BUFFALO LABORERS' BENEFIT FUNDS
TRUSTEE MEETING

Salvatore's Grand Hotel
Williamsville, N.Y.

May 27, 2021

Trustees Present: Sam Capitano, Peter Capitano, John Massaro, Chuck Paladino, Jim Logan, Nickolaus Osinski, Greg Schober, Mark Schober

Also present:
Tom Panek, Administrator
Tracy Baugher, Office Manager
Gary Kubik, Training Fund Director (for a portion of the meeting)
Robert Projansky and Randy Bunnell, Proskauer Rose LLP, Counsel (via Webex)
Bruce Listhaus, Gorlick, Kravitz & Listhaus, P.C., Delinquency Counsel (for a portion of the meeting, via Webex)
Mary Ann Dunleavy and Lindey Settle, Horizon Actuarial Services, LLC, Pension Fund Actuary (via Webex)
Ian Jones, AndCo Consulting, LLC, Investment Advisor (for a portion of the meeting)
Joe Benedict, CIEA, Observer

Call to Order:

The meeting was called to order at 8:10 a.m. on May 27, 2021.

Trustee Logan discussed the process for circulating meeting materials to the Trustees for review in advance of meetings. The Trustees requested that the agenda items and supporting materials for a meeting be made available to the Trustees for review at least one week in advance of the given meeting.

Administrator Panek noted that all the materials for this meeting had been uploaded to a new online Trustee Portal. He stated that this portal will continue to be used for future meetings and that the Fund Office is working to upload to the portal the Funds' governing documents, such as the respective trust agreements, plan documents, and summary plan descriptions.

Minutes:

The Trustees reviewed the minutes from the Board of Trustees meeting held on February 18, 2021.

Following discussion, a motion was made by Trustee Sam Capitano and seconded by Trustee Paladino to approve the minutes from the February 18, 2021 Board of Trustees meeting.

That motion was unanimously adopted

Training Fund:

Training Fund Financial Statements

Administrator Panek reviewed the Training Fund's financial statements for the period ended March 31, 2021, which included the Balance Sheets (as of March 31, 2021 and 2020), Statements of Activities (for the nine-month period ended March 31, 2021 and 2020) and Schedules of Expenses (for the nine-month period ended March 31, 2021 and 2020). As of March 31, 2021, the total assets of $984,632 were offset by liabilities of $24,699 for unrestricted net assets of $959,933.

Administrator Panek noted that employer contributions increased by just over $50,000 even though hours decreased compared to the prior year, due to the 10 cent increase in the hourly contribution rate. He also noted that $12,837 in grant income was received and that Ms. Baugher and Mr. Kubik continue to pursue additional grants. Administrator Panek also reviewed the schedules of expenses, noting that there have been no travel expenses to attend training seminars/meetings over the prior nine-month period due to the pandemic.

Training Fund Director's Report

Mr. Kubik provided the Training Fund Director's Report. He compared the number of contact hours for the quarter ended March 31, 2021 to the same period in 2020. He noted that hours were down compared to the same period in 2020. He stated that the demand for asbestos related courses was well above average in the prior year. He also noted that the members have been busy working lately so there is less time available to attend training classes.

Mr. Kubik discussed new training classes that have been planned, noting the addition of a course on renewable energy sources, such as solar power and hydropower. Mr. Kubik reported that he and Scott Albano will be completing an online instructor training course in June.

Mr. Kubik discussed grants. He stated LIUNA recently performed an audit to confirm the Fund is using income from grants appropriately. He stated that the audit went smoothly and the Training Fund is awaiting results.

Mr. Kubik then reported on the apprenticeship program. He reported that there are currently 17 apprentices. He stated 2 will be graduating and 3 are on the out of work list. He noted that 7 of the apprentices are racially/ethnically diverse. He stated that it has been difficult to recruit new apprentices and that he will be discussing with the apprenticeship coordinator potential changes to the apprentice pay rate.

Mr. Kubik requested approval for himself to travel to and attend a regional conference on renewable energy.

Following discussion, a motion was made by Trustee Sam Capitano and seconded by Trustee Peter Capitano to approve the reasonable expenses necessary to allow Mr. Kubik to attend the requested renewable energy conference.

That motion was unanimously adopted

Mr. Kubik reported that there are no current building maintenance or repair issues.

