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DRAFT

MINUTES OF THE MEETING
OF THE BOARD OF TRUSTEES OF
UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION OF WASHINGTON, D.C. PENSION FUND
HELD ON SEPTEMBER 12, 2018
IN WASHINGTON, D.C.

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
John Boardman - Chairman	Solomon Keene
Stephanie Steer	Charles Hill
Linda Martin	William Walsh

Also present were:

Anne Mayerson - Bredhoff & Kaiser, PLLC
Fredric Singerman - Seyfarth Shaw, LLP
Brian Dana – Meketa Investment Group
Henry Jaung – Meketa Investment Group
Anne-Marie Sims - Associated Administrators, LLC
Coralie Milligan – Cheiron
Marcella Pascal- Novak | Francella, LLC (for part of the meeting)

I. CALL TO ORDER

Mr. Boardman reported that Ms. Martin had provided him with a proxy for all matters coming before the Board. A quorum being present, Chairman Boardman called the meeting to order.

II. APPOINTMENT OF NEW TRUSTEE

Ms. Sims reported that she received confirmation from Mr. Solomon Keene in his capacity as President of the Hotel Association of Washington, D.C., confirming the appointment by the Association of Mr. Charles Hill, General Manager of the Embassy Suites, Washington, D.C., as Employer Trustee effective that date, replacing Mr. Steve Smith who had recently provided his resignation as Trustee. Mr. Singerman reported that Mr. Hill had received fiduciary and HIPAA training.

III. MINUTES

Board Meeting, May 3, 2018

Ms. Sims reported she had received no further comments on the draft of the subject minutes which had been circulated prior to this meeting.

On Motion made and seconded, the Trustees approved the following resolution:

> **RESOLVED that the minutes of the Board meeting held May 3, 2018 are approved.**

IV. INVOICES

Ms. Sims presented a list of invoices dated September 12, 2018. It was noted that there were no additions, deletions or changes to the list.

On Motion made and seconded, the Trustees approved the following resolution:

> **RESOLVED that the invoices set forth in the list dated September 12, 2018 are approved for payment.**

V. AUDITOR REPORT

Financial Statements for Years Ended December 31, 2016 and 2017

Marcella Pascal of Novak│Francella, LLC distributed copies of the Financial Statements for the years ended December 31, 2016 and 2017, a copy of which is attached to and made a part of these minutes as Exhibit A. She confirmed that the audit included an unmodified opinion of the financial statements of the Fund, and she presented the report in detail. Ms. Pascal reported that the Form 5500 and Financial Statements would be timely filed. .

VI. PAYROLL AUDIT REPORT

A. Payroll Audit Collections Report

Ms. Sims referred to the Payroll Audit Collections Report dated September 5, 2018, included in the meeting book. A copy of the report is attached to and made part of the minutes as Exhibit B. Ms. Sims reviewed the report which contains results for collection of payroll audit deficiencies after receipt of the audits from Calibre and before referral of unpaid billed deficiencies to the Fund's Collection Counsel.

Ms. Sims reported that Ellen O'Dell of Calibre had advised that Calibre had no additional matters to report other than that Calibre was experiencing problems scheduling audits with Capitol Skyline and Quantum Services. Mr. Boardman said he would contact these employers to facilitate the scheduling of these audits.

VII. COLLECTION COUNSEL REPORT

Ms. Sims reported that there were no collection matters requiring Board action at this time.

VIII. CO-COUNSEL REPORT

Summary Plan Description ("SPD") Update

Co-Counsel informed the Trustees that the SPD has been updated and it will be sent to the printer for publishing and mailing to the participants.

Co-Counsel recommended that the withdrawal liability procedures be modified to reflect the fact that the Fund's actuary no longer calculates UVB using a 7.5% interest rate assumption but rather uses a 6.75% interest rate assumption.

On Motion made and seconded, the Trustees approved the following resolution:

> **RESOLVED that the withdrawal liability procedures are modified to reflect the use of the 6.75% interest rate assumption.**

IX. INVESTMENT CONSULTANT REPORT

The Trustees welcomed Mr. Jaung and Mr. Dana of Meketa Investment Group. Mr. Jaung outlined the agenda.

