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 18, 2012
WASHINGTON, D.C.

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
John Boardman - Chairman	Solomon Keene - Secretary-Treasurer
Stephanie Steer	Joel Manion
	Stuart Damon

Also present were:

Anne Mayerson - Bredhoff & Kaiser, PLLC
Fredric Singerman - Seyfarth Shaw, LLP.
Henry Jaung - Meketa Investment Group
Ellen Odell - Calibre CPA Group, PLLC
Justin Sargeant - Calibre CPA Group, PLLC
Anne-Marie Sims - Associated Administrators, LLC
Alan Spatrick - Meketa Investment Group
Karen Walsh - Associated Administrators, LLC
Kevin Woodrich - Cheiron, Inc.

I. CALL TO ORDER

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

II. MINUTES

A. Board Meeting, July 19, 2012

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 19, 2012 are approved.**

B. Finance and Collections Committee, August 16, 2012

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 Finance and Collections Committee meeting held August 16, 2012 are approved.**

III. INVOICES

Ms. Sims presented a list of invoices dated October 18, 2012.

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

> **RESOLVED that the invoices set forth in the list dated October 18, 2012 are approved for payment.**

IV. PAYROLL AUDITOR REPORT

Ms. Ellen Odell of Calibre CPA Group, PLLC ("Calibre") distributed copies of the "Pension Fund Compliance Audit Program Status Report for the period from June 28, 2012 through October 8, 2012," and reviewed the report in detail. A copy of the report is attached to and made a part of these minutes as Exhibit A.

Ms. Odell reported that Calibre recently completed the payroll audit of the Capitol Skyline Hotel. She said the employer omitted hours and failed to report employees in covered job classifications. The employer has disputed the interest calculation and the findings that summer help should be reportable to the Fund. Additionally, she noted that the employer's general ledger indicated that it used Temps of D.C. and Foodstaff Temp agencies. This was brought to the attention of the General Manager and Comptroller, and Ms. Odell requested detailed invoices for the period January 1, 2009 through December 31, 2012. Ms. Odell said that Calibre has requested these invoices on numerous occasions via email and telephone and still has not received them. She requested that the Fund assist Calibre in obtaining these documents. The Trustees discussed this matter and Counsel requested that Ms. Odell provide additional information on this issue, specifically which records were requested, deadlines for the requests and an explanation of why the employer is not providing the documents.

Ms. Odell reported that the L'Enfant Plaza Hotel was unwilling to send its original payroll records for the period January 1, 2008 through June 14, 2010 to Calibre's Washington, D.C. office and requested that the audit be performed at the Loews Hotel in New York where the records are kept. She explained that a new management group took over the L'Enfant Plaza Hotel on June 15, 2010. Ms. Odell said that in order for Calibre to conduct the audit in New York, additional audit fees of up to $1,000 would be charged. The Trustees approved conducting the audit in New York, charging the employer for the additional audit fees, and ending the audit period on the date that the new management took over (June 14, 2010) rather than on December 31, 2011 as previously scheduled, so as to avoid having to essentially conduct two audits for one audit period.

The Trustees thanked Ms. Odell and Mr. Sargeant for their presentation and they were excused from the balance of the meeting.

V. <u>PAYROLL AUDIT COLLECTIONS REPORT</u>

Ms. Sims referred to the Payroll Audit Collections Report dated July 2, 2012 included in the meeting book. A copy of the report is attached to and made a part of the minutes as Exhibit B. 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.

VI. COLLECTION COUNSEL REPORT

Ms. Sims reported that Mr. Dan Katz and Ms. Ellen Ranzman were unable to attend the meeting, but that there were no collection matters requiring Board action.

VII. INVESTMENT CONSULTANT REPORT

The Trustees welcomed Mr. Alan Spatrick and Mr. Henry Jaung from Meketa Investment Group ("MIG") to the meeting.

Capital Markets and Macroeconomic Updates

Mr. Spatrick described capital market returns during the second and third quarters of 2012. Equities worldwide fell sharply in the second calendar quarter, before rebounding smartly during the third quarter of the year. Bonds produced gains in both quarters, pushing interest rates down further. Mr. Spatrick described the rapid cyclical shifts in investment performance between different sectors of the markets, focusing on a chart which showed how frequently U.S. and foreign equity historical returns alternated in leadership.

Executive Summary

Mr. Jaung began by stating that the Fund's market value at the end of August was $115.7 million, an increase of $3.7 million from June 30. The Fund returned 7.9% year to date with all the asset class aggregates and managers posting positive returns. The Fund also outperformed the benchmark by 1.4% since MIG's initial involvement with the Fund.

Asset Allocation Update

Mr. Jaung noted that the slight overweight in domestic equities along with the overweight in the large cap segment continued to benefit the Fund. The international and emerging markets exposures are on the lower end of the target ranges. He stated MIG plans to make changes to the international manager roster by selling the Artio portfolio and investing the proceeds in a low cost index fund and adding to the current investments in the emerging markets.

Mr. Jaung stated that the investment grade bond managers' structure will be revised with the elimination of Western Asset Core Plus Fund (which will be addressed later on in MIG's presentation). The proceeds will be used to bring TIPS to the target allocation and possibly a less expensive index fund. He also stated that MIG is comfortable with the current positions in emerging markets debt and high yield bonds as they are very close to the target weights.