Following discussion, a motion was made by Trustee Sam Capitano and seconded by Trustee Peter Capitano to acknowledge receipt of the Training Fund's financial statements and to accept the Training Director's Report.

That motion was unanimously adopted

Mr. Kubik was thanked for his report and left the meeting.

Investment Advisor's Report:

Market Overview

Mr. Jones delivered a general overview of the markets through April 30, 2021. He noted that all sectors of the domestic equity market are up over 10% year to date with the exception of large-cap growth stocks. He noted that value stocks have led growth stocks year to date, with financial stocks and energy stocks performing well, spurred in part by the re-opening of economies around the world. He stated that international markets are also up, with developed markets slightly outperforming emerging markets.

In discussing fixed income investments, Mr. Jones noted the bond market's performance has not been favorable given the current rising interest rate environment. He reported that the U.S. Aggregate Bond Index returned -2.61% year to date and that the U.S. Corporate High Yield Index was up 1.95% year to date. He also stated that the U.S. Aggregate yield to worst was 1.51% as of April 30, 2020 and noted that significant returns should not be expected from high quality, investment-grade bonds in the near future.

Pension Fund Flash Report

Mr. Jones reviewed the Pension Fund's asset allocation as of March 31, 2021. He noted that the Pension Fund's total equity exposure is 58.36% when taking into account funds invested with GTAA managers. He reported that the Pension Fund's allocation to international equities has at times recently exceeded the upper limit of 17% due to the recent strong performance of non-U.S. equities. He suggested increasing the target allocation to non-U.S. equities by 3%, from 13% to 16% with a corresponding increase to the range limits.

Mr. Jones also reported that, the Pension Fund's allocation to real estate has fallen below the minimum allocation requirement of 7%, because the Pension Fund has continued to receive some of the assets from its managers in response to the redemption requests that were submitted. He suggested that the target allocation to real estate be decreased by 4%, from 10% to 6% and that the target allocation to private equity and debt be increased by 1%, from 7% to 8%, with corresponding changes to the range limits. He further suggested that the redemption requests on file with American Realty and the AFL-CIO Building Investment Trust be withdrawn.

Following discussion, a motion was made by Trustee Peter Capitano and seconded by Trustee Paladino to withdraw the Pension Fund's redemption requests on file with the American Realty - American Core Fund and the AFL-CIO Building Investment Trust and to make the following changes to the Pension Fund' asset allocation: (1) increase target Non-U.S. Equity Composite allocation to 16%; (2) decrease target Real Estate Equity Composite allocation to 6%; and (3) increase target Private Equity/Debt allocation to 8% (all with corresponding changes to the permissible minimum and maximum allocation limits).

That motion was unanimously adopted

Mr. Jones stated that he would update the Pension Fund's investment policy statement to reflect the revised asset allocation and circulate the updated policy to the Trustees via e-mail for approval.

In response to a question from Trustee Sam Capitano, Mr. Jones discussed the Pension Fund's infrastructure investment with JP Morgan and other potential investment opportunities in this space. He noted that he also likes Brookfield and IFM.

Mr. Jones discussed IFM's investment strategy, noting that it invests in GDP sensitive assets, but has still managed to perform pretty well during the pandemic. He stated that IFM has a minimum investment limit of $10 million but that he can ask if IFM would be willing to waive this limit and accept an investment of $5 million from the Pension Fund. The Trustees directed Mr. Jones to research IFM further and come back with a recommendation.

Mr. Jones reviewed the performance of the Pension Fund's consolidated portfolio as of April 30, 2021. He reported that the Pension Fund has returned 26% for the fiscal year to date versus the benchmark of 21.9%. He reported that the Pension Fund has also beat the benchmark for the calendar year to date, returning 6.9% versus the benchmark of 5.1%. He noted that the Pension Fund's value oriented managers have helped the consolidated portfolio's performance recently.

Mr. Jones then reviewed the performance of each manager. He reported that the Pension Fund's equity managers collectively returned 40.9% for the fiscal year to date and 10.9% for the calendar year to date, outperforming the benchmark of 35.3% and 9.1%, respectively.

Mr. Jones noted that LSV has returned 34.3% for the fiscal year to date and is ahead of its benchmark since inception. In response to a question from Trustee Sam Capitano, Mr. Jones stated that he would not recommend replacing LSV with a passive index fund at this time. He suggested continuing to monitor LSV's performance as the international markets start to recover from the pandemic. He reported that Victory Sophus has returned 42.8% in the fiscal year to date and is ahead of its benchmark since inception by 500 basis points.

