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 JANUARY 24, 2019
IN WASHINGTON, D.C.

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
John Boardman - Chairman	Solomon Keene
Stephanie Steer	Charles Hill
Linda Martin	

Also present were:

Anne Mayerson – Bredhoff & Kaiser, PLLC
Fredric Singerman – Seyfarth Shaw, LLP
Henry Jaung – Meketa Investment Group
Anne-Marie Sims – Associated Administrators, LLC
Ellen Odell – Caliber CPA Group, PLLC
Carl Macomber – Caliber CPA Group, PLLC
Coralie Milligan – Cheiron, Inc.
Kevin Woodrich – Cheiron, Inc.

I. CALL TO ORDER

Mr. Keene reported that Mr. Walsh had provided him with a proxy for all matters coming before the Board. A quorum being present, Chairman Boardman called the meeting to order.

II. MINUTES

Board Meeting, September 12, 2018

Ms. Sims reported 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 12, 2018 are approved.**

III. INVOICES

Ms. Sims presented a list of invoices dated January 24, 2019. 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 January 24, 2019 are approved for payment.**

IV. PAYROLL AUDIT REPORT

Payroll Audit Collections Report

The Trustees welcomed Ms. Ellen Odell and Mr. Carl Macomber of Calibre to the meeting. Ms. Odell referred the Trustees to the Payroll Audit Collections Report dated January 24, 2019 that was 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 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.

Ms. Odell reported that during the audit of the W Hotel it was determined that the employer had failed to report some payroll periods. In addition, she noted that the audit was issued as a limited scope audit due to the W's failure to provide banquet sheets for review. The matter was referred to the Finance and Collections Committee for consideration during its upcoming conference call.

Ms. Odell advised that Calibre was experiencing problems scheduling audits with Levy at Verizon Center, Centerplate, Capitol Skyline and Quantum Services. The Finance and Collections Committee will discuss these issues during its conference call. The Trustees requested that that Finance and Collections Committee confer quarterly to move outstanding payroll audits forward.

The Trustees requested that the list of hotels to be audited in 2019 be expanded to include Fairfax Embassy Row, Liaison Capitol Hill and Beacon, as these properties have recently been or will soon be sold.

Ms. Mayerson reported that the National Democratic Club had submitted a request for an interest waiver with respect to the amounts due for the payroll audit findings for the period 2011 through 2017 and that the Finance and Collections Committee had declined its request for an interest waiver. Ms. Mayerson stated that the employer then requested that it be permitted to pay its delinquency in installments but did not provide documentation showing that it is unable to make immediate payment of the entire outstanding amount. Counsel to the employer has advised that the employer will be submitting a check for the full amount due.

Ms. Mayerson reported that, as a result of a payroll audit of the Omni-Shoreham for the period 2014 through 2016, the employer was assessed a principal amount of $81,053.38; the audit also revealed an overpayment of $71,713.43 as the result of a clerical error. She said the employer had subtracted the overpayment from the principal due and paid the difference ($9,339.95). She noted that under the Fund's audit and collection policy, however, employers are not permitted to unilaterally net overpayments against underpayments. Instead, employers must request a refund of overpayments from the Board, which has the sole discretion as to whether to provide a credit to an employer for the overpayments, and whether to offset a portion of the credit towards audit costs. After discussion, the Trustees agreed to deny the employer's request to waive interest due on delinquent amounts, but to grant the employer's request to credit the principal overpayment against amounts due; accordingly, the Funds' claims for the 2014-2016 audit period shall be treated as fully resolved provided that the employer promptly pays the interest due along with an additional $7,291.74 due as a result of an adjusted audit report correcting a payroll auditor error in the interest calculation formula.

V. COLLECTION COUNSEL REPORT

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

VI. CO-COUNSEL REPORT

A. Summary Plan Description ("SPD") Update

Co-Counsel informed the Trustees that a new SPD had been finalized; Ms. Sims advised that it was mailed to all participants in December 2018.

