UNITE HERE Local 25 and Hotel Association of Washington, D.C.
Pension Plan
911 Ridgebrook Road
Sparks, Maryland 21152-9451
Telephone: (410) 683-6500
(800) 638-2972
www.associated-admin.com

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 DECEMBER 16, 2016
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
Anne-Marie Sims - Associated Administrators, LLC
Coralie Milligan - Cheiron, Inc. (for part of the meeting)
Barbara Maiorano - Associated Administrators, LLC
Alan Spatrick - Meketa Investment Group
Kevin Woodrich - Cheiron, Inc. (via-teleconference for part of the meeting)

I. CALL TO ORDER

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

II. MINUTES

Board Meeting, September 9, 2016

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 September 9, 2016 are approved.

III. INVOICES

Ms. Sims presented a list of invoices dated December 16, 2016. 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 December 16, 2016 are approved for payment.

IV. PAYROLL AUDIT REPORT

Payroll Audit Collections Report

Ellen Odell of Calibre CPA entered the meeting. Ms. Odell referred to the Payroll Audit Collections Report dated December 14, 2016 included in the meeting book. A copy of the report is attached to and made part of the minutes as Exhibit A. She reviewed the report which contains 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.

Ms. Odell reported that the Woodner Hotel was unwilling to send its original payroll records for the period January 1, 2013 through December 31, 2015, which are located in New York, to Calibre in Washington, D.C. and had requested that the audit be performed in the New York office. 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. Ms. Steer offered to call the Woodner Hotel and advise that, if it does not ship the requested records, it will be charged for the additional fees and expenses required to conduct the audit in New York.

Ms. Odell reported that during the audit of the W Hotel no discrepancies were noted; however, the audit was issued as a limited scope audit due to there being no banquet event orders available to review. She stated that she would forward to the members of the Finance and Collection Committee a letter from the W Hotel regarding this matter for their consideration.

Ms. Odell reported that the audit of the Marriott Marquis for the period [AA: please add period] found no discrepancies and noted that the hotel has implemented software that captures its contribution obligation for functions.

Ms. Odell reported that Calibre recently completed the payroll audit on the Marriott Wardman Park for the year 2013 (only one year for banquet testing was done, as the last audit went through December 2012 for banquet testing) and determined that the employer reported on call banquet workers for actual hours worked with no cap, rather than the five hour minimum per event up to fifty hours maximum. Mr. Boardman said that he would discuss this matter with the GM and then request a Finance and Collections Committee meeting to discuss this matter further. Ms. Odell noted that any additional review for this issue can be done in conjunction with Calibre's upcoming payroll audit covering the period 2014-2016.

V. <u>COLLECTION COUNSEL REPORT</u>

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. Alan Spatrick of Meketa Investment Group. Mr. Spatrick outlined the agenda of the prepared presentation, consisting of a market review, a September 30, 2016 Pension Fund review, and concluding with an interim update through October 31, 2016.

Capital Market Review

Mr. Spatrick described the third quarter's global equity rally. From July 1 to September 30, emerging market equities returned 9%, while U.S. equities gained 4.5% and developed international equities gained 6.5%. He said that, with interest rates beginning to rise, investment-grade bonds produced only very small positive returns, while riskier high yield bonds appreciated 5.5%. Since the end of September, ten-year Treasury yields increased a sharp 100 basis points, moving from 1.6% to 2.6%.

Pension Fund Third Quarter Review

Mr. Spatrick discussed the Pension Fund. As of September 30, 2016, the Pension Fund was valued at $184.1 million. Addressing the asset classes, he said that the Fund was tactically underweight in emerging market equities, emerging market bonds, TIPS, and natural resource equities. Also, the Fund was temporarily overweighted to cash, at 6% of Fund assets, due to a positive cash flow into the Pension Fund late in the quarter. Mr. Spatrick said that during October, the cash was invested and accounted for 2% of the Pension Fund by the end of October.

Looking at performance, Mr. Spatrick said that the Fund returned 2.9% during the third quarter of 2016, with larger gains from equities and riskier bonds, combined with lower returns from high-quality bonds. He said that over the twelve months ended September 30, the Fund returned 10.8%, which is 1.5% above the Fund's Policy benchmark and 0.3% below the target Policy benchmark.

Progressing to the Pension Fund's manager results, Mr. Spatrick said that most of the equity portfolios were indexed and closely tracked the underlying benchmarks. The active Vanguard Dividend Growth fund outperformed the S&P 500 index for the first half of 2016, but lagged by 300 basis points during the third quarter, leaving the fund 110 basis points behind the index for the year to date. The emerging market equity index fund produced the Fund's largest quarterly return, a gain of 9.1%.

Stone Harbor, the Pension Fund's active emerging market bond manager, returned 4.9% for the third quarter, approximately 1% above the benchmark, and gained 19.2% for the year to date, well above the benchmark's 14.8% gain. The Loomis Sayles bank loan portfolio returned 3.9% for the third quarter, 80 basis points ahead of the benchmark. Mr. Spatrick said that the Sky Harbor high-yield bond portfolio gained 5.5% for the third quarter, slightly trailing the index and, for the year to date, returned 12.9%, 220 basis points behind the index.

Mr. Spatrick described two new private market commitments that Meketa recently made on behalf of the Pension Fund. The Fund committed $3 million to a real estate strategy known as DRA Fund 9. As of mid-December, no assets had been called for this investment. The Fund also committed $3 million to a venture capital fund, Silicon Valley Bank Strategic Investors 8. This Fund made its first capital call for $60,000 in November 2016.

