MINUTES
ATU Pension Committee Meeting
Tuesday, July 23, 2019 – 2:30 p.m.

The pension committee meeting of the Amalgamated Pension/Disability Plan was held on Tuesday, July 23, 2019, in the Operations Conference Room - Myrtle.

COMMITTEE MEMBERS PRESENT

Lisa Darnall, JTA
Dwayne Russell, ATU
Kelli O'Leary JTA
Gregory Hayes JTA - via teleconference
Chantel Daniels

JTA STAFF / ALEX BROWN/CBC

Jelani Hooks, CBC
Noor Rajah, CBC – via teleconference
Phil Thomas, Alex Brown
Jack Sheffield, Alex Brown

COMMITTEE MEMBERS ABSENT

None

CALL TO ORDER - The meeting was called to order by Lisa Darnall at 2:38 p.m.

Old Business: Minutes were presented at 2:38 p.m. for approval from the March 28 meeting. Minutes were approved with a motion from Lisa Darnall; Dwayne Russell seconded the motion, all in favor.

New Business:

Dwayne Russell introduced Darrell Jenkins who will be the replacement for Larry Allen's ATU Pension Committee member who retired. Lisa suggested the Pension Committee and contracted staff introduce themselves to Darrell Jenkins. A motion by Dwayne Russell was made to appoint Darrell Jenkins as the third ATU Pension Committee member; Lisa Darnall seconded the motion, all in favor.

Jack Sheffield began with an update of the overall market performance for the second quarter. U.S equities returns for the quarter where modest as the Dow Jones Industrial Average return was 2.21%, the NASDAQ total return was 1.78%, and the S&P 500 returned 1.29%. Consumer Staples brought in the highest return for the quarter of 3.50% which indicates consumer discretionary spending is stable and the overall economy continues to grow slightly. Global equity returns where slightly down. Europe's average return totaled (0.91%), while the Asia indexes returns had modest gains of 0.64%. Fixed income returns for the quarter where flat averaging less than 1% across all Barclays indices, however year-to-date returns remain positive with an average return of approximately 8.2%. The JTA ATU fund performance for the second quarter was up 3.05% which was slightly below the Blended Index return of 3.23%. Year-to-date performance of the fund out performed the Blended Index return of 12.53% with a return of 13.61%.

Phil Thomas began with an update of the transition of assets from Wells Fargo to Alex Brown and advised that all assets transfers have been completed and the portfolio set up remains the same. Phil advised that the quarterly reporting will be completed by them going forward and that the portfolio has rebounded since last quarter from $42 million to approximately $46 million. Jelani stated that he received a report from Lisa Cranford at Alex Brown that stated asset values were $48 million as of July 15th. Phil reviewed the overall fund balances and the asset allocation with the Pension Committee. Current asset allocations of the fund are 40.51% for US equities, 12.22% for international equities, 5.30% for real estate, 39.94% for fixed income, 1.7% in alternative investments, and 5.63% in cash & equivalents. Phil suggested that the strategic allocation of the fund should target large cap equities at 25%, 18% in small cap equities, and 7% in international. The real estate allocation for the fund is on target with a suggested

5% allocation. The current fixed income allocation of 39.94% is currently higher than the target of 30% recommended, which limits the upside gain potential if more the assets where invested in equities or alternative investments. Phil then advised that the Pension Committee allocate 15% of the assets in alternative investments, specifically Moderate & Zero Beta Hedge Funds which provides downside protection when markets decrease. The ranges for each asset category should allow for adjustments to be made in order respond to changing market conditions. Lower and upper limits for large cap equities are suggested to be between 20% to 40%, for small cap equities 10% to 30%, international equities 5% to 20%, real estate 0% to 10%, fixed income 20% to 60%, and alternatives 0% to 15%. Phil then explained the simulated models and return analysis that are conducted to determine the correct mix of asset allocations which is provided in detail in the Investment Policy Statement. The Investment Policy Statement is now updated with the allocation ranges and rebalancing policy. The purpose, goals and investment objectives are clearly stated and the Investment Policy Statement is ready for approval from the Pension Committee. Lisa Darnall motioned for the approval of the Investment Policy Statement, Dwayne Russell seconded the motion, all in favor.

Jack Sheffield discussed the money managers Alex Brown vetted and suggested for each asset category. They compare each money manager to their associated benchmark and measure their overall performance over time. The overall strategy is to provide broad exposure to the S&P 500 in a cost-efficient manner while maintaining capital preservation as market volatility persist. Jack advised utilizing a combination of separate account management and indexing to capture exposure in the Midcap space. They have also selected defensive style managers and ETF to provide passive exposure to a challenging segment of the market to achieve a solid performance. For fixed income managers, the objective is to be mindful of the changing interest rates and potential for quality deterrent in a slowing global economy. The fixed income managers where selected with this in mind as well as to enhance cash management strategies with a defensive posture. Phil then discussed the alternative investment managers and the use of long/short and non-directional hedge fund managers which provide a more defensive posture as overall valuations are stretched. These hedge funds provide low correlation to capital markets and a low volatility approach to equity exposure.

Noor Rajah of Capital Benefit Consultants (CBC) then presented the preliminary actuarial valuation results for 2019. Noor advised that the 2019 valuation results were not favorable due to the low investment returns, lower asset values, and increased participant count, and a lower discount rate. The funded ration for 2019 was 82% because asset values were depressed at year end 2018 at $42.8 million compared to $44.8 million at year end 2017. Also, the benefit multiplier was increased to $62.00 per year of service from $60.00 which increased the liability of the plan. The good news is that investment returns have rebounded and as of July 15th, current asset value is $48.5 million which brings the plan back to 93% funded level for plan year 2018. The unfunded liability of the plan is currently $3.5 million which is lower that the $3.8 million at plan year of 2018. There was higher volatility in the last year so we want to be sure that this is managed going forward depending on how risky the Pension Committee is willing to be. Noor then recommended potentially settling some of the liabilities which would reduce PBGC premiums. The Pension Committee should also consider having an asset liability study soon to protect all potential impact of changes in asset allocation. At the end of the plan year for 2019, CBC can perform the study of additional increases to the benefit multiplier potential if the plan remains above 90% funded status.

Jelani Hooks of CBC then discussed the retiree calculation audit performed on calculations completed by Pricewaterhouse Coopers LLP (PWC). CBC completed 20 additional calculations as requested and found potential discrepancies with 7 of them. Jelani advised that an initial discrepancy of 35% of this sample population is very high but we cannot confirm this until we receive the documentation and calculation working papers from PWC. PWC provided half of the working papers and calculations this month so we will begin our comparisons. The audit is still in process until we receive the remaining PWC calculations and we will provide our findings in a complete report at our next meeting.

Because there was no further business, the Board adjourned the meeting.

Meeting adjourned at 4:01 p.m.