

IBEW LOCAL 332 PENSION PLAN, PART B
Meeting Minutes
September 29-30, 2016

A meeting of the Board of Trustees of the IBEW Local 332 Defined Contribution Pension Trust Fund was held on Thursday, September 29th and Friday, September 30th, 2016 at Quail Lodge in Carmel Valley, California.

1. CALL TO ORDER

The meeting was called to order by Gerald Pfeiffer.

2. ROLL CALL

Union Trustees

Gerald Pfeiffer
Pete Reyes, Jr.
Larry Vasquez
Alan Wieteska

Management Trustees

Tom Barrow
Vic Castello
Tim Daniels
Bill Pfeiffer

Also in Attendance:

Doug Lung; NECA
Joseph P. Herrle; J.H. Herrle & Associates, Inc.
Sid Kaufmann and Marci Vukson; Kaufmann and Goble Associates, Inc.
George Kraw, Katherine McDonough and Katherine Roselin; Kraw Law Group, APC
Michael Lyons; Marco Consulting Group
Michael Vukson; Wells Fargo Advisors
Donna Rios, Judy Sargent (Telephonically), Sandy Stephenson and Debbie Wolfe;
Administrative Office

3. MINUTES

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

4. CORRESPONDENCE

A. Compliance Audit Status

The Trustees reviewed a report provided by the compliance auditor as of September 22, 2016 relating to payroll audits. Ms. Stephenson said Kaiser was the main problem at this time and a report will be provided at the next meeting.

B. Proposed Audit Sample

The Trustees reviewed a proposed audit sample list for 2016 for the inspection period of January 1, 2015 – December 31, 2015. Ms. Stephenson asked the Trustees to contact her if they had any additions or changes to the proposed list.

C. Wells Fargo

The Trustees reviewed a letter from Wells Fargo dated September 18, 2016 relating to its recent settlement agreement relating to allegations that some of its bank customers received products and services they did not want. The letter indicated that

improvements to their monitoring system, controls and team member training to ensure this does not happen again in the future. This was provided for information only.

5. INVESTMENT MANAGER REPORTS

A. Ferguson Wellman

George Hosfield joined the meeting representing Ferguson Wellman. He reviewed the presentation materials and provided an overview of the firm, an overview of the portfolio, an overview of the economy, reviewed sector weightings and he reviewed sector allocations as of August 31, 2016.

Performance was reviewed as of August 31st. As of September 15, 2016, the market value of the Part B account was \$38,258,089. Mr. Hosfield responded to several questions from the Investment Consultants and from Trustees.

Ferguson Wellman also provided a copy of its Taking Stock @ 40 Report for 1975-2015. At the conclusion of his presentation, Mr. Hosfield was excused.

B. McMorgan & Company/Mainstay/MacKay Shield

Brian Jackson joined the meeting and reported on the MainStay Total Return Bond Fund. The market value of the portfolio as of August 31, 2016 was \$52,191,268.66. The investment team, investment philosophy, investment process and portfolio construction were reviewed. The portfolio characteristics and performance were reviewed as of June 30, 2016.

The report is on file in the Administrative Office.

6. REPORT BY PART B INVESTMENT CONSULTANT

Mr. Vukson thanked the Trustees, the Administrator, Kaufmann and Goble and Legal Counsel for allowing him to work with the members.

Relating to communications with the members, Mr. Vukson receives phone calls from members 2-3 times on average per day. Calls always increase after statements go out or if there is a problem in the economy. One to one meetings are also take place with members.

Mr. Vukson is at the Union Hall on the first Tuesday of each month prior to the monthly meetings. He generally meets with an average of three members at these meetings.

Mr. Vukson also helps members navigate through the Kaufmann and Goble website.

7. REPORT BY PART B CONSULTANT

A. Performance

Mr. Vukson reported that the balance in the account as of August 31, 2016 was \$454,804,827.23.

B. Educational Workshop

The next Educational Workshop will be held on Saturday, November 5, 2016 at the Union Hall from 9:00 a.m. until 10:30 a.m. Members and spouses are welcome.

C. DCP Mutual Fund Share Class Review & Update

The Trustees reviewed an analysis of the Part B Plan.

The Trustees reviewed and discussed an analysis of the current share classes offered by the Plan and other available share classes. The analysis included a review of the expense ratio, SubTA and 12b-1 fees, and the annual rates of return for each share class.

Mr. Vukson said the returns in most cases for the share classes the Plan is currently offering are the same or better than the institutional class shares.

Discussion followed. Legal Counsel explained that review of fee information was necessary for due diligence so the Trustees meet their fiduciary obligations to monitor fees.

No action was taken or required at this meeting as it was presented for information only. A copy of the Investment Consultant's share class analysis is attached to these minutes.

D. Considerations

Establish basic financial educational program for Apprentices. Mr. Vukson said this should be addressed and possibly put into place in 2017.