B. Embassy Row Hotel – Sale

Ms. Mayerson reported that the Embassy Row Hotel had been recently sold and the owner and operator had changed. She explained that the sale met the requirements for exemption from withdrawal liability under section 4204 of ERISA and that the seller and buyer have signed the Fund's 4204 application, which has been approved by the Finance Committee.

The Trustees requested an exit audit of the seller.

C. Collection Policy Update

Co-counsel recommended that the Trustees clarify the provision of the collection policy that currently provides that the Finance and Collection Committee may credit the employer with overpayments made “for the period of the payroll audit (not to exceed three years).” Specifically, they recommended that this language be replaced by a new sentence providing that, if an employer discovers an overpayment and requests the Fund to credit the overpayment towards future obligations, the Finance and Collection Committee may, in its sole discretion, agree to the employer’s request with respect to overpayments made no earlier than three Plan Years preceding the date of the request.

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

> **RESOLVED that the Collection Policy is amended to strike the words “for the period of the payroll audit (not to exceed three years)” and add a new sentence following the sentence in which these words appeared, reading as follows: “Similarly, if an employer discovers an overpayment and requests the Fund to credit the overpayment towards future obligations, the Finance and Collection Committee may, in its sole discretion, agree to the employer’s request with respect to overpayments made no earlier than three Plan Years preceding the date of the request.”**

VII. NEW BUSINESS

Transfer of UNITE HERE Local 23 Employers

Mr. Boardman reported that Local 23 employers are on a glide path to leave the Funds. Specifically, Centerplate Convention Center (which participates in the Legal and H&W Funds), Levy at National Ballpark (which participates in the H&W Fund), and Aramark at Verizon Center (which participates in the Pension, Legal, and H&W Funds) would be exiting in the next three to four months. Levy at

Verizon Center terminated participation in December 2017. Local 23 itself will stay in and is required under its participation agreement with the Fund to be paying contributions at Hotel Association Rates. The Trustees requested an exit payroll audit of these employers.

VIII. INVESTMENT CONSULTANT REPORT

The Trustees welcomed Henry Jaung and Brian Dana of Meketa Investment Group.

Mr. Jaung confirmed that the Pension Fund is still positioned in a defensive stance, noting the high equity market valuations; Fed tightening and liquidity draining; geopolitical risks, including Brexit and the tariff wars; the length of the bull market; and slowing of global growth. He stated there were signs of a slowing economy throughout 2018, including data showing slowing of auto sales and housing starts. However, the equity market kept rising. The last meeting in September was at the high point in the equity market. From that point through the end of 2018, the equity markets were down from 15% to over 20%.

Mr. Jaung said that last year included only the second negative return calendar year since the Great Financial Crisis. The Pension Fund returned -2.6% during 2018, the first negative return since 2015. Nonetheless, the Pension Fund outperformed both of its benchmarks for the year. The outperformances were 1.4% over the Policy Benchmark and 0.4% over the Target Policy Benchmark. The Fund also closed the gap since inception of the returns of Policy and Target Policy Benchmarks to less than 0.2% and 0.5%, respectively. In addition, in the 4th Quarter 2018 peer ranking, the Pension Fund placed in the top 6%, and top 27% for the 2018 calendar year.

The Pension Fund was valued at $220.3 million at the end of December 2018, a slight increase of $1.9 million from the beginning of the year. The asset allocation for all asset classes was in line with the policy.

Mr. Jaung highlighted various asset classes that were under and over weighted and their impact on the total return. He reported that, per Mr. Singerman's request at the last meeting, the report includes a detailed performance attribution analysis. The underweight to equity was the biggest contribution to the total return. The overweight to fixed income, specifically the high quality bonds, also added to performance. The largest detractor to the return was the underweight to private equity, which continued to produce high returns. Mr. Jaung noted that the historical standard deviation of the Pension Fund has been significantly lower than its two primary benchmarks.

Mr. Jaung said that Meketa continued to de-risk the portfolio in January 2019 by effecting the following transactions:

- Sells: $4 million in US Equity Index, $6.7 million in bank loans, $3.5 million in high yield bonds
- Buys: $7.5 million in Aggregate Bond Index, $14.5 million in TIPS
- Commitments: $4 million to Ironside Fund V, $1 million to Flagship PioneeringSpec Opp Fund II.