Mr. Jones discussed the performance of the Pension Fund's fixed income manager, Western Asset. He stated that the Pension Fund's three investments with Western collectively returned 4.9% for the fiscal year to date, versus the benchmark of -1.4%. He then reported on the Pension Fund's GTAA managers, PIMCO and JP Morgan, noting that PIMCO has returned 9% in the calendar year to date versus the benchmark of 3.7% and that JP Morgan has returned 5.7% in the calendar year to date versus the benchmark of 4.6%.

Mr. Jones reported that the Pension Fund's real estate managers collectively have returned 2% for the fiscal year to date versus the benchmark of 3.6%. Mr. Jones stated that the Pension Fund's infrastructure manager, JP Morgan, has returned 6.8% since inception in November of 2015.

Mr. Jones also reviewed the performance of the Pension Fund's private equity investments as of December 31, 2020, noting that the Fund's total private equity investments have returned 10%.

Welfare Fund Flash Report

Mr. Jones reviewed the Welfare Fund's performance report as of March 31, 2021 and a flash report with returns through April 30, 2021. He reviewed the Welfare Fund's asset allocation and reported the Welfare Fund's total equity exposure is 12.86% as of March 31, 2021, when taking into account funds invested with GTAA managers. He reported that the allocation to GTAA of 25.6% slightly exceeded the upper limit of 25% stated in the Welfare Fund's investment policy statement. Mr. Jones discussed the anticipated returns from fixed income investments versus GTAA and the conservative nature of the Welfare Fund's portfolio. Mr. Jones recommended decreasing the Welfare Fund's target allocation to Short-Term Fixed Income by 5% (from 40% to 35%) and increasing the Global Tactical Asset Allocation by 5% (from 20% to 25%).

After discussion, a motion was made by Trustee Osinski and seconded by Trustee Paladino to decrease the Welfare Fund's target allocation to Short-Term Fixed Income

Non-U.S. Equity Composite allocation to 35% and to increase the Welfare Fund's target Global Tactical Asset Allocation to 25% (both with corresponding changes to the permissible minimum and maximum allocation limits).

That motion was unanimously adopted

Mr. Jones reported that the Welfare Fund has returned 2.02% for the calendar year to date. He then reviewed the performance of the individual managers. He noted that the Welfare Fund's GTAA managers have collectively returned 7.07% for the calendar year to date.

Security Fund Flash Report

Mr. Jones presented the Security Fund's performance report as of March 31, 2021 and a flash report with returns through April 30, 2021. He reviewed the Security Fund's asset allocation and reported that the allocation to all asset classes was in the permissible range of their respective targets. He reported the Security Fund's total equity exposure is 43.46% as of March 31, 2021, when taking into account funds invested with GTAA managers

Mr. Jones stated that the Security Fund's consolidated portfolio has returned 5.77% for the calendar year to date. He then reviewed the performance of the individual managers.

Mr. Jones noted that in the past the Trustees have discussed moving to a participant directed investment approach, but have decided against doing so in order to limit the Security Fund's administrative expenses. Trustee Sam Capitano stated that the membership is happy with the current investment approach.

The Trustees discussed Security Fund's plan design and the potential addition of a partial distribution option. The Trustees directed Fund Counsel to work with Administrator Panek on a recommended amendment to the plan document and summary plan description.

Mr. Jones was thanked for his report and left the meeting.

Pension Fund Actuary's Report:

Updated Actuarial Projections

Ms. Settle reviewed updated projections of the Pension Plan's funded status. She reviewed the key assumptions and methods used in Horizon's projections. She reported that the projections had been updated to incorporate an estimated return of 26% for the fiscal year ending June 30, 2021, which is based on the Pension Plan's estimated year to date return through April 30, 2021.

Ms. Settle stated that, using baseline assumptions, the Pension Fund is projected to be green in all future years illustrated and is projected to be 100% funded by 2022 and 270% funded in 2038.

Ms. Settle then reviewed alternative projection scenarios. She reviewed the “stay the course scenario” based on annual losses. She explained that the Pension Fund could withstand a 1.5% return each year and remain in the green zone through 2038 as long as all other assumptions were realized. She then reviewed the “stay the course” scenario based on a large, one-time investment loss. She stated that the Pension Fund could withstand as much as a -35% return for the 2022 Plan Year followed by investment earnings of 7.5% per year thereafter and remain in the green zone through 2038 as long as all other assumptions were realized. She stated that under this scenario the Pension Fund would have to take advantage of the special “green in 10” rule to avoid endangered status.