8. FINANCIAL STATEMENT AND PAID BILLS

A. Financial Statement

The financial statement for the month of July 2016 was reviewed. It was **M/S/C** to approve the financial statement as presented.

B. Disbursements and Reciprocity Reports

The Trustees reviewed checks 1283-1293. It was **M/S/C** to approve the paid bills as presented. Next, the Trustees reviewed the outgoing reciprocity reports for the months of May, June and July 2016 and reviewed the incoming reciprocity reports for June, July and August 2016, as well as a Master List of Locals.

9. REPORT BY ADMINISTRATOR

A. Mandatory Distributions

None for this meeting.

B. 70-1/2 Required Distributions

The Trustees reviewed a list of ten (10) members who received required mandatory distributions due to their age of 70-1/2 as of September 2016. Ms. Rios reported that everyone would be paid out by December 1, 2016. This report was presented for information only.

C. Proposed Meeting Dates for 2017

The Trustees reviewed a proposed list of trust meeting dates for 2017. The Administrator was advised that the proposed May 25th meeting date would need to be changed to May 24th. The trust meeting dates for 2017 will be finalized at the next meeting.

D. Schedule C and 408(b)

Required Schedule C and 408(b) reporting requirements from Trustees and Plan service providers are almost completed. These are required on an annual basis.

E. Update on Travelers

The Trustees reviewed a current list of travelers. Ms. Stephenson noted that the total number of travelers who decided to leave their pensions with Local 332 is 129.

F. 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.

G. Administrative Agreement Services Renewal

The Trustees reviewed UAS' Administrative Agreement Services Renewal proposal dated September 19, 2016. Due to ongoing legislative requirements and mandates which add a level of complexity to the administrative of the Trust Fund as well as the

<u>PENSION PLANS</u>	<u>CURRENT RATE</u>	<u>PROPOSED RATE</u>	<u>INCREASE</u>
Administration	\$20,225	\$21,236	5% increase
Supplemental Plans	\$2.85/participant	\$3.00	5% increase
Plan A Annual Statements	\$1.65	\$1.70	4% increase
Reciprocity	\$8.49 Per Local	\$9.10	7% Increase
Traveler Fee	\$250.00 per month	No Change	

The proposed rates would be effective retroactively to September 1, 2016 and would be guaranteed through August 31, 2018. After review and discussion in executive session, it was **M/S/C** to approve UAS' request for a fee increase effective September 1, 2016.

10. INVESTMENT MANAGER REPORTS (CONTINUED)

A. Prudential Real Estate

David Skinner and Marcus Berry joined the meeting representing the Prudential Retirement Real Fund. It was noted that Prudential's fees were reduced from 125 basis points to 90 basis points.

The U.S. near-term real estate market outlook as of the second quarter of 2016 was reviewed. It was reported that the economy is in a good place for real estate investments. Returns were estimated to be in the 7% to 9% range going into 2017. Returns for the Core 1 investment were projected to be between 8% and 11%.

Performance was reviewed. It was reported that performance underperformed due to REIT's in the portfolio; however, returns are now back to the benchmark.

PRISA SA was reviewed next. It was noted that this is a core fund. A snapshot of the portfolio, property types and geographic diversification were reviewed. Most of the properties are offices in the Pacific Region and they are apartments in the Northeast. It was reported that more apartments and industrial areas will be increased in the portfolio. Returns versus the benchmark were reviewed. Next, investment strategy was reviewed.

PRISA II was reviewed next. A snapshot of the portfolio, property types and geographic diversification were reviewed. It was reported that this investment beat its benchmark for all years reviewed except for the 10 year return. Mr. Berry noted that they would add more retail and industrial to this fund for 2016-2018. Income growth was projected to be in the 8% to 11% range.

Following their presentation, Mr. Skinner and Mr. Berry were excused.

B. IBEW/NECA Stable Value Fund

Dee Ross and Brad Tham joined the meeting and provided an update on the IBEW-NECA Stable Value Fund. Mr. Tham provided a firm overview, reviewed, noted that the goal was to preserve principal and to provide liquidity. Ms. Ross said the goal is also to add consistent positive returns. The investment structure of the fund, the market versus book value and interest rates were discussed.

Cash flow for January 1-August 31, 2016 was reviewed by Mr. Tham. At the end of January, the total fund was valued at \$72,790,293. Next, fees for the fund were reviewed. The total annual expense ratio as of June 30, 2016 was 0.62%.

Ms. Ross reviewed the investment structure, investment history and returns, which she reported as being consistent for the last 28 years. Next, Ms. Ross reviewed investment strategy, asset allocation and reviewed the securities in the portfolio as well as manager diversification.

Ms. Ross next provided an update on the Stable Value Fund and reviewed a summary of the wrap contracts that Invesco works with.

Market to book value was reviewed.

