UNITE HERE Local 25 and Hotel Association of Washington, D.C.
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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 21 , 2014
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
Matthew Jackson – Segal Select (via tele-conference for part of the meeting)
Henry Jaung - Meketa Investment Group
Robert Noble – Segal Select (via tele-conference for part of the meeting)
Anne-Marie Sims - Associated Administrators, LLC
Dawn Welch – Associated Administrators, LLC

I. CALL TO ORDER

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

II. MINUTES

A. Board Meeting, July 24, 2014

Ms. Sims reported that 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 July 24, 2014 are approved.

III. INVOICES

Ms. Sims presented a list of invoices dated October 21, 2014. 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 21, 2014 are approved for payment.

IV. PAYROLL AUDIT COLLECTIONS REPORT

Ms. Sims referred to the Payroll Audit Collections Report dated September 29, 2014 included in the meeting book. A copy of the report is attached to and made a part of the minutes as Exhibit A. Ms. Sims reviewed the report, which confirmed the results to date of the 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. COLLECTION COUNSEL REPORT

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

VI. INVESTMENT CONSULTANT REPORT

Investment Consultant Report

The Trustees welcomed Mr. Jaung from Meketa Investment Group (MIG).

Market Review

Mr. Jaung reviewed the markets and the macroeconomic environment through October 2014 and the impact they had on various equity sectors. Q3 was a very tough quarter for most, if not all risk assets. Non-U.S markets were hit especially hard with concerns over Europe sliding back into recession and China's slowing growth. Mr. Jaung spoke about how he was a bit more sanguine for the markets for various reasons. The ECB stress test is now over and much of the uncertainty is now removed. This should allow the stronger European banks to lend more into the real economy. This should increase the velocity of money, which is the key to expanding growth. China's latest growth number was 7.3%, slightly higher than expectation. The positive is not the top line number, but the growth from the domestic consumption component. This continues to grow in the 10% to 11% range, which is the key to China's new paradigm of shifting its economy to a more stable consumption based economy, away from the volatile and unpredictable export based economy. Mr. Jaung then tied the macroeconomic activities with the performances of various investments in the Pension Fund. The perceived global slowdown had dampened the traditional "value" sectors, such as materials, industrials and energy. He further reviewed the decline in oil prices specifically and how this negatively impacted Napier & Manning as it held over 20% of its portfolio in energy related securities. DFA Emerging Markets Fund was also negatively impacted by the underperforming "value" oriented stocks.

Mr. Jaung next focused on the very large performance differences between the equities of U.S., developed countries, and emerging markets. During the past five years, U.S. has outperformed by 9.2% and 11.4%, respectively. This was one of the major reasons for MIG re-balancing $4.5 million away from U.S. to emerging markets recently. He next reviewed the credit spreads relative to Treasuries, focusing on domestic high yield and emerging markets debt. Currently the high yield bond spread is below its historical average at 4.2%. This implies that high yield bonds are very expensive. The average price for these bonds is above par. He contrasted this to the current credit spread of emerging market bonds. These bonds are trading at slightly above the historic average spread to Treasuries. The current spread is approximately 6% to 7%. This is again why

MIG has sold both bank loans ($1.95 million) and high yield bonds ($2.55 million) and bought $4.5 million additional emerging markets bonds.

Mr. Jaung distributed a letter MIG drafted as part of its operational diligence to managers of hard to value assets. He stated that MIG identified these managers after a discussion with the auditors and will send these letters out to the identified managers the following week. This is an annual process and MIG will keep a record of all the communications. This will be reported to the Trustees annually.

Investment Review

Mr. Jaung reported that the Pension Fund's market value declined slightly as the Pension Fund returned -2% during Q3. The ending market value was $147.9 million at the end of Q3. YTD return was +4%.

The poor Q3 performance was driven by the non-U.S. holdings and TIPS. Manning & Napier had the worst relative returns as it fell 9.7%, underperforming its benchmark by 4.4%. MIG's attribution study showed that most of the underperformance was due to the very large overweight in the energy sector. TIPS also had a difficult quarter as inflation expectation, a major driver of TIPS pricing, compressed to less than 1.8%. This was the immediate effect of the global slowdown concern the markets expressed during the quarter. Mr. Jaung also reported that the overweight to local currency emerging markets debt has been a painful trade. During these uncertain times, the market flocks to the safety of the U.S. dollar, to the detriment of emerging markets currencies.

Mr. Jaung reviewed the private market investments in the Pension Fund. He reiterated that the program is still in its early stage, and the "J" effect is still in play, but the results so far are positive. MIG has not seen a sharp impact to the overall performance yet, but distributed amounts plus the reported market values are above the amount called to date. The three closed end private investments continue to call capital, and the Plan is almost fully invested with TA Realty and more than 50% invested in Ridgemont Private

Equity. DRA Advisors, a value-added RE manager, made the first call of $200K recently.