Ms. Settle reviewed an alternative projection scenario based on a decrease in assumed hours worked. She stated that if the Pension Fund’s assumption of annual hours worked were decreased to 600,000, the Pension Fund would be projected to be 100% funded by 2022 and 254% funded in 2038. Ms. Settle also reviewed an alternative projection scenario based on a lower interest rate. She stated that if the Pension Fund’s assumed interest rate were lowered to 7.25%, the Pension Fund would be projected to be 100% funded by 2022 and 251% funded in 2038.

Ms. Settle reviewed an alternative projection scenario based on a decrease in assumed hours worked and a lower interest rate. She stated that if the Pension Fund’s assumption of annual hours worked were decreased to 600,000 and the interest rate were lowered to 7.25%, the Pension Fund would be projected to be 100% funded by 2022 and 235% funded in 2038. Additionally, she stated that if the Pension Fund’s assumption of hours worked were decreased to 600,000 and the interest rate were lowered to 7%, the Pension Fund would be projected to be 100% funded by 2023 and 219% funded in 2038.

Ms. Dunleavy noted that a 26% return for the Plan year ending June 30, 2021 would increase the baseline funded percentage by 2038 by over sixty percentage points, and place the Pension Fund in a better position to weather potential future adverse experiences. She also reported that results of Horizon’s 2021 Survey of Capital Market Assumptions will be published in the summer and that Horizon will review the survey, as well as past surveys, in light of the Pension Plan’s asset allocation and will likely lower the interest rate assumption from 7.50% to 7.25% effective July 1, 2021.

Impact of 13th Check

Ms. Settle then reviewed a report on what the impact would be of issuing a one-time 13th check to all participants in pay status (retirees, disabled retirees and beneficiaries). She stated that making such a payment would add approximately $850,000 to expected benefit payments and liabilities for the 2021 valuation and decrease the Plan’s projected funded percentage in 20 years from 209% to 206%. She further noted that the cost of issuing a 13th check to all participants in pay status could be more than offset by the large expected gain on investments during the current Plan year.

After discussion, a motion was made by Trustee Sam Capitano and seconded by Trustee Greg Schober to direct the drafting of a plan amendment providing for a 13th check to be issued on or around September 6, 2021, to all retirees in pay status as of September 6, 2021.

That motion was unanimously adopted

Withdrawal Liability Procedures – Proposed Update

Ms. Settle reviewed a proposed update to the Pension Plan's withdrawal liability procedures. She noted that an employer's withdrawal liability is based on the employer's historic contributions and that there is an exception for *de minimis* liabilities. She reported that reductions in benefits were made under the Pension Plan's rehabilitation plan and that the Pension Plan is legally required to ignore these benefit reductions when calculating an employer's withdrawal liability.

Ms. Settle stated that the Pension Plan's withdrawal liability procedures were drafted based on prior guidance issued by the PBGC that suggested that the *de minimis* exception could be applied prior to making the adjustment to ignore the benefit reductions made under the Pension Plan's rehabilitation plan. She reported that the PBGC recently released a final regulation with a simplified method stating that plans should do the opposite and recommended that the this simplified method be adopted by the Pension Plan. . In general, the impact of this change will result in the estimated withdrawal liability for most employers decreasing, as the de minimis credit eliminates most or all the adjustable benefits allocation. In some cases, the estimated withdrawal liability will increase, as the de minimis credit is decreased or eliminated.

After discussion, a motion was made by Trustee Paladino and seconded by Trustee Mark Schober to provide that effective March 1, 2021, the Pension Plan, in calculating withdrawal liability, will recognize any reduction in benefits under the Plan's rehabilitation plan through the use of the simplified method set forth in the recently released PBGC final regulation.

That motion was unanimously adopted with Trustee Sam Capitano abstaining from the vote

Mr. Bunnell stated that he would revise the Pension Plan's withdrawal liability procedures and circulate the updated procedures via email for review and approval by the Trustees.