Mr. Jaung gave brief descriptions of the two private equity investments and noted that this will be one of the key initiatives going forward. Because the Pension Fund has been underweight to private equity, Meketa will focus on identifying and committing to high conviction partnerships.

Mr. Singerman discussed that Meketa's increased selection as 3(38) fiduciary of alternative investments has required legal review by Counsel, resulting in increased legal fees. He discussed that Counsel and Meketa had scheduled a telephone conference with investment counsel at Seyfarth Shaw to discuss the scope and purpose of legal review.

IX. ACTUARY REPORT

Mr. Woodrich 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 B.

Mr. Woodrich and Ms. Milligan provided a historical review of the Pension Plan that included: (1) Plan maturity indicators, including participation, and (2) key actuarial indicators, including minimum funding and cash flow. Mr. Woodrich then provided an overview of the final key results of the January 1, 2018 actuarial valuation. He reported that Annual Certification of Plan Status under Section 432(b) of the Internal Revenue Service has to be filed by March 31, 2019. Mr. Woodrich anticipates that the Fund will be certified in olive (safe) status for the 2019 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. This relieves 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 Plan participants.

X. ADMINISTRATIVE MANAGER'S REPORT

A. Third Quarter 2018 Administrative Manager's Report

Ms. Sims presented and reviewed the Third Quarter 2018 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit C.

B. Third Quarter 2018 Pension Benefit Applications

Ms. Sims presented and reviewed the Third Quarter 2018 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 Third Quarter 2018 Pension Benefit Applications are approved for payment as presented.**

C. Administrative Services Agreement – Renewal January 1, 2019, 2020 and 2021

Ms. Sims summarized Associated Administrators' renewal proposal for 2019, 2020 and 2021 included in the meeting booklet. The proposal requests increases in the monthly administrative services fee by 3% in 2019, 3% in 2020 and 3% in 2021. The Trustees went into Executive Session with Co-Counsel and excused Ms. Sims from the meeting.

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

> **RESOLVED to renew the Administrative Services Agreement with Associated Administrators for a 3-year period beginning January 1, 2019, with a 3% fee increase in the pmpm administrative services fee effective January 1, 2019, a 3% fee increase effective January 1, 2020 and a 3% fee increase effective January 1, 2021.**

XI. OTHER FUND BUSINESS

A. PBGC Comprehensive Filing

Ms. Sims reported that the 2017 comprehensive PBGC premium filing had been completed on time.

B. Form 5500 for the Plan Year Ended December 31, 2017

Ms. Sims reported the timely filing, under extension, of the Form 5500 for the Plan year ended December 31, 2017.

C. Summary Annual Report

Ms. Sims reported that the Summary Annual Report had been mailed to participants on time.

D. Fund Auditor Engagement Letter – 2018 Plan Year

Ms. Sims reported that copies of the proposed audit engagement letter for the 2018 Plan Year from Mr. Tyler Geiman of Novak|Francella, LLC ("Novak") had been circulated prior to the meeting. A copy of the subject letter is attached to and made a part of these minutes as Exhibit E.

Ms. Sims noted that the requested fee of $19,000 for 2018 for the audit and related services is the same as that for the prior year. Counsel noted that some of the provisions of the engagement letter were still being negotiated with Mr. Geiman.

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

RESOLVED that, the engagement of Novak|Francella, LLC for the 2018 audit and related services is approved at the requested fee of $19,000, subject to counsel's negotiation of a final engagement letter.

XII. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Thursday, April 25, 2019 commencing at 10:00 a.m.

XIII. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,

Solomon Keene
Secretary-Treasurer

AMS/bm

(Org. 01-25-19)

Attachments:
Exhibit A: Payroll Audit Collections Report: Dated January 24, 2019
Exhibit B: Cheiron: Actuarial Consultant's Presentation
Exhibit C: Associated Administrators, LLC-Administrative Managers Report- Third Quarter 2018
Exhibit D: Pension Benefit Applications Report – Third Quarter 2018
Exhibit E: Fund Auditor Engagement Letter – 2018 Plan Year – Novak Francella