MINUTES
ATU Pension Committee Meeting
Friday, November 22, 2019 – 3:00 p.m.

The pension committee meeting of the Amalgamated Pension/Disability Plan was held on Friday, November 22, 2019, in the Operations Conference Room - Myrtle.

COMMITTEE MEMBERS PRESENT
Lisa Darnall, JTA
Dwayne Russell, ATU
Kelli O'Leary, JTA
Chantel Daniels, ATU
Darrell Jenkins, ATU

JTA STAFF / ALEX BROWN/CBC
Jelani Hooks, CBC
Noor Rajah, CBC – via teleconference
Phil Thomas, Alex Brown
Jack Sheffield, Alex Brown

COMMITTEE MEMBERS ABSENT
Greg Hayes, JTA

CALL TO ORDER - The meeting was called to order by Lisa Darnall at 3:07 p.m.

Old Business: Minutes were presented at 3:07 p.m. for approval from the July 23, 2019 and October 31, 2019 meetings. Both minutes were approved with a motion from Lisa Darnall; Kelli O'Leary seconded the motion, all in favor.

New Business:

The meeting began with an economical update by Jack Sheffield beginning in the third quarter.

Jack Sheffield stated that the first nine months of this year have been really strong. He stated that when you look at the one-year number, it's not an impressive number but what is an impressive is the year-to-date results. Jack continued with an overview of the economy, stating that the economy is solid with current job opportunities, growing cities, and retail sells beginning to kick-off with Black Friday and the upcoming Christmas season with the consumer being 70% of our economy. The Federal Reserve has lower interest rates. Jack Sheffield sees that as continuing. Also, this time of year November, December, and January are typically the strongest three months in the equity markets. Today, we are a little bit ahead of ourselves in the in the market. The term that Jack would use would be over bought, part of that is anticipation of something working out in the tariff issue with China that has been an important issue. This issue doesn't affect everybody. However, a lot of manufacturing concerns including shipping related would have been impacted by the tariff. Alex Brown does not see a recession right now, there are too many too many positive things going on with people working and earnings being well.

Phil Thomas then took over to overview the performance book provided to the Pension Committee. In the first quarter which was the Wells Fargo return was at 10.25% and much of the second quarter, which was the Wells Fargo return combined was at 3.05% return. In the performance book it showed that the second quarter number of the 490 represented the old Wells Fargo portfolio under the former asset allocation. Including the transition that came in cash and a mutual fund that was still awaiting the approval of the investment policy statement handled by the managers. So, essentially Alex Brown bought exchange-traded funds which were the equivalent benchmarks for the strategies that were converted into cash from Wells Fargo as a holding point until the policy got approved. Once approved the asset allocation went live with the program on August 28th and August 29th. Phil Thomas continued with confirming that the new managers have been hired and the 19.18% numbers are really great number and its really reflects very healthy equity and fixed-income market that we've experienced through the end of the third quarter of this year. Phil continued with an overview of the managers within the past 30-day time frame. Large stock and large-cap core are comprised of the Piedmont advisors and The Benchmark being the S&P 500. Everyone was completely committed on September 1st and all numbers are reflected in this inception date. Piedmont generated a 2.27% return and the S&P 500 was at 1.87%. The MSCI strategy was slightly below the Benchmark at 1.29% versus the 1.87% goal. Schafer Cullen generated a 3.75% return with an outstanding return against its Benchmark of 1.87%. On the mid-cap strategies performance. The Russell midcap that was down 1.14%, in line with the index and the Small cap 600 was up .65% very close to the index at .98%. Phil continued to state that this is a market where there's been a lot of disparity and in return you have large cap stocks doing extremely well and small-cap and mid-cap stocks that are not doing really well because of flights to quality as the markets get disrupted. Consequently, some of the smaller cap strategies have not done so well here recently, but this is a great place to get more growth and the situation of the market will turn and we are in a position to capitalize on it. On the value side, you have US mid-cap value, which is River Road being a little behind with not a good return but that is beginning to change with Alger having the most potential over time. Phil stated that it is difficult to determine where rates are going to go right now. While our rates are at some of the highest right now, around the Globe in countries like Germany and France have negative interest rates. As a result, there is a mass amount of money coming into the United States from foreign investors who are looking for safe returns. Phil moved forward with the multiple strategies executed by Alex Brown. The first one is the Pimco income fund which has a duration (when your money is returned) of less than a half a year and has a yield of 5.31%. The next strategy is the Guggenheim total return institutional bond fund earning 2.44% relative to the 10-year treasury at about a 1.70%. The Exchange traded fund against the aggregate bond portfolio earning about 2.71% and its average maturity is the longest of the portfolio at 8 years. The Lord Abbett short duration income fund with an average maturity slightly under 2 years, generating about a 3.7% yield on the portfolio. Lastly, the Bearings active short-duration bond portfolio, which has an average maturity of under 1 year with a 2.41% yield. Phil stated that we are getting really good deal out of this portfolio well above the 10 years. The last strategies that Phil discussed were the alternatives. Due to the hedge funds typically recording on a quarterly basis and the funds going in on September 1, there was not much to report on these strategies.