American Rescue Plan Act of 2021: Multiemployer Pension Plan Provisions

Ms. Dunleavy reported on the provisions of the American Rescue Plan Act of 2021 ("ARP") applicable to multiemployer pension plans. She stated that the ARP contains significant relief for struggling plans, but has little to offer for healthy plans, such as the Pension Plan. She reported that the ARP increases PBGC premiums, but the increase is modest compared to what was discussed in proposals.

Ms. Dunleavy reported that the ARP creates a special financial assistance program run by the PBGC to provide eligible struggling plans with the amount necessary to pay all benefits through 2051, with no reductions in benefits. She noted that the estimated cost of the program is estimated to be $86 billion. She also reported that the ARP provides for funding relief in the form of "zone freezes," where plans may elect to maintain the prior year's zone status, and the ability to spread COVID-19 losses over a longer period of time.

Trustee Sam Capitano noted his opinion that it is unfair that this relief offers nothing to plans like the Pension Plan that made major changes in order correct prior funding issues. He stated that he would like to discuss increasing the benefit accrual rate, potentially retroactively if possible. He also noted that he would like to discuss modifying the benefit formula because the current formula is difficult for Participants to understand.

After further discussion, the Trustees directed the Pension Plan's professionals and Administrator Panek to examine potential changes to the Pension Plan's benefit formula and accrual rate, including retroactive increases to the benefit for active participants going back to July 1, 2011.

The Trustees thanked Mss. Dunleavy and Settle for their report.

Request for Proposals: Payroll Auditor

Mr. Listhaus reviewed an executive summary of the Funds' request for proposals ("RFP") for payroll compliance audit services. He stated that the RFP was issued on April 21, 2021 and that four firms were invited to submit a bid: Arcara Zucarelli Lenda & Associates; Bonadio & Co.; Lumsden & McCormick; and Joseph W. McCarthy and Associates. He stated all four firms timely responded to the RFP.

Mr. Listhaus compared the four firms. With regards to rates, he noted that the incumbent McCarthy charges significantly less than the other firms. He noted that Lumsden and Arcara have very similar rate structures and that Bonadio has bid a flat per audit fee of $3,500.

Mr. Listhaus noted that McCarthy does not maintain a website, which it says is done to minimize its security footprint. He then discussed the size and structure of the four firms, noting that McCarthy is the smallest of the four firms and does not have a CPA on staff.

Trustee Osinski stated that he is aware that Bonadio performed work for some employers, which could cause a potential conflict for Bonadio.

Mr. Listhaus discussed the experience of the firms. He noted that McCarthy has 24 payroll compliance clients and conducts approximately 200 audits a year. He noted that Lumsden, the Funds' current auditor, does not work with many multiemployer funds. In response to a question from Trustee Logan, Mr. Projansky stated that the DOL is concerned with audit quality and recommended that the Funds' ask Lumsden for further information on its experience working with multiemployer plans and the steps it takes to stay attuned to issues impacting multiemployer plans.

After discussion, a motion was made by Trustee Sam Capitano and seconded by Trustee Massaro to continue to retain Joseph W. McCarthy and Associates as the Funds' payroll auditor.

That motion was unanimously adopted

The Trustees directed Administrator Panek to discuss with McCarthy potential technical upgrades and expectations regarding communicating with the Funds moving forward.

Proposed New Sick Leave Benefit:

Administrator Panek reported on a proposed new paid sick leave benefit to be added to the Welfare Fund effective July 1, 2021. He stated that under the proposal, Participants would accrue one hour of paid sick leave for every 30 hours worked with a Contributing Employer. He noted that Participants would be limited to 5 sick days per calendar year and that the benefit amount would $275 per sick day. Administrator Panek noted that the benefit would be paid out of the Welfare Fund's general account and that 65 cents per hour would be earmarked to fund the new sick leave benefit. He stated that the Fund Office would track contributions versus expenses for the new benefit and provide regular reports on the cost of the new benefit at meetings.

After discussion, a motion was made by Trustee Sam Capitano and seconded by Trustee Osinski to amend the Welfare Fund to offer a new paid sick leave benefit effective July 1, 2021 and to direct Fund Counsel to work with Administrator Panek to draft a summary of material modifications to the Welfare Fund's SPD detailing the new benefit in full for review by the Trustees.

That motion was unanimously adopted

Delinquency Counsel Report:

Annual Status Report

Mr. Listhaus stated that an Annual Status Report was distributed to the Trustees prior to the meeting with information on the matters being handled by Gorlick, Kravitz, & Listhaus, P.C. as of May 27, 2021. He briefly reviewed the contents of the report.