Executive Summary

The Fund was valued at $226.1 million at the end of July 2018, an increase of $7.7 million from Q4 2017. Mr. Jaung reported that the Fund returned 1.0% for year-to-date ending July 2018 and 5.3% for the previous 12 months. Since the inception of the relationship in 2011, the Fund returned 7.8% (gross of fees) annualized, trailing the two benchmarks slightly by less than 0.5%. The best performing asset classes continue to be private equity and private real estate, year-to-date.

The primary reason for the underperformance relative to the two benchmarks continues to be the conservative positioning of the Fund, which is overweight to investment grade bonds. Mr. Jaung emphasized that the asset classes were all within the approved ranges. As a part of the de-risking process, Meketa has transferred assets to active managers from the passively managed funds. In difficult periods, Meketa believes that well thought out actively managed strategies will be more effective in protecting the downside. Meketa also continues to decrease the duration of the fixed income assets in this rising rates environment.

Mr. Dana reviewed several macroeconomic data points, both positive and negative, to highlight the reasons for Meketa's conservative stance. He acknowledged that this positioning has been consistent for the past several quarters. He highlighted the U.S. Cyclically Adjusted P/E (CAPE) and Long Term Equity Returns chart. He noted the current high valuation and compared it to other periods of similar valuations and the subsequent equity returns. There is a high degree of correlation between the two measures. Current equity valuation is one of the highest the market has seen. He noted that the only higher CAPE valuation point was during the dot-com period, and he followed up with the subsequent equity returns.

Mr. Dana then reviewed several charts that showed macroeconomic trends and risks. Although many of these trends tend to be very long in the making, such as demographic shifts, there are many more immediate risks, such as severe geopolitical conflicts and monetary policy shifts by major central banks.

Meketa sees substantial increase of the risk matrix and higher valuations. Because of this and where we are in the cycle, Meketa has taken and continues to take a conservative stance.

On some of the manager specifics, Mr. Dana reviewed the large difference in total returns from the value and growth styles. Over the past 12 months, growth stocks have outperformed value stocks. This style return differential was the single largest reason for the difference in the equity managers' returns. Growth managers like WCM Focused Global Growth and GQG Global Equity did very well. Value oriented managers such as Kopernick Global All-Cap Fund and First Eagle Global Value did not perform nearly as well.

In response to a question from Mr. Singerman as to whether the underperformance is due to manager selection or asset allocation, Mr. Jaung replied that most of the underperformance most likely is due to the overweight in conservative investment grade bonds. Meketa will include an attribution analysis at the next meeting.

X. ACTUARY REPORT

Ms. Coralie Milligan of Cheiron, Inc. distributed copies of the "Actuarial Consultant's Presentation" and reviewed it in detail. A copy of the report is attached to and made a part of these minutes as Exhibit C. Ms. Milligan reviewed the final January 1, 2018 Valuation results and provided an overview of the stress testing of the Fund.

XI. ADMINISTRATIVE MANAGER'S REPORT

A. First Quarter 2018 Administrative Manager's Report

Ms. Sims presented and reviewed the First Quarter 2018 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit D.

B. Second Quarter 2018 Administrative Manager's Report

Ms. Sims presented and reviewed the Second Quarter 2018 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit E.

C. Second Quarter 2018 Pension Benefit Applications

Ms. Sims presented and reviewed the Second Quarter 2018 Pension Benefit Application Report, a copy of which is attached to and made a part of these minutes as Exhibit F.

On Motion made and seconded, the Trustees voted approval of the following resolution:

RESOLVED that the Second Quarter 2018 pension benefit applications are approved for payment as presented.

X. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Thursday, January 24, 2019 commencing at 9:00 a.m.

XI. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,

Solomon Keene
Secretary-Treasurer

AMS/bm

(Org. 09.12.18)

Attachments:
Exhibit A: Novak Francella LLC – Financial Statements for years ended December 31, 2016 and 2017
Exhibit B: Payroll Audit Collections Report: Dated September 5, 2018
Exhibit C: Cheiron: Actuarial Consultant's Presentation
Exhibit D: Associated Administrators, LLC – First Quarter 2018
Exhibit E: Associated Administrators, LLC – Second Quarter 2018
Exhibit F: Pension Benefit Applications Report – Second Quarter 2018