Alex Brown concluded their overview with explaining that they are within the asset allocation model. All of the assets have been deployed except for the cash component that is being maintained for benefits payments. The dollar figure at where we are right now is a little over $820,000 at the quarter end being up a little less than 2%.

Jelani Hooks began with the next item on the agenda, the retirement benefit calculations. CBC was previously tasked to review approximately 23 calculations from PWC's calculations of previously retired individuals. CBC was first asked to investigate three participants: Jenkins, Khon, and Ward. The initial investigation on that found Khon was being overpaid. The calculation was incorrect due to the late retirement factor being applied incorrectly on their calculation. After the initial review, CBC did a sample population of about 20 additional participants that were calculated around the same time, 4 of whom had late retirement factors applied to the calculation to ensure the late retirement factor was applied correctly. Noor then began with the findings of CBC. Noor explained that 23 participants were tested assuming that the historical information was accurate. Out of the 23 participants approx. 9 were calculated with a higher than 1% difference. There were at least 3 participants with more than $100 difference in payment calculations that CBC will need to spend more time on. Noor suggested legal consult to confirm how we move forward.

Jelani Hooks provided more details to Noor’s findings with stating that the first step CBC took when the information was received on these participants was go back and calculate what their accrued benefit would be at the time that they retired. That is when the initial findings confirmed about 23% of the calculations were slightly off on 5 of the participants, PWC did not have their original calculations. As a result, CBC did not have anything to compare with those 5 people because PWC gave them no information. Jelani explained that he will reach back out to Samantha to gain as much historical information that JTA has. Once completed CBC can then confirm with an attorney whether CBC’s methodology is the correct method or PWC’s methodology. Jelani continued with confirming that the only information PWC provided to CBC was with their retirement calculation spreadsheet. They didn't provide CBC with any election materials so CBC did not have any historical information. CBC based the calculation off of the date of hire, date of termination, and the thousand hours that were met each year and then calculated the accrued benefit. From there, CBC used simple provisions. With Khon, PWC assumed that late retirement started at twenty-five years when in fact the provision confirms that it is thirty years of service or more that the late retirement factor should be applied. PWC applied the factor five years earlier than they should have and so that is why his calculations extremely off.

Kelli O'Leary asked the question to confirm that the objective of hiring legal consul is to hold PWC accountable for the calculation errors and to protect JTA for holding the participants accountable for the difference in the calculation findings. Jelani agreed. Jelani suggested that the best practice in this situation with overpayments is that the party responsible for the incorrect findings should true up. Kelli O'Leary then asked the question if there are any obligations on PWC for not retaining records according to record retention rules? Jelani answered yes, PWC should have retained those records, according to JTA record retention policy. Through further discussion it was confirmed that PWC should have records from at least 10 years ago. The Pension Committee then began looking at the timing of when the calculations were processed to perhaps determine if a change in PWCs employment resulted in the different retirement calculations. In addition to possible resolutions to the calculations and participant communication regarding these errors.

Jelani then moved on the next item agenda which is the contribution true up. He stated that CBC has done the evaluations and the contributions are going to have to increase for the next plan year. Noor then began discussing the contribution policy and how JTA should move forward with applying future contributions. Noor stated to carry on the benefit level that we currently have, we need to have higher contributions. Jelani further explained that in plan year ending in 2018 the assets being down really affected the liabilities. The liabilities went from 93% to 82% which ultimately raised the cost to contribute. As of today, JTA is at 93.3% funded but JTA will still need to continue contributing at a higher level to maintain funding requirements. The Pension Committee agreed.

Jelani Hooks move forward with the last item on the agenda to solicit an RFP for an attorney for the Pension Committee. Lisa Darnell put in a motion. Lisa seconded the motion. All in favor, motion carries.

Dwayne Russell questioned if the Pension Committee could look into increasing the multiplier to $64 and to keep funding levels at 90%? Jelani answered that a model can built where JTA would incrementally increase as long as the plan fund remains over 90% to confirm that there is not much of a cost bearing element. Jelani Hooks confirmed that this model can be presented at the next Pension Committee Meeting.

Lisa Darnall put in a motion for CBC to conduct the multiplier increase study up to $64. Dwayne Russell seconded the motion. All in favor, motion carries.

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

Meeting adjourned at 4:23 p.m.