In response to a question from Mr. Lyons, Ms. Ross explained a “put” and a “queue”. She informed the Trustees that if the fund wants to take money out of the Fund, it would be subject to the put and would go into a queue. Ms. Ross said they only keep a queue until the market and book value is back at 100%. She reported that they have to pay out at book value after two years.

At the conclusion of their report, Ms. Ross and Mr. Tham were excused.

C. Mainstay/Winslow

John Maschoff and Tom Smythe joined the meeting representing Mainstay Investments/Winslow Capital. Mr. Smythe reviewed the structure of New York Life and how it works with Winslow Capital.

Mr. Maschoff provided background on the U.S. Large Cap Growth Fund. He next reviewed performance and reported that Winslow Capital has outperformed every major index in 2015, over 5, 7 and over 10 years. Next, he reviewed the investment landscape for 2015-2020, reviewed cash flows. He reported that valuations for high dividend yield stocks are at high levels.

Returns and rankings for the MainStay Large Cap Growth Fund as of September 16, 2016 were distributed and reviewed.

Following their presentation, Mr. Maschoff and Mr. Smythe were excused.

The investment manager reports are all on file in the Administrative Office.

11. REPORT BY KRAW & KRAW, ATTORNEYS

A. Investment Lineup and Expense Review

This agenda item was discussed during the Investment Consultant’s Report, Item 7.

B. Conflict of Interest/Whistleblower Policy

Legal Counsel reviewed the Plan’s Conflict of Interest Policy and Whistleblower Policy with the Trustees. The Trustees review the policies on an annual basis. This was informational only.

C. 401(k) Contribution Policy

Legal Counsel reviewed a 401(k) Contribution Policy. The Trustees reviewed the Timing, Late Contributions, Contribution Remittances with Insufficient Funds/No Funds, Delinquencies Discovered in Payroll Audits and Employer Responsibilities. After discussion, it was **M/S/C** to adopt the 401(k) Contribution Policy as proposed by Legal Counsel.

D. Participation Agreement for the Santa Clara County Electrical JATC

The Trustees reviewed an updated Participation Agreement for the Santa Clara County Electrical JATC. Ms. Roselin reviewed the changes to the revised document. Legal Counsel recommended approval of the Participation Agreement. After review, it was **M/S/C** to approve the Participation Agreement as proposed by Legal Counsel.

E. Participation Agreement for the Union

The Trustees reviewed an updated Participation Agreement for the Union. Ms. Roselin reviewed the changes to the revised document. Legal Counsel recommended approval of the Participation Agreement. After review, it was **M/S/C** to approve the Participation Agreement as proposed by Legal Counsel.

F. Working Owner Rules

The Trustees reviewed an updated Clarification of Rules regarding Owner Participation/Working Members of the Firm. Ms. Roselin said the Rules were updated to add an Alumni Rule and it designated the working member rule. This was provided for information only.

12. REPORT BY ACTUARY AND CONSULTANTS

A. Participant Activity Report

Ms. Vukson reviewed Kaufmann and Goble's Participant Activity Report dated September 29, 2016. The Price Change Comparison was reviewed. At the end of June, 2016 the balance was \$442,578,696 and the balance was \$454,853,702 as of August 31, 2016. Most are in the conservative and moderate models. Hours and contributions were reviewed. It was reported that they are on track to be ahead of last year. Contributions and a history of Distributions were reviewed. The Participant Activity Report is on file in the Administrative Office.

B. Commercial General Liability, Auto Liability and Umbrella Insurance Renewal

The Trustees reviewed Mr. Herrle's letter dated August 1, 2016 which summarized the policy's 9/1/2016 renewal proposal terms. Mr. Herrle said the annual renewal premium for both policies combined is \$4,950., unchanged versus the expiring year's combined policy. He recommended approval of renewal of both insurance policies. The Defined Contribution Trust's share of the two insurance policy premium is \$1,650. It was **M/S/C** to concur with Mr. Herrle's recommendation to renew with Traveler's Insurance Company effective September 1, 2016 for another annual term.

C. Engagement Letter for Actuarial Services – Kaufmann and Goble

The Trustees reviewed Kaufmann and Goble's Engagement Letter for Actuarial Services for 2017 and 2018 dated September 28, 2016 and their request to increase the monthly per member per month fee for 2016 from \$6.50 to \$6.75 for 2017 and to \$7.00 fee per participant per month for 2018 per month to be effective as of January 1,

2017. It was **M/S/C** to approve Kaufmann and Goble's request as presented after discussion in executive session.

13. **OLD BUSINESS**

None.

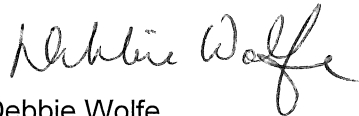
14. **NEW BUSINESS**

None.

15. **NEXT TRUSTEE MEETING DATE**

There being no further business, the meeting was adjourned.

Respectfully submitted,


Debbie Wolfe
Recording Secretary