UFCW – Safeway Variable Annuity Pension Fund

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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
MARCH 7, 2023

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
M. Federici – Chairman	D. Dosenbach – Secretary
J. Chorpenning	W. Wescott
D. Blitzstein (Alternate)	J. Williams (Alternate)

Also present were:

Associated Administrators, LLC	W. Antoshak, D. Jensen, B. Maiorano, R. McKnight, A. Sims, L. Walsh
Cheiron	H. Merlak, K. Woodrich
Investment Performance Services, LLC	C. McDonough
Milliman, Inc.	V. Harte, A. Shapiro
Schulte Roth & Zabel LLP	S. Bernstein, R. Richman
Slevin & Hart, P.C.	A. Dietrich, S. Sanchez

I. CALL TO ORDER

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

II. MINUTES

The Trustees reviewed the minutes of the regular meetings held on December 9, 2022, which were pre-circulated.

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

> **RESOLVED that the minutes of the regular meetings held on December 9, 2022 are approved, as presented.**

III. INVESTMENT CONSULTANT'S REPORT

The Trustees welcomed Chris McDonough from Investment Performance Services ("IPS") to the meeting.

1. Master Consulting Report – December 31, 2022

Mr. McDonough reviewed the Master Consulting Services report from October 1, 2022 through December 31, 2022. Such report indicated a beginning market value of $11,755,332, net cash flow of $3,157,978, and a net investment loss of $34,085, resulting in an ending market value of $14,879,225 as of December 31, 2022. The performance for the period was -0.3%, gross of fees.

2. Preliminary Performance Update – January 31, 2023

Mr. McDonough reviewed the preliminary monthly performance update as of January 31, 2023. Such report indicated a beginning market value of $14,879,225, net cash flow of $1,607,353, and a net investment change of $0, resulting in an ending market value of $16,486,578 as of January 21, 2023.

3. Asset Allocation Review

Mr. McDonough reviewed the current asset allocation policy that reflects an expected return (net of fees) of 6.99% and a risk assessment of 9.34. He presented alternate asset allocation portfolios for the Trustees' consideration, with expected returns ranging from

5.09% to 5.98% while providing lower risk, based on IPS' investment assumptions, ranging from 3.55 to 5.48. He noted the Fund's hurdle rate is 5.50%.

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

> **RESOLVED to adopt Portfolio B which reflects a target of 7.5% to US Large Cap Equity, 5% to US Small/Mid Cap Equity, 5% to International Equity, 52.5% to Intermediate Fixed Income, 7.5% to High Yield Fixed Income, 5% to Global Tactical Asset Allocation, 5% to Real Estate – Core, 7.5% to Real Estate- Value Add, and 5% to Private Equity, with an expected return (net of fees) of 5.98% and a risk assessment of 5.48.**

4. Investment Policy Statement

Mr. McDonough presented the proposed Investment Policy Statement dated March 7, 2023. He highlighted the investment objectives: to seek a long-term rate of return, which meets or exceeds the Hurdle Rate as specified in the Fund's Plan of benefits, while sufficiently diversifying assets to the extent possible to minimize the likelihood of generating annual returns below the Hurdle Rate; to maintain sufficient income and liquidity to fund benefit payments; and to preserve the principal value of the Fund.

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

> **RESOLVED to adopt the Investment Policy Statement dated March 7, 2023, as presented.**

5. Investment Consultant Fee Request

Mr. McDonough presented IPS's letter to the Chair and Secretary dated February 27, 2023, requesting a fee increase. He stated the current agreement has been in place since January 1, 2021 with an annual fee of $50,000. He stated at the inception of the agreement, due to the Fund not having assets at the time and in the interest of helping to minimize the Fund's expenses, IPS agreed to a fee below their normal fee. He stated as a result of the change in the Fund's assets, expected growth of the Fund, and the significant amount of work they have completed during the last year, IPS is requesting an increase in their fee to $110,000 annually. He noted this rate would be effective January 1, 2023 and would remain unchanged for a three-year period.

The Trustees thanked Mr. McDonough for his report and he was excused from the meeting.