Summary Status Report

Mr. Listhaus provided the Trustees with a Summary Status Report of litigation matters being handled by his firm, which was detailed in a letter he provided to the Trustees and included descriptions of the significant matters. He noted that during the period between June 1, 2020 and May 27, 2021, his firm handled 15 matters. Of those matters, five were closed after receiving full payment, one was closed after the Funds received a distribution within a bankruptcy proceeding and one was written off at the direction of the Trustees. There is currently one active matter involving litigation. The remaining seven open cases include one bankruptcy proceeding, two matters where his firm is monitoring a settlement and four cases in which his firm is working on post-judgment execution.

Mr. Listhaus reported that, for the period, his firm collected $1,263,940, as compared to legal fees of $195,300.

Mr. Listhaus reported on significant developments in the following matters:

Telco

Mr. Listhaus reported that Telco refused to allow the Funds to conduct an audit for the period beginning October 1, 2014. He stated that after extensive negotiations, Telco agreed to permit an audit, which was performed on February 24, 2020 and found a deficiency of $1,460 in principal contributions. Mr. Listhaus stated that because of suspicions that Telco was using non-Union employees to perform covered work, a second audit letter was sent to Telco. He stated that Telco refused to comply and that a complaint was filed by his firm on October 2, 2020. He stated that the matter was referred to mediation, during which Telco agreed to a second audit. He stated that Telco has until May 27, 2021, today, to object to the requested list of records needed to complete the audit.

Mr. Listhaus also reported that Telco stopped contributing to the Funds in March of 2019 but continued performing work in the jurisdiction; therefore, a notice demand for withdrawal liability was sent on November 30, 2020. He stated Telco’s deadline to begin making withdrawal liability payments was January 25, 2021 and that the deadline to request review was February 22, 2021. He noted that Telco's deadline to initiate arbitration was on May 14, 2021. He stated that the Pension Fund sent a notice of overdue payment for withdrawal liability on April 20, 2021, which means Telco has until June 19, 2021 to pay the overdue quarterly payment of $9,455.00. If no payment is made, Mr. Listhaus stated his firm will issue a demand for immediate payment of the entire $30,269.00 withdrawal liability, plus interest.

Insulation Coating & Consultants

Mr. Listhaus reported that a demand was made for delinquent contributions based on an audit for the period covering August 2019 through October 2019. He reminded the Trustees of the settlement agreement reached, calling for $98,303 to be paid in eight monthly installments. He stated that Insulation Coatings made its first payment in January of 2020, but then ceased making further monthly installments. He stated that Chautauqua County issued a Judgment by Confession on July 8, 2020 in the amount of $93,511. After which, the Funds restrained Insulation Coating's operating account and released the restraint in exchange for Charles Sorce, Insulation Coating's principal, personally agreeing to a payment plan. He stated that Mr. Sorce has been making payments and the amount owed is down to $12,487.

Mr. Listhaus reported that a second file was opened for a separate action filed on February 1, 2021 for delinquent contributions in the principal amount of $58,785 based on an audit for the period covering May 2019 through June 2020 and review of remittance reports for July through November of 2020. He stated that a check from Insulation Coating was received on February 25, 2021 in the amount of $63,577, which represented the full principal amount and interest and penalties demanded and that its firm has since closed this file.

Woodsmith Fence

Mr. Listhaus reported that a demand was made for approximately $185,000 in delinquent contributions inclusive of audit fees and interest on February 11, 2021 based on an audit for the period covering January 2015 through December 2019. He stated that after extensive negotiations with Woodsmith's counsel, on March 18, 2021, Woodsmith made a payment to the Funds totaling $149,609, which paid the total principal delinquency in full with the $3,445 balance being applied to reduce accrued interest owed.

Mr. Listhaus reported that the Trustees authorized a settlement, whereby the Funds agreed to accept an additional $15,716 in one lump sum payment by April 1, 2021 in full satisfaction of the accrued interest owed. He reported Woodsmith paid the agreed to amount to the Funds on March 29, 2021, and his firm closed its file.

E.J. Militello

Mr. Listhaus reported that a demand was made for delinquent contributions based on an audit for the period covering November 2018 through September of 2020. He stated most of the delinquency related to the more recent period and that a partial payment was made, leaving a balance owed on the audit of approximately $79,000.