Manager Analysis

Mr. Spatrick began the manager analysis with a discussion of Western Asset Management Company ("Western"). Both PIMCO and Western are "core plus" managers and both have outperformed the Barclay's Aggregate Index over the intermediate and long term. Western is a higher beta manager with slightly higher overall volatility than both PIMCO and the benchmark. MIG believes that there is no reason to retain both managers, which together make up 86% of the Fund's investment grade bond allocation and, since it has higher confidence in PIMCO, it intends to eliminate Western and use the proceeds to invest in a more conservative investment grade, lower volatility bond manager or index fund.

Mr. Spatrick next discussed the Manning & Napier (M&N) and Artio portfolios. He noted that, since the inception of their respective strategies, M&N has outperformed the benchmark in 75% of the rolling three year periods while Artio has only outperformed the benchmark in 28%. Artio's rapid increase in assets has impeded its ability to add value for their clients since 2007, and MIG believes that it will likely continue to underperform. Mr. Spatrick stated that MIG plans to eliminate Artio and invest the proceeds in a low cost international equity index fund. M&N went public last year and MIG has some concerns over this development. M&N will be retained by the Fund, but under close scrutiny.

Finally, Mr. Spatrick discussed the MEPT and AFL-CIO Building Investment Trust investments (BIT). MEPT and BIT have similar strategies and utilize similar amounts of leverage. MIG intends to terminate MEPT given their larger asset size and slightly weaker performance and recent senior turnover, and reallocate the assets to value-added real estate.

The Trustees thanked Mr. Spatrick and Mr. Jaung for their presentation and they were excused from the balance of the meeting.

VIII. CO-COUNSEL REPORT

Mr. Singerman and Ms. Mayerson reported that there were no legal matters to report.

IX. ACTUARY REPORT

Mr. Woodrich distributed a report entitled "January 1, 2012 Actuarial Valuation and Experience Study," a copy of which is attached to and made a part of these minutes as Exhibit C. He reminded the Trustees that, at the last meeting, the Trustees had asked Cheiron to review whether the experience study report was overstating the total terminations in the Fund by treating Participants who are laid off when hotels close for renovations as terminated, and then as re-hires when the hotels re-open. Mr. Woodrich reported that he researched how the Participant terminations were handled for the purposes of this report.

Mr. Woodrich then reviewed the demographic assumptions for the purposes of terminated vested Participants who are older than age seventy. He explained that Cheiron assumes the following probabilities of receipt based on the current ages: (1) 100% if the Participant is less than age seventy-five, (2) 75% if the Participant is between seventy-five and seventy-nine years old, (3) 50% if the Participant is between eighty and eighty-four years old, and (4) 25% if the Participant is greater than eighty-five years old.

The Trustees thanked Mr. Woodrich for his report and excused him from the balance of the meeting.

X. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2012 Administrative Manager's Report

Ms. Sims presented and reviewed the second quarter 2012 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit D.

B. Third Quarter 2012 Pension Benefit Applications

Ms. Sims presented and reviewed the third quarter 2012 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 2012 pension benefit applications are approved for payment as reported.

C. Administrative Services Agreement - Renewal January 1, 2013 through 2015

Ms. Sims presented Associated's renewal proposal for the years 2013, 2014 and 2015. The proposal requests increases in the monthly administrative services fee of 4% in 2013, 4% in 2014 and 4% in 2015. The Trustees called for an executive session with Co-Counsel and excused Ms. Sims and Ms. Walsh from the meeting. Following discussion, the Trustees tabled the request for further consideration until the next scheduled meeting.

XI. OTHER FUND BUSINESS

A. Fiduciary Liability Policy Renewal

Ms. Sims reported that the Fund's Fiduciary Liability Policy had been renewed for the period August 1, 2012 through August 1, 2013 and that all Trustees had paid their waiver of recourse premiums.

B. Pension Benefit Guaranty Corporation - Comprehensive Filing for 2012

Ms. Sims reported that the 2011 Comprehensive PBGC premium had been filed on time.

C. 8955- SSA Schedule

Ms. Sims reported that the 8955-SSA Schedule had been filed with Internal Revenue Service prior to the October 15th, 2012 deadline and letters had been sent notifying Participants that they are eligible for deferred vested benefits as required.

D. Form 5500 for the Plan Year Ended December 31, 2010

Ms. Sims reported the timely filing, under extension, of the Form 5500 for the Plan year ended December 31, 2011.

XII. NEXT MEETING DATE AND LOCATION

The Trustees scheduled a Special Board meeting to be held December 13, 2012, at the offices of the UNITE HERE Local 25, commencing at 9.00 a.m.

XIII. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,
Solomon Keene
Secretary-Treasurer

AMS/klw
(Orig.10-29-12)

Attachments:
Exhibit A: Calibre CPA Group, PLLC: Compliance Audit Program Status Report for the period June 28, 2012 through October 8, 2012
Exhibit B: Associated Administrators, LLC: Payroll Audit Collections Report as of October 4, 2012
Exhibit C: Cheiron, LLC: January 1, 2012 Actuarial Evaluation and Experience Study
Exhibit D: Associated Administrators, LLC: Administrative Manager Report, Second Quarter 2012
Exhibit E: Associated Administrators, LLC: Pension Benefit Application, Third Quarter 2012