Mr. Jaung concluded his comments by highlighting the various asset class aggregates' characteristics. He began with the domestic equity aggregate. He noted that it is comprised of mostly very low cost index funds managed by Amalgamated and one active fund. The active fund is a very low cost, high quality Vanguard Dividend Growth Fund. The aggregate is low cost with a bias towards high quality and large cap. Non U.S. aggregate is roughly 50% in developed markets and 50% in emerging markets. The Plan is overweight emerging markets currently. MIG has a slight growth bias with higher than market projected growth rate and slightly higher valuations (PE and PB). The last asset class aggregate Mr. Jaung reviewed was the fixed income aggregate. He noted that this asset class was very well diversified, with approximately 55% in very low cost Vanguard index funds. The overall quality of the fixed income aggregate is comparable to the Barclay's Universal Index but with a slightly higher yield and slightly higher duration. This is due to the longer duration TIPS.

Overall, Mr. Jaung felt comfortable with the structure of the overall Pension Fund as well as the individual asset class aggregates. **With this, Mr. Jaung concluded his comments.**

VII. CO-COUNSEL REPORT

A. Funding Improvement Plan

Ms. Mayerson reminded the Trustees that they had adopted a Funding Improvement Plan ("FIP") in principle at the prior meeting, and that Fiona Liston had previously advised the Trustees that the current bargained contributions and Plan provisions are projected to meet the criteria of a valid FIP. She distributed a draft FIP that included comments from Co-Counsel, noting that the FIP must be provided to the bargaining parties by December 26, 2014.

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

RESOLVED that the Funding Improvement Plan is approved as presented.

B. Favorable Determination Letter

Mr. Singerman reported that the Fund had received a favorable determination letter from the IRS dated July 8, 2014. Seyfarth discussed with the IRS agent that the letter did not include the amendment to increase Pension benefits, and the agent confirmed that the IRS would issue a revised letter incorporating this amendment.

C. Cycle D Pension Plan Restatement and Internal Revenue Submission

Mr. Singerman reported that, under the IRS determination letter process as described in Revenue Procedure 2007-44, pension plans are required to restate their plans and submit them to the IRS to maintain a favorable determination letter on a five-year cycle, and that all multiemployer plans are assigned to "Cycle D," which runs from February 1, 2014 through January 31, 2015. Mr. Singerman requested that the Trustees delegate the signing of the restatement and all documents relating to the IRS submission to Trustee Boardman and Trustee Keene.

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

RESOLVED that Trustee Boardman and Trustee Keene are authorized to sign the Cycle D Pension Plan Restatement and Internal Revenue Submission on behalf of the Fund and to act on all matters relating to this submission.

VIII. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2014 Administrative Manager's Report

Ms. Sims presented and reviewed the Second Quarter 2014 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit B.

B. Third Quarter 2014 Pension Benefit Applications

Ms. Sims presented and reviewed the Third Quarter 2014 Pension Benefit Application Report, a copy of which is attached to and made a part of these minutes as Exhibit C.

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

> **RESOLVED that the Third Quarter 2014 pension benefit applications are approved for payment as presented.**

IX. OTHER FUND BUSINESS

A. Fiduciary Liability Policy Renewal

Ms. Sims reported that per Trustee directive, via interim poll, the fiduciary liability insurance policy for the period September 1, 2014 through September 1, 2015, with an increase in the limits of liability to $10,000,000, had been renewed with CHUBB for an annual fee of $59,735, and that all Trustees had received their waiver of recourse invoices for payment.

B. Fidelity Bond Renewal

Ms. Sims reported that, per Trustee directive via interim poll, the Fidelity Bond insurance policy for the period October 4, 2014 through October 4, 2017 had been renewed with Chubb at an annual fee of $1,739.00.

C. Cyber Liability Insurance Presentation

The Trustees welcomed Mr. Robert Nobile and Mr. Matthew Jackson from Segal Select to the meeting via teleconference. Mr. Jackson provided an overview of the cyber-liability insurance options available for Trustee consideration. He explained that Segal would recommend the pricing and scope of coverage offered through the Beazley's Information Security and Privacy Insurance. Mr. Jackson said that this insurance covers the Fund for any third party claims arising from security breaches and failure to comply with privacy policies. Coverage also includes data breach notification and credit monitoring or identity monitoring services for up to five million affected individuals.

The Trustees thanked Mr. Noble and Mr. Jackson for their presentation and requested that Segal Select solicit quotes from Beazley with $1 million and $2 million limits and circulate a memorandum with additional details for Trustee consideration.

D. PBGC Estimated Filing

Ms. Sims reported that the 2014 comprehensive PBGC premium filing had been completed timely.

E. Form 5500 for the Plan Year Ended December 31, 2013

Ms. Sims reported the timely filing, under extension, of the Form 5500 for the Plan year ended December 31, 2013.

X. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Wednesday, February 4, 2015.

XI. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,
Solomon Keene
Secretary-Treasurer

AMS/drw
(Org. 10-22-14)

Attachments:
Exhibit A: Payroll Audit Collections Report, September 29, 2014
Exhibit B: Associated Administrators, LLC: Second Quarter 2014
Exhibit C: Associated Administrators, LLC: Third Quarter 2014 Pension Benefit Applications