Mr. Listhaus stated that E.J. Militello recently submitted remittance reports for the post audit period of October through December 2020 together with $71,000 in contributions and has proposed to have this amount applied to the older audited period instead, which would leave a balance of $81,000, inclusive of the new contributions and interest. He noted that the Trustees previously approved E.J. Militello proposal to pay off this amount over a three-month period, commencing March 1, 2021. Mr. Listhaus reported that the entire amount was timely paid in full and that his firm has closed its file.

The Trustees thanked Mr. Listhaus for his report. Mr. Listhaus left the meeting.

Executive session:

The Trustees and Administrator Panek had an executive session. During the executive session, the following motions were made:

A motion was made by Trustee Sam Capitano and seconded by Trustee Mark Schober to approve of an annual retainer increase for Horizon Actuarial Services, LLC of $50,000 effective July 1, 2021, $55,000 effective July 1, 2022, and $60,000 effective July 1, 2023, to be paid quarterly, with non-retainer hourly rates to remain the same.

That motion was unanimously adopted

A motion was made by Trustee Sam Capitano and seconded by Trustee Mark Schober to approve of an hourly rate increase for Proskauer Rose LLP to $625 an hour effective June 1, 2021.

That motion was unanimously adopted

Trustee Logan left the meeting.

Fund Counsel's Report:

DOL Cybersecurity Guidance

Mr. Bunnell reported on three long-awaited pieces of guidance recently published by the DOL regarding cybersecurity best practices for plan sponsors, administrators, and plan participants. He noted that the first piece of guidance was directed specifically to plan participants and offers online security tips regarding how to protect one's retirement accounts. Mr. Bunnell stated that the Funds could consider sending this guidance, or something similar to it, to participants. Another piece of guidance was directed toward a plan's third-party service providers and provides a detailed list of cybersecurity best practices. Mr. Bunnell stated that the third piece of guidance included tips for plans with respect to due diligence in contracting with plan service providers.

Mr. Bunnell stated that the key takeaway from DOL guidance is that the DOL believes that "plan fiduciaries have an obligation to ensure proper mitigation of cybersecurity risks." He suggested that the Fund Office could reach out to its vendors to learn more about their respective cybersecurity program, noting in particular, the vendor managing the participant portal on the website. He stated that his firm is crafting a questionnaire for providers based on the DOL guidance which could be used to facilitate this.

American Rescue Plan Act of 2021: COBRA Subsidy

Mr. Bunnell reported that the ARP includes a 100% COBRA premium subsidy for the 6-month period starting April 1 and ending September 30, 2021 paid for by the federal government. He stated that the subsidy is available to qualified beneficiaries who are eligible for COBRA coverage due to either a covered employee's reduction in hours of employment or involuntary termination of employment. He explained that the Welfare Fund will receive a credit against its payroll taxes to compensate it for paying for the COBRA premiums under the ARP.

Mr. Bunnell reviewed the notice requirements applicable to the Welfare Fund. He noted that the DOL issued model notices and that he and Mr. Projansky assisted the Fund Office in preparing the required notices based on the DOL models.

Ms. Baugher left the meeting.

Welfare Fund Administrator's Report:

Staff Salaries

Administrator Panek reviewed the wage and benefit package of the Funds' non-collectively bargained employees. He suggested that the Trustees approve a 3% increase for Tracy Baugher and Gary Kubik. For himself, he requested that his compensation package remain the same but that his schedule be revised to a four-day work week.

After discussion, a motion was made by Trustee Sam Capitano and seconded by Trustee Osinski to approve of a 3% increase in the wage and benefit package for Tracy Baugher and Gary Kubik effective as of July 1, 2021 and a four-day work week for Administrator Panek.

That motion was unanimously adopted

Ms. Baugher returned to the meeting.

Financial Statements

Administrator Panek reviewed the Welfare Fund's financial statements for the period ended March 31, 2021, which included the Statements of Net Assets Available for Benefits (as March 31, 2021 and 2020), the Statements of Changes in Net Assets Available for Benefits (for the nine-month period ended March 31, 2021 and 2020), Schedules of Health and Welfare Expenses (for the nine-month period ended March 31, 2021 and 2020), and the Schedules of Administrative Expenses (for the nine-month period ended March 31, 2021 and 2020). As of March 31, 2021, assets were $19,979,097 and liabilities were $104,138, leaving net assets available for benefits of $19,874,959.