Mr. Spatrick reviewed the Taft-Hartley Pension Fund (under $500 million) universe. For the third quarter, the Pension Fund's 2.9% return ranked below median, at approximately the third quartile. For the year to date and for the trailing twelve months, the Fund ranked within the top quartile of the universe. For the past three- and five-year periods, the Fund ranked in the fourth quartile of the Taft-Hartley Pension Fund universe.

Pension Fund October 2016 Update

Mr. Spatrick completed the report by reviewing the Pension Fund's more recent results. During October, he said that the Fund lost 1.3%, bringing the year-to-date return to 6.4%, net of manager fees. He estimated that the Fund gained 1.1% in November and the first part of December, resulting in a 7.6% year-to-date gain.

This concluded the presentation.

VII. ACTUARY REPORT

A. Actuarial Valuation as January 1, 2016

The Trustees welcomed Kevin Woodrich (by telephone) and Coralie Milligan from Cheiron, Inc. ("Cheiron") to the meeting. Ms. Milligan distributed copies of the "Actuarial Valuation Results as of January 1, 2016" and she and Mr. Woodrich reviewed it in detail. A copy of the report is attached to and made a part of these minutes as Exhibit B.

B. Benefit Modification

Mr. Boardman stated that the pension contribution rates had been increased during the recent 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 detailed calculations for possible benefit modifications. Ms. Milligan distributed a report titled "Valuation Results and Multiplier Discussion," dated December 16, 2016, a copy of which is attached to and made a part of these minutes as Exhibit C.

Mr. Woodrich discussed the impact of the bargained contribution increases on the funded status of the Plan in the future, as we as scenarios showing the actuarial impact of an increase in the benefit multiplier was increased to $41.00 for (1) all service credits and (2) future accruals only, with a 15% increase for pensioners currently in pay status, showing how each scenario is projected to affect the funding status of the Plan in various market conditions. Mr. Woodrich explained that the projections assume 6.75% for the discount rate and return on assets assumption and blue collar mortality tables, because Cheiron intends to use these assumptions in subsequent actuarial valuations.

Following discussion, on Motion made and seconded, the Trustees unanimously voted approval of the following resolution:

> **RESOLVED that (1) for each participant who is actively employed on December 31, 2017, the Applicable Base Amount for Credited Benefit Service is increased from $30.00 to $41.00 effective January 1, 2017, (2) for retirees and beneficiaries not described in (1) who are in pension pay status on January 1, 2017, the amount of the monthly benefit payment shall be increased by 15% effective January 1, 2017, and (3) individuals who are deferred vested participants on December 31, 2016 will not receive any benefit increase; provided, however, that the foregoing benefit increases are contingent on the Collective Bargaining Agreement being ratified by the membership by February 15, 2017, and shall not be effective without further action of the Trustees if such ratification does not occur.**

VIII. CO-COUNSEL REPORT

Co-Counsel reported that they had no legal matters to come before the Board at this time.

IX. ADMINISTRATIVE MANAGER'S REPORT

A. Third Quarter 2016 Administrative Manager's Report

Ms. Sims presented and reviewed the Third Quarter 2016 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit D.

B. Fourth Quarter 2016 Pension Benefit Applications

Ms. Sims presented and reviewed the Fourth Quarter 2016 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 Fourth Quarter 2016 pension benefit applications are approved for payment as presented.**

C. Lost Participant Procedures

Ms. Sims reviewed with the Trustees the Plan's procedures for locating "lost participants."

X. OTHER FUND BUSINESS

A. 2016 Pension Benefit Guaranty Corporation Comprehensive Filing

Ms. Sims reported that the 2016 Comprehensive "PBGC" premium had been filed timely.

B. Form 5500 for the Plan Year Ended December 31, 2015

Ms. Sims reported the timely filing, under extension, of the Form 5500 for the Plan year ended December 31, 2015.

C. 104(d) Multiemployer Summary Plan Information Notice

Ms. Sims reported that the 104(d) Multiemployer Summary Plan Information notice was reviewed by Co-Counsel and mailed to the appropriate parties prior to the November 15, 2016 deadline.

D. Fund Auditor Engagement Letter – 2016 Plan Year

Ms. Sims reported that copies of the proposed audit engagement letter for the 2016 Plan Year from Mr. Tyler Geiman of Novak|Francella, LLC ("Novak") had been circulated prior to the meeting. A copy of subject letter is attached to and made a part of these minutes as Exhibit F. Ms. Sims noted that no fee increase was requested.

Following discussion, upon Motion made and seconded, the Trustees unanimously voted approval of the following resolution:

> **RESOLVED that the audit engagement letter for the 2016 Plan Year is approved as proposed by Novak|Francella, LLC.**

XI. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Wednesday, March 1, 2017.

XII. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,

Solomon Keene
Secretary-Treasurer

AMS/bm

(Org. 12-16-16)

Attachments:
Exhibit A: Payroll Audit Collections Report: Dated December 14, 2016
Exhibit B: Cheiron, Inc. Actuarial Valuation as January 1, 2016
Exhibit C: Cheiron, Inc. Valuation Results and Multiplier Discussion
Exhibit D: Associated Administrators, LLC – Third Quarter 2016
Exhibit E: Pension Benefit Applications Report – Fourth Quarter 2016
Exhibit F: Novak|Francella, LLC Fund Auditor Engagement Letter – 2016 Plan Year