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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 OCTOBER 24, 2017
IN WASHINGTON, D.C.

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
John Boardman - Chairman	Solomon Keene
Stephanie Steer	Steve Smith
Linda Martin	Joel Manion

Also present were:

Anne Mayerson - Bredhoff & Kaiser, PLLC
Fredric Singerman - Seyfarth Shaw, LLP
Brian Dana – Meketa Investment Group
Fiona Liston - Cheiron, Inc. (for part of the meeting)
Coralie Milligan - Cheiron, Inc. (for part of the meeting)
Anne-Marie Sims - Associated Administrators, LLC
Alan Spatrick – Meketa Investment Group

I. CALL TO ORDER

A quorum being present, Chairman Boardman called the meeting to order.

II. MINUTES

Board Meeting, June 28, 2017

Ms. Sims reported she had received no further comments on the draft of 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 June 28, 2017 are approved.

III. INVOICES

Ms. Sims presented a list of invoices dated October 24, 2017. 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 October 24, 2017 are approved for payment.

IV. PAYROLL AUDIT REPORT

A. Payroll Audit Collections Report

Ms. Sims referred to the Payroll Audit Collections Report dated October 24, 2017 included in the meeting book. A copy of the report is attached to and made part of the minutes as Exhibit A. Ms. Sims reviewed the report which contains the 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.

V. AUDITOR REPORT

Financial Statements for Years Ended December 31, 2015 and 2016

Mr. Geiman of Novak | Francella, LLC ("Novak") distributed copies of the Financial Statements for years ended December 31, 2015 and 2016, a copy of which is attached to and made a part of these minutes as Exhibit B. He confirmed that the financial statements, in his opinion, present fairly, in all material respects, the financial status of the Fund. Mr. Geiman then reviewed the audit0 report in detail. Mr. Geiman reported that the Form 5500 and Financial Statements would be filed under extension.

VI. COLLECTION COUNSEL REPORT

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

VII. CO-COUNSEL REPORT

Shared Expenses Allocation

Co-counsel reported that they had reviewed the methodology in which shared expenses are allocated among the Funds based on contributions received in the prior year and that it appeared to be reasonable, noting that the only shared expenses are meal expenses at Trustee meetings. Mr. Geiman concurred that the methodology is reasonable and that he uses it for other funds. The Trustees approved continuing allocating shared expenses among the Funds based on contributions received in the prior year.

VIII. INVESTMENT CONSULTANT REPORT

Alan Spatrick reported on recent Pension Fund investment activity. During August, Meketa transferred 2% of the Fund's assets from foreign equities to TIPS, and transferred 1% from nominal investment-grade bonds to TIPS. He reported that in September, Meketa invested $4.2 million in cash, investment-grade bonds, and international equities. Mr. Spatrick reported that in early October, the Pension

Fund's share class of the Vanguard Developed Market Index fund was changed to a lower-fee share class that had recently become available.

Brian Dana described the strategic and tactical positioning of the Pension Fund. The Fund continues to hold a conservative positioning relative to the investment policy and peers. Mr. Dana presented a research piece titled "The Great Unwind" that described the risks Meketa sees in global markets.

Mr. Spatrick reviewed the Pension Fund's portfolio and performance as of September 30, 2017. As of that date, the Pension Fund was valued at $210.8 million, an increase of $7.9 million from the end of the prior quarter due to a combination of positive investment performance and cash inflows. Year to date return through the end of the third quarter was 8.7%. Over the trailing one-year period, the return was 8.6%, lagging the policy benchmark (10.7%) and the target policy benchmark (10.8%) primarily because of the continued overweight position in conservative high-grade bonds. Global equities had the highest year-to-date return, up 15.4%, and next highest was emerging market debt, up 10.1%.

Mr. Spatrick reviewed the equity manager structure, reminding the Trustees that the Pension Fund has three index funds covering U.S., developed international, and emerging market equities that together accounted for 54% of the Fund's equities as of September 30, 2017, with the remaining 46% composed of six active global equity portfolios. He then discussed the Pension Fund's high grade bonds, and said that all the investment-grade bonds and TIPS are indexed in three portfolios. Stone Harbor, which manages all of the Pension Fund's emerging market debt, outperformed the benchmark over the past year, offsetting part of the prior underperformance.

Mr. Spatrick discussed the core open-end fund, a REIT index fund, and three closed-end private funds that make up the Fund's real estate portfolios. He reported that all asset classes were within their respective target allocation ranges for the quarter. He concluded the manager section of the report by discussing the Fund's two private equity funds.

Mr. Spatrick referred the Trustees to the Investment Expense Analysis portion of Meketa's report. He noted that the investment fees as of September 30, 2017, which totaled 0.36%, were well below average for funds of this size. Finally, he reported on the Pension Fund's performance relative to a universe of Taft-Hartley funds, noting that the Pension Fund ranked in the fourth quartile over periods shown, due to a conservative posture, shorter bond durations, and a focus on inflation protection. Mr. Singerman requested that Meketa include year over year fund performance data and risk-return statistics.

IX. <u>ACTUARY REPORT</u>

Ms. Liston and Ms. Milligan of Cheiron, Inc., distributed copies of their report titled "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. Liston provided a historical review of the Pension Plan that included: (1) Plan maturity indicators, participation, and (2) key actuarial indicators, minimum funding and cash flow. She then provided an overview of the final key results of the January 1, 2017 actuarial valuation. Ms. Liston reported that Annual Certification of Plan Status under Section 432(b) of the Internal Revenue Service has to be filed by March 31, 2018. She anticipates that the Fund will be certified to be in green (safe) status for the 2018 Plan year due to a special rule that permits plans that would otherwise be endangered to be treated as safe if the plan is projected to be safe within 10 plan years so as to relieve the plan from the burden of having to develop a funding improvement plan. Under this rule, notice is required to be provided to the bargaining parties and to the PBGC, but additional notice is not required to be provided to participants.

In response to a question, Ms. Liston confirmed that Cheiron generally relies on the investment consultant's capital markets assumptions so long as the data is not too far off from that of other investment consultants.

X. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2017 Administrative Manager's Report

Ms. Sims presented and reviewed the Second Quarter 2017 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit D.

B. Third Quarter 2017 Pension Benefit Applications

Ms. Sims presented and reviewed the Third Quarter 2017 Pension Benefit Application Report, a copy of which is attached to and made a part of these minutes as Exhibit E.

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

> **RESOLVED that the Third Quarter 2017 pension benefit applications are approved for payment as presented.**

XI. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Thursday, January 25, 2018, commencing at 9:00 a.m.

XII. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,

Solomon Keene
Secretary-Treasurer

AMS/bm

(Org. 10-25-17)

Attachments:

Exhibit A: Payroll Audit Collections Report: Dated October 24, 2017
Exhibit B: Novak|Francella – Auditor Report – Financial Statements – PYE 2015 & 2016
Exhibit C: Cheiron, Inc. Actuarial Consultants Presentation
Exhibit D: Associated Administrators, LLC – Second Quarter 2017
Exhibit E: Pension Benefit Applications Report – Third Quarter 2017