

# IBEW LOCAL 332 PENSION PLAN, PART B

## Meeting Minutes

March 29, 2016

A meeting of the Board of Trustees of the IBEW Local 332 Defined Contribution Pension Trust Fund was held on Tuesday, March 29, 2016 at the NECA Office in San Jose, California.

1. CALL TO ORDER

The meeting was called to order by Gerald Pfeiffer.

2. Roll Call

Union Trustees

Gerald Pfeiffer  
Pete Reyes  
Larry Vasquez  
Alan Wieteska

Management Trustees

Tom Barrow  
Vic Castello  
Tim Daniels  
Bill Pfeiffer

Also in Attendance:

Sue Campbell, Collection Attorney  
Joseph P. Herrle, J.H. Herrle and Associates  
Catherine Hickey The Marco Consulting Group  
George Kraw and Katherine McDonough, Kraw Law Group  
Sid Kaufmann and Marci Vukson, Kaufmann and Goble  
Michael Vukson, Wells Fargo Advisors  
Donna Rios, Sandy Stephenson and Debbie Wolfe, Administrative Office

3. MINUTES

Following review of the Minutes, it was **M/S/C** to approve the February 25, 2016 Minutes as presented.

4. CORRESPONDENCE

None.

5. DISBURSEMENTS AND RECIPROCITY REPORTS

The Trustees reviewed checks 1218-1230. It was **M/S/C** to approve the paid bills as presented. Next, the Trustees reviewed the incoming reciprocity reports for the months of December 2015 and for January and February of 2016. The Trustees reviewed the outgoing reciprocity reports for November and December of 2015 and for January of 2016. Also reviewed was a Master List of Locals.

6. FINANCIAL STATEMENT

The Trustees reviewed the financial statement for the January 2016. It was **M/S/C** to approve the financial statement as presented.

7. REPORT BY INVESTMENT CONSULTANT

A. Performance Update

Mr. Vukson reviewed his report. He reported that as of February 29, 2016. The balance in the Defined Contribution Plan was \$417,750,522.73. He provided an update on his meeting with Prudential Real Estate Investors (PRREF), provided a U.S. Real Estate Market Outlook, reviewed a discussion he had with George Hosfield with Ferguson Wellman Capital Management and he provided an update on the retirement of a portfolio manager with J.P. Morgan Core Bond Fund.

Relating to Prudential, Mr. Vukson informed the Trustees that Prudential was decreasing its management fee from 1% to .9% effective April 1, 2016.

Mr. Vukson also provided the Trustees with a handout from Prudential relating to the Retirement Real Estate Fund. He asked the Trustees if Kaufmann and Goble could add this to the website to provide the members with information on this investment. The Trustees said ok.

Mr. Vukson's report will be attached to these Minutes.

8. REPORT BY ADMINISTRATOR

A. Bill Paying Procedures

The Trustees reviewed a summary of the bill paying process for the Trust Fund, as well as UAS' administrative controls, UAS' internal auditing controls, controls by external auditors, Trustees' responsibilities in reviewing the paid bills and Trustee expenses.

B. Mandatory Distributions

None for this meeting.

C. Workshop Save the Date Postcard

The Trustees reviewed the Save the Date postcard for the upcoming April 23<sup>rd</sup> 2016 workshop. Also reviewed was a copy of a notice that is being sent to all 332 Participants advising them of the Workshop and advising them of the six classes that they will be able to attend. Attendees will have the option to choose three of the six classes.

D. Travelers Report and Administrative Fee Proposal

The Trustees reviewed an updated travelers list. Ms. Stephenson reported that there are 95 travelers on the list who opted to leave their pension benefits here.

Next, the Trustees reviewed an Administrative Fee Request from UAS relating to the Immediate Vesting Program, which the Administrative has been providing services to the Plan since August 1, 2015. UAS proposed a one time programming fee of \$3,000 and a monthly administration fee of \$250.00 per month retroactive to August 1, 2015. After review, it was **M/S/C** to approve the Administrative Fee Request for the Immediate Vesting Program as proposed by the Administrator. Chairman Pfeiffer and Co-Chairman Tom Barrow signed the Agreement. Ms. Stephenson thanked the Trustees.

In response to a question, it was confirmed by the Trustees that all fees should be paid out of the Part A Plan since the Immediate Vesting Program was originally just for this Plan.

E. Quarterly Expense Recap

The Trustees reviewed a recap of expenses for the fourth quarter of 2015. This was provided for information only.

9. REPORT BY KRAW LAW GROUP, ATTORNEYS

None.

10. REPORT BY ACTUARY AND CONSULTANT

Ms. Vukson reported that Kaufmann and Goble will provide the quarterly report at the next meeting.

11. OLD BUSINESS

None.

12. NEW BUSINESS

None.

13. NEXT MEETING DATE

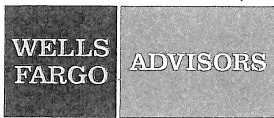
A. Next Meeting Date

The next meeting of the Board of Trustees will be held on Thursday, April 28, 2016 at the NECA Office in San Jose, California.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Debbie Wolfe  
Recording Secretary



Michael J. Vukson, CFP®, AIF®  
First Vice President - Investments  
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To: Trustees of I.B.E.W Local 332  
From: Michael Vukson  
Date: March 29, 2016  
Re: I.B.E.W. Local 332 Trustee Meeting

## Defined Contribution Plan Balance as of February 29, 2016 - \$417,750,522.73

Investment performance for the period ending 02/29/2016 is attached.

