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 JANUARY 25, 2018
IN WASHINGTON, D.C.

The following Trustees were present:

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

Also present were:

Anne Mayerson - Bredhoff & Kaiser, PLLC
Fredric Singerman - Seyfarth Shaw, LLP
Brian Dana – Meketa Investment Group
Henry Jaung – Meketa Investment Group
Anne-Marie Sims - Associated Administrators, LLC
Alan Spatrick – Meketa Investment Group
Ellen Odell - Calibre (for a portion of the meeting)

I. CALL TO ORDER

Mr. Keene reported that Trustees Steve Smith and Joel Manion had each 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, October 24, 2017

Ms. Sims reported she had received no further comments on the draft of 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 October 24, 2017 are approved.

III. INVOICES

Ms. Sims presented a list of invoices dated January 25, 2018. 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 25, 2018 are approved for payment.

IV. PAYROLL AUDIT REPORT

A. Payroll Audit Collections Report

Ms. Sims referred to the Payroll Audit Collections Report dated January 24, 2018 included in the meeting book. A copy of the report is attached to and made part of the minutes as Exhibit A. Ms. Sims reviewed the report which contains the 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.

A. Levy Verizon Center

Ms. Odell noted that Levy has lost the contract at Verizon Center effective December 2, 2017 so the audit will be an exit audit. Mr. Boardman said he would obtain contact information for Levy since it is no longer onsite.

B. Marriott Wardman Park

Ms. Odell reported that Calibre is currently auditing the Marriott Wardman Park for the 2014-2016 period (or 2013-2016, in the case of function employees) and is encountering some issues that require Trustee guidance. Fred Singerman recused himself during this portion of the meeting.

The first issue involves requested documentation. Ms. Odell explained that this employer is unwilling to provide non-union payroll, W-2's/W-3's and a full roster of all employees for the audit period of 2014-2016. Ms. Mayerson advised that the Funds are entitled to this information under the terms of the Trust Agreement and collection policy. Upon discussion, the Trustees authorized Counsel to write to the Marriott Wardman Park requesting this information by a particular date and advising the employer that if it does not provide the requested documentation by that date, the matter would be referred to the Fund's collection counsel.

The second issue involves function employees. Ms. Odell reminded the Trustees that, under the Plan's February 2016 settlement agreement with the Marriott Wardman Park, the Marriott agreed that the contributions due from January 1, 2013 through February 2016 would be calculated as follows: (i) for steady banquet servers, based on hours worked as reflected in the employer's time clock records; (ii) for all other function employees (and for steady banquet servers for whom no hours are reflected in the employer's time clock records), based on functions worked and assuming that each function is five hours and with a cap of 50 hours (10 functions) per employee per week. For periods commencing March 5, 2016, Local 25 and Marriott Wardman Park agreed that contributions for all function employees, including steady banquet servers, would be calculated using the per-function basis described above.

Ms. Odell reported that, notwithstanding the terms of the settlement agreement, based on a sample it appears that the Marriott Wardman paid contributions on all function employees based on clocked time for the period covered by the settlement agreement. She noted that the Marriott Wardman Park maintained only paper banquet sheets for this period, which makes this process arduous. She suggested the following alternative options for the Board: (1) Calibre could review the banquet sheets for 2013 through February 2016, for which Calibre would request additional billing fees, (2) Calibre could extrapolate audit findings with this sample testing error of each on-call banquet employee be assessed and additional 23.04 hours per month, or (3) the Marriott Wardman Park could conduct a self –audit similar to the one that it had done for the prior audit period. The Board agreed to permit the employer to conduct a self-audit to avoid the cost of having the Funds' auditors audit all of the function sheets for function employees other than steady banquet servers for the entire audit period (which would be passed along to the employer).

At this point, Mr. Singerman returned to the meeting.

V. COLLECTION COUNSEL REPORT

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

VI. CO-COUNSEL REPORT

A. Madison Hotel

Ms. Mayerson reported that the Madison Hotel had been recently sold and the owner and operator had changed. She explained that this sale was an asset sale and that, under ERISA, a seller may be exempt from withdrawal liability if the withdrawal is the result of an asset sale, and certain other requirements are met, including:

- The buyer assumes the CBA and has an obligation to contribute for the same number of employees/hours;
- the buyer provides the Plan with a bond that is generally equal to a year of contributions to protect the Fund in case the buyer withdraws within 5 years of the sale; and
- the seller agrees to be secondarily liable for the buyer's withdrawal during the first five years, up to the amount of its withdrawal liability as of the sales date.

Ms. Mayerson said that, though the first two requirements above were met in the case of the Madison, the third requirement was not met because the sales agreement provided that the seller **or** (rather than **and**) its management company would be secondarily liable for the buyer's withdrawal liability. