UNITE HERE Local 25 and Hotel Association of Washington, D.C.
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DRAFT

MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF TRUSTEES OF
UNITE HERE LOCAL 25 AND HOTEL ASSOCIATION OF WASHINGTON, D.C.
PENSION FUND
HELD ON DECEMBER 13, 2012
WASHINGTON, D.C.

The following Trustees were present:

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

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
Erik Silver - Meketa Investment Group
Anne-Marie Sims - Associated Administrators, LLC
Karen Walsh - Associated Administrators, LLC
Kevin Woodrich - Cheiron, Inc.

I. CALL TO ORDER

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

II. INVESTMENT CONSULTANT REPORT

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

A. MIG Expected Returns

Mr. Jaung began by stating that the expected return for 2012 is 7.7%. Additionally, based on the Fund's current target asset allocation, the probability of achieving a 7.0% return over 20 years is 53%, and the probability of achieving a 7.5% return over 20 years is 50%.

B. MIG Executive Summary

Mr. Jaung gave a summary of the Fund's performance and market value as of October 31, 2012. The Fund's total market value was $118.3 million at the end of October 2012, a decrease of $0.1 million from September 2012.

Mr. Jaung noted that the Fund outperformed the Policy Benchmark by 1.4% for the twelve months ended October 31, 2012. Mr. Jaung discussed factors that contributed and detracted from performance. An overweight to large cap U.S. equities helped performance and emerging market debt helped performance relative to U.S. investment grade fixed income. The Fund's emerging market equity managers, in the aggregate, had a negative absolute return since inception, but have outperformed the benchmark (the Morgan Stanley Capital International (MSCI) Emerging Markets Index).

Mr. Jaung reviewed the activity in the portfolio since the last meeting. MIG completed a full redemption of the Western Asset Core Plus Fund, with the majority of the proceeds invested in Treasury Inflation Protected Securities (TIPS), which brought the TIPS asset allocation to its target. MIG sold $5.0 million of the Pacific Investment Management Company (PIMCO) Total Return Fund and used the proceeds to fund a low-cost intermediate corporate bond index fund from Vanguard.

MIG reduced an overweight position in the dollar-based Stone Harbor Emerging Markets Debt Fund and positioned the emerging markets debt aggregate to a neutral currency position.

MIG liquidated the Artio International portfolio and used the proceeds to (i) invest in the low-cost Vanguard Developed Markets Index Fund and (ii) add to the existing Dimensional Fund Advisors (DFA) Emerging Market Fund. The remaining portion of the proceeds will be added to the Vontobel emerging market strategy in early 2013. MIG requested a full withdrawal from Multi Employer Property Trust (MEPT), which will be distributed mid-January, 2013.

MIG completed the subscription documents to a private, value-added real estate partnership, TA Realty Associates Fund X, with a total commitment of $2.5 million. In response to a Trustee r question regarding TA Realty's union labor policies, Mr. Jaung said that he would provide the Trustees with information regarding TA's responsible contractor policy. Mr. Jaung reported that there will be additional investments in value-added real estate, diversified by vintage years.

Regarding next steps, Mr. Jaung said that MIG will restructure the domestic equity portfolio to include a midcap index and a defensive, high quality, stock strategy. MIG also plans to add a Real Estate Investment Trust (REIT) index fund to keep the real estate allocation close to target.

C. <u>Performance Review</u>

Mr. Silver began the October Interim Update performance review by stating that the equity markets generally pulled back in October, after a strong third quarter. The Fund was down -0.4% in October. Domestic equities were down 1.9% during the month, while emerging market equities were down 0.8%. International developed market equities, in aggregate, were up 0.7%, with the Artio International portfolio outperforming its benchmark (MSCI All Country World Index (ACWI) ex-US) by 0.5%.

The fixed income portion of the portfolio, comprising PIMCO and Western Asset Management Company (WAMCO), outperformed the benchmark (Barclays Aggregate Index) by 0.1% in October and 4.1% year-to-date. TIPS underperformed the benchmark by 0.2%.

Emerging market debt outperformed its benchmark in October by 1.2%, led by U.S. dollar based Stone Harbor emerging markets debt portfolio.