### Investment Manager - Update:

#### Prudential Real Estate Investors (PREF)

Met with David Skinner and Eric Sabol on March 2, 2016. Mr. Skinner is the Executive Director and Portfolio Manager for Prudential Real Estate. Mr. Sabol is the Assistant Vice President with Prudential Real Estate.

#### PREF Asset Allocation -

##### Direct Real Estate Fund (75%)

- **PRISA**, objective is to provide investors predictable income and total returns using a core investment strategy.
- **PRISA II** uses a combination of core and value-added strategies designated to generate higher return than a core fund.

##### Global Real Estate Securities (25%)

- Principally used to improve liquidity, but it also serves as a good complement to the direct property fund across the risk/return spectrum.

#### U.S. Real Estate Market Outlook -

##### Demand Drivers

- The U.S. economy continues to demonstrate resilience against a weak global backdrop. GDP is expanding at a steady pace and job growth remains strong. Continued moderate economic growth and a strengthening labor market {low unemployment is key} should support a solid base for tenant demand across all sectors over the next year.
- A tighter credit environment {decrease by lenders for development} and financial market volatility stemming from weakening global GDP growth and depressed commodity prices raise concerns about the U.S. economy.
- Expanding employment and wages will favor consumption-driven property types including apartment, retail, and e-commerce logistics. They also expect substantial demand for investment-driven property types such as office and bulk and local distribution.

##### Property Fundamental Improving

- **Apartment:** Demographic trends and increasing job growth in the 25 – 29 age cohorts are fueling growth in renters, resulting in resilient occupancy and rent growth despite steady supply additional in most markets.

Together we'll go far



- **Office:** Office –using employment growth and the Leading Economic Indicators Index suggest continuing demand strength for space over the next year. They expect occupancies and rents to move higher as supply remains below historical levels.
- **Warehouse:** Tenant demand is very healthy in a growing number of markets, but the rapid response of new supply may blunt rent growth. Prudential believes that development makes more sense than buying in many markets as leased product typically trades above replacement cost.
- **Retail:** Decent consumption trends and lack of supply have pushed vacancies to historically low levels. Rent growth is improving but will likely remain limited by right-sizing among retailers in response to e-commerce.
- **Hotel:** Occupancies remain high, but RevPar growth will likely slow this year due to more sluggish demand prospects.
- **Storage:** Record high occupancies should continue to drive sizeable near-term rent gains.

#### **Pricing Stabilizing**

- They expect continued strong U.S. real estate transaction activity. However, a pullback by major global investors is possible, in the light of low oil prices and emerging markets volatility as well as potential portfolio re-balancing requirements owing to recent stock price declines.
- Real estate appears pricey relative to corporate bonds, which may limit upside appreciation potential this year {Income will be a larger contributing factor to total return because of cap rate compression, high single digit returns expected over the next two years}.

Note: The management fee is currently 1% and is being reduced to .9% (10% reduction). This will go into effect starting ~~May~~ <sup>April</sup> 1, 2016.

#### **Ferguson Wellman Capital Management**

Met with George Hosfield on February 26, 2016. Mr. Hosfield is the Chief Investment Officer at Ferguson Wellman Capital Management (FWCM). According to Mr. Hosfield, Ferguson Wellman employs a “value” strategy, and it has been a “growth” market for several years. This circumstance has been particularly extreme over the past 18 months where it has not only been a growth market, but it has been an extraordinarily narrow market with just a handful of the largest cap growth stocks leading the way.

Mr. Hosfield reiterated that they have lagged their benchmark (S&P 500) for the past two years. He wants to assure us that the same team and investment discipline is in place at FWCM that has served I.B.E.W Local 332 since 1995. Mr. Hosfield indicated that the separate account they manage for I.B.E.W. Local 332 has outperformed the S&P 500 91% of the 44 rolling 10 year periods since the portfolio’s inception.

FWCM has indicated that they are remaining true to their long term value discipline and rather than chasing extraordinarily expensive equities that have recently dominated market averages. They continue to focus on high quality, value companies and sectors such as financials and energy that will lead the market when the pendulum ultimately swings back to value. Historically, growth has been the dominant style in periods of economic uncertainty when earnings growth is uncertain. Such performance is cyclical, and as investors gain confidence that the global economy is not lapsing into recession, value will become the dominate strategy, rewarding those with a long-term value discipline.

Note: More data regarding FWCM Performance Attribution is available upon request.

## **JPMorgan Core Bond Fund**

J.P. Morgan Asset Manager (the Firm) announced that Christopher Nauseda will be retiring on July 1, 2016. He will no longer be a portfolio manager (PM) for the JPMorgan Core Bond Fund (the Fund) as of April 15, 2016. We continue to watch this fund due to the leave of absence of lead PM Douglas Swanson that was announced in September 2015. Nauseda has been a PM for the Fund since May 2006 and spent more than 30 years as a member of the broader investment team that supports the Fund. The Fund's other two PMs, Barbara Miller and Richard Figuly, remain with the Fund. Miller and Figuly, each having more than 20 years of tenure with the Firm, were named PMs for the Fund in September 2015 when Swanson announced his leave of absence. No additional PM changes were announced in concert with Nauseda's pending departure.