailing | $ | 2,573.14 |

3. **Schulte, Roth & Zabel LLP**

| | | | |
|---|---|---|---|
| 04/25/2022 | Professional Services rendered through 03/31/2022 | $ | 3,220.00 |

# MEETING NOTES