Administrator Panek discussed the Welfare Fund’s expenses, noting that administrative expenses for the prior nine-month period decreased by approximately $200,000 compared to the same period in the prior year, in large part due to decrease in legal fees associated with pursuing delinquencies. He noted that $201,620 has been spent by the Welfare Fund to reimburse participants payments towards their respective high deductibles.

Administrator Panek reported that the Fund Office needs to replace its AS/400 server. He noted that the server has lasted longer than its suggested operational life and that it has become very difficult to find parts for this server due its age. In response to question from Trustee Osinski, Administrator Panek stated he had looked into transitioning to a cloud-based system, but it was determined that the Fund Office would be better served by a physical server.

After discussion, a motion was made by Trustee Osinski and seconded by Trustee Sam Capitano to approve the reasonable expenses necessary to replace the AS/400 server.

That motion was unanimously adopted

Membership Assistance Program: Employee Resources, Inc.

Administrator Panek reviewed a program statistics summary report prepared by Employee Resources, Inc. setting forth utilization of the Welfare Fund’s member assistance program for the period of January 1, 2021 through March 30, 2021. For the period, there were 9 total cases, all of which have been closed. The report provided a breakdown by referral source, sex, age, marital status, education, length of employment, job category, primary problem, referrals provided, and EAP service provided.

After discussion, a motion was made by Trustee Sam Capitano and seconded by Trustee Osinski to acknowledge receipt of the Welfare Fund’s financial statements and accept the Welfare Fund Administrator’s report.

That motion was unanimously adopted

Pension Fund Administrator’s Report:

Financial Statements

Administrator Panek reviewed the Pension Fund’s financial statements for the period ended March 31, 2021, which included the Statements of Net Assets Available for Benefits (as of March 31, 2021 and 2020), the Statements of Changes in Net Assets Available for Benefits (for the nine-month period ended March 31, 2021 and 2020) and Schedules of Administrative and Rental Expenses (for the nine-month period ended March 31, 2021 and 2020). As of March 31, 2021, assets were $120,430,785 and liabilities were $131,834, for net assets of $120,298,951. He noted that significant increase in net investment income, with $21,536,823 in the current year compared to negative $8,758,165 in the prior year. He noted that benefits paid decreased by approximately $150,000 compared to the prior year.

Administrator Panek discussed the Pensions Fund's expenses, noting that administrative expenses decreased by approximately $135,000 compared to the prior year, in large part to a decrease in legal fees related to collections.

New Pensioners

Administrator Panek reviewed a list of new pensioners from February 19, 2021 through May 27, 2021, as well as a list of retirees who passed away during that period. Administrator Panek reviewed the impact on benefit obligations caused by the retirements and deaths, noting a net increase in monthly benefits of $59.

After discussion, a motion was made by Trustee Sam Capitano and seconded by Trustee Osinski to acknowledge receipt of the Pension Fund's financial statements and accept the Pension Fund Administrator's report.

That motion was unanimously adopted

Security Fund Administrator's Report:

Distributions

Administrator Panek reviewed a list of benefit distributions made on May 14, 2021, for the quarter ended March 31, 2020. He stated that total distributions were $424,091.

Financial Statements

Administrator Panek reviewed the Security Fund's financial statements for the period ended March 31, 2021, which included the Statements of Net Assets Available for Benefits (as of March 31, 2021 and 2020), the Statements of Changes in Net Assets Available for Benefits (for the nine-month period ended March 31, 2021 and 2020) and Schedules of Administrative Expenses (for the nine-month period ended March 31, 2021 and 2020). As of March 31, 2021, assets were $27,356,245 and liabilities were $28,556 leaving net assets available for benefits of $27,327,689. He noted that the Security Fund had investment income of $3,732,117 in the current year compared to negative $2,004,475 in the prior year.

Administrator Panek reviewed the schedule of expenses, noting that administrative expenses decreased by approximately $30,000 compared to the prior year.

After discussion, a motion was made by Trustee Sam Capitano and seconded by Trustee Osinski to acknowledge receipt of the Security Fund's financial statements and accept the Security Fund Administrator's report.

That motion was unanimously adopted

Adjournment:

There being no further business to be brought before the Trustees, a motion was duly made and seconded to adjourn the meeting at 1:40 p.m.

That motion was unanimously adopted