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

> **RESOLVED to delegate authority to Chairman and Secretary to review and approve the IPS fee request between meetings.**

IV. <u>ACTUARY'S REPORT</u>

Mr. Victor Harte and Mr. Aaron Shapiro of Milliman, Inc. were welcomed to the meeting. Mr. Harte presented the Preliminary January 1, 2022 Actuarial Valuation results. He noted that the information contained in Milliman's report has not yet been fully reviewed by Cheiron Inc.

Mr. Harte reported the total participant count as of January 1, 2022 was 5,770, compared to 5,653 as of January 1, 2021. He reported on participant ages and credited service by valuation year. He stated the average age of active participants was 46.3 with 12.1 years credited service as of January 1, 2022 compared to age 45.8 with 12.5 years credit service as of January 1, 2021. He reported the average age of inactive vested participants was 52.1 with 18.1 years credited service as of January 1, 2022.

Mr. Harte reviewed the Plan contribution history, noting that contributions totaled $18,364,247, with four contributions made since September 15, 2022. He reported the

Market Value of Assets ("MVA") for the non-Stabilization Reserve account was $7,054,444 as of January 1, 2022 and the MVA on Stabilization Reserve account was $3,765,041. Mr. Harte reviewed the Plan contributions for the 2023 calendar year, noting a contribution on January 19, 2023 of $1,607,353. He stated that the amount due from Safeway on March 15, 2023 is $2,498,193 which accounts for: the final contribution of $660,274 to satisfy 2022 Plan Year required contributions; January and February 2023 monthly contributions of $1,225,279; and the regular March monthly contribution of $612,640. He noted that, effective April 15, 2023, Safeway's monthly contribution obligation would be $612,640. Mr. Harte reviewed the Funding Target (Liability) Reconciliation which reflects a target of $6,777,441 as of January 1, 2022.

The Trustees and Mr. Harte discussed the designation of provider expenses as "start-up" expenses or regular on-going expenses and the Trustees agreed that all provider expenses incurred prior to March 31, 2021 would be considered "start-up" expenses under the CBA.

The Trustees thanked Mr. Harte and Mr. Shapiro for their presentation and they were excused from the meeting.

V. ATTORNEY'S REPORT

A. Amendment No. 1 to the Plan

Ms. Sanchez reported on Amendment No. 1 to the Plan.

B. Amendment No. 1 to the Stabilization Reserve Policy

Ms. Sanchez reported on Amendment No. 1 to the Stabilization Reserve Policy.

C. Investment Manager Agreements

Ms. Sanchez reported on the Fund's Investment Manager Agreements and the custodial bank agreement with PNC Bank.

D. SECURE Act 2.0

Ms. Sanchez reported on the provisions relating to the SECURE 2.0 Act of 2022 and reviewed various action items for Trustee consideration.

E. Summary Plan Description ("SPD")

Ms. Bernstein reported on the status of the draft SPD.

F. End of the COVID-19 National Emergency

Ms. Sanchez reported on the expected end of the COVID-19 National Emergency.

G. IRS Determination Letter

Ms. Sanchez reported on the Fund's IRS Determination Letter application.

The Trustees thanked Co-Counsel for their report.

VI. ADMINISTRATIVE MANAGER'S REPORT

Ms. Sims presented the Administrative Manager's Report for the fourth quarter 2022. The report indicated regular employer contributions of $6,607,353, interest income of $3,607, and unrealized loss of $36,131, resulting in total income of $6,574,829 for the quarter. Expenses for the fourth quarter 2022 totaled $1,142,258, resulting in a surplus of $5,432,571 for the quarter.

VII. INVOICES

The Trustees reviewed the list of invoices dated March 7, 2023. It was noted there were no additions, deletions or changes to the list.

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

> **RESOLVED, that the invoices on the list dated March 7, 2023 are approved for payment.**

VIII. OTHER FUND BUSINESS

A. **Calibre - Audit Engagement Letter 2022**

Ms. Sims presented the Calibre Audit Engagement Letter for the Plan Year ended December 21, 2022. She noted Calibre is requesting a fee increase of $3,375 for a total estimated annual fee of $25,875.

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

> **RESOLVED to delegate authority to Chairman and Secretary to review and approve the Calibre Audit Engagement Letter and fee increase request between meetings.**

IX. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting on June 28, 2023 via video conference.

X. ADJOURNMENT

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

Respectfully submitted,

Mark Federici, Chairman

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