The Trustees thanked Mr. Jaung and Mr. Silver for their report.

III. ACTUARY REPORT

A. Actuarial Valuation Report as of January 1, 2012

Mr. Woodrich distributed a report entitled "January 1, 2012 Actuarial Valuation," a copy of which is attached to and made a part of these minutes as Exhibit A. He reviewed the valuation in detail.

B. Benefit Modifications

Mr. Boardman noted that the pension contribution rates had been increased during the last round of collective bargaining with the intention of increasing the level of benefits. Ms. Sims reported that, at the last meeting, the Trustees had requested that Cheiron provide a report that details calculations for possible benefit modifications. Mr. Woodrich distributed a report entitled "Valuation Results and Multiplier Discussion," a copy of which is attached to and made a part of these minutes as Exhibit B.

Mr. Woodrich noted the recently bargained increased contribution rates were $1.62 per hour effective March 16, 2013, $1.77 per hour effective March 16, 2014, $1.92 per hour effective March 16, 2015, $2.07 per hour effective March 16, 2017 and $2.22 per hour effective March 16, 2018. He then presented for Trustee consideration a sample of scenarios of actuarial costs and the effect on the Plan's funding status of an increase in the benefit multiplier to $30.00 for (1) all service credits and (2) future accruals only, along with a 10% increase for pensioners currently in pay status. The Trustees reviewed the effects of various benefit increase scenarios on the Plan's funding status using

Cheiron's computer model. Mr. Woodrich explained that the Plan could consider either: (1) granting small increases for either past and future service credits, or (2) granting an increase on future service and "backfill" the past service as contributions come in.

Mr. Woodrich concluded his presentation by reviewing the proposed timing of implementing any benefit increase. He informed the Trustees that the Plan is projected to be in the "green zone" under the Pension Protection Act zone certification requirements in 2012. In this circumstance, there would be no legal prohibition on benefit increases. Mr. Woodrich explained that, even if the Plan is in endangered status in 2013 (which would require a 5% investment loss) benefit increases could still be granted, since the current contribution rate of $1.50 is enough to take the fund out of "Endangered Status." Mr. Woodrich reported that the Plan would likely be in endangered status in 2014 if the Actuarial Rate of Return Assumption is dropped from 7.5% to 7.0% but was still expected to come out of this status in 2015.

Mr. Boardman noted that the benefits have not been increased since August 1, 2006, and that the current benefit of $21.25 per year of service results in a very low benefit even for long-time employees. He suggested that benefits be increased to $30.00 per year of service for all future and past service. Following discussion, the Employer Trustees called for a caucus. Following the caucus, the Employer Trustees requested that additional information be provided from Cheiron regarding the cost of benefit increases and the effect on funding status in different scenarios, which they would provide to Cheiron. Mr. Boardman asked the Employer Trustees to respond to his proposal no later than Friday, December 21, 2012. The Employer Trustees assured Mr. Boardman that they would respond as soon as possible, but would, in any case, provide a status of their deliberations by that time.

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

IV. ADMINISTRATIVE MANAGER'S REPORT

A. Third Quarter 2012 Administrative Manager's Report

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

B. Fourth Quarter 2012 Pension Benefit Applications

Ms. Sims presented and reviewed the Fourth quarter 2012 Pension Benefit Application Report, a copy of which is attached to and made a part of these minutes as Exhibit D.

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

> **RESOLVED that the Fourth quarter 2012 pension benefit applications are approved for payment as reported.**

V. NEXT MEETING DATE AND LOCATION

The Trustees scheduled a regular Board meeting to be held February 28, 2013, at the offices of the UNITE HERE Local 25, commencing at 12.30 a.m.

VI. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,
Solomon Keene
Secretary-Treasurer

AMS/klw
(Orig.12-19-12)

Attachments:
Exhibit A: Cheiron, LLC: Actuarial Valuation Report as of January 1, 2012
Exhibit B: Cherion, LLC: Valuation Results and Multiplier Discussion
Exhibit C: Associated Administrators, LLC: Administrative Manager Report, Third Quarter 2012
Exhibit D: Associated Administrators, LLC: Pension Benefit Application, Fourth Quarter 2012