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
JUNE 28, 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.	A. Shapiro, H. Lee
Schulte Roth & Zabel LLP	Julia L. Gordon 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 meeting held on March 7, 2023, 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 meeting held on March 7, 2023 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 – March 31, 2023

Mr. McDonough reviewed the Master Consulting Services report as of March 31, 2023. Such report indicated a beginning market value of $14,879,225, net cash flow of $1,349,800, and a net investment loss of $20,070, resulting in an ending market value of $16,208,954 as of March 31, 2023. The performance for the period was -0.1%, gross of fees.

2. Preliminary Performance Update – April 30, 2023

Mr. McDonough reviewed the preliminary monthly performance update as of April 30, 2023. Such report indicated a beginning market value of $16,208,954, net cash flow of negative $108,694, and a net investment change of $0, resulting in an ending market value of $16,100,260 as of April 30, 2023.

3. Asset Allocation Review

Mr. McDonough reviewed IPS's Q1 Master Consulting Report, which was circulated in advance to the Trustees. He noted that IPS expects the funding of investments with the

Fund's new investment managers will rebalance the Fund's investment within policy ranges. Mr. McDonough reported that IPS does not expect the Fund's real estate value add capital commitment to be called for some time and he recommended that the Trustees allocate the money earmarked for the value add real estate commitment, as well as the Fund's excess cash, to the Fund's short term fixed income investment.

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

> **RESOLVED to invest the amount allocated for value add real estate, and the Fund's excess cash allocation, in the Fund's short term fixed income investment portfolio, as recommended by IPS.**

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

IV. ACTUARY'S REPORT

Mr. Aaron Shapiro and Ms. Hoon Lee of Milliman, Inc. were welcomed to the meeting. Mr. Shapiro presented the January 1, 2022 Actuarial Valuation final results.

Mr. Shapiro reported the total participant count as of January 1, 2022 was 5,770, compared to 5,653 as of January 1, 2021. He reported that under the Unit Credit actuarial cost method prescribed for funding purposes, liability experience for the 2021 plan year was less favorable than expected, generating a net liability increase. Mr. Shapiro reviewed the statutory funded status, noting as of January 1, 2022 the Funding Target was less than the Market Value of Assets. However, with an unadjusted Funding Target Attainment Percentage ("FTAP") of 157.32%, the Plan is considered to be funded over the critical thresholds.

Mr. Shapiro reviewed the Plan contribution history. He stated that the amount received from Safeway on March 15, 2023 was $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. Shapiro provided an overview of the changes in actuarial methods and assumptions used in this valuation, including: (1) mortality was updated to the IRS 2022 static mortality table, (2) all active participants age 70+ are assumed to retire in the middle of the year, (3) disability rates were adjusted to only apply through Age 59 at Tier 1 and age 64 for Tier 2, (4) 100% of terminated vested participants are assumed to retire at their earliest unreduced retirement age, (5) the administrative expense load component of the Target Normal Cost was updated from $850,000 to $1,200,000, and (6) statutory interest rates for maximum purposes were changed from 1.75%. 3.04%, 3.65% to 0.88%, 2.61%, 3.27%.

The Trustees thanked Mr. Shapiro and Ms. Hoon for their presentation.

V. ATTORNEY'S REPORT

A. Investment Manager Agreements

Ms. Sanchez reported on the Fund's Investment Manager Agreements.

B. Investment Policy Statement

Ms. Sanchez reported on the Fund's Investment Policy Statement.

C. Custodial Agreement with PNC

Ms. Sanchez reported on the custodial agreement with PNC.

D. Calibre's Side Letter

Ms. Sanchez reported on the proposed engagement letter and side letter for Calibre.

E. Amendment – Investment Rate of Return

Ms. Sanchez reported on the Plan amendment and Policy amendment regarding Investment Rate of Return.

F. Intercontinental - Most Favored Nations Forms

Ms. Sanchez reported on the Most Favored Nations form for the Intercontinental Investment.

G. Cyber Security

Ms. Sanchez reported on the DOL's cybersecurity guidance. .

H. **Required Minimum Distributions (RMD)**

Ms. Sanchez reported on the Fund's RMD rules and lump sum factors.

I. **SECURE Act 2.0**

Ms. Sanchez reported on SECURE Act 2.0. After discussion,

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

> **RESOLVED to amend the Plan document to increase the Required Beginning Date to April 1 of the calendar year following the later of the calendar year in which a Participant attains age seventy-three (73) or the calendar year in with the Participant retires, effective for Participants who reach age 72 on or after January 1, 2023; and**
>
> **FURTHER RESOLVED to amend the Plan document to raise the Lump Sum payout limit from $5,000 to $7,000, effective January 1, 2024, subject to the co-actuaries providing an analysis of the financial impact of such change.**

The Trustees thanked Co-Counsel for their report.

VI. ADMINISTRATIVE MANAGER'S REPORT

Ms. Sims presented the Administrative Manager's Report for the first quarter of 2023.

The report indicated regular employer contributions of $0, interest income of $3,946, realized loss of $4,120 and unrealized loss of $18,391, resulting in total income of ($18,565) for the quarter. Expenses for the first quarter 2023 totaled $346,924, resulting in a deficit of $365,489 for the quarter.

VII. <u>INVOICES</u>

The Trustees reviewed the list of invoices dated June 28, 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 June 28, 2023 are approved for payment.**

VIII. <u>OTHER FUND BUSINESS</u>

<u>At this time, the Actuary, Auditor, Investment Consultant, and Cheiron left the meeting.</u>

A. <u>Annual Funding Notice</u>

Ms. Sims reported that the Annual Funding notice was mailed to participants, the participating employer, the unions and the Pension Benefit Guaranty Corporation.

B. Investment Consultant Fee Request

Ms. Sims presented IPS's fee increase request letter, dated February 27, 2023, that was presented and tabled at the March Board meeting. She reported that the current agreement and annual fee of $50,000 between IPS and the Fund was effective January 1, 2021. Ms. Sims noted that IPS is requesting an increase in its fee to $110,000, effective January 1, 2023, for a three year period.

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

RESOLVED to propose an amended fee structure to IPS that reflects an increase to $90,000 for the 2023 Plan Year, $100,000 for the 2024 Plan Year, and $110,000 for the 2025 Plan Year.

C. Calibre - Audit Engagement Letter 2022

Ms. Sims presented the proposed 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.

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

RESOLVED to approve the Calibre Audit Engagement Letter for the Plan Year ended December 31, 2022 for a fee not to exceed $25,875.

D. Cheiron Fee Increase

Ms. Sims presented Cheiron's retainer fee request for 2023. She stated that Cheiron proposed a retainer fee of $81,000 ($6,825 per month), which represents an increase of approximately 5%, with the non-retainer fees ranging from $165 to $525 per hour for 2023.

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

RESOLVED, to approve Cheiron's 2023 engagement proposal as presented.

IX. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting on September 15, 2023 at 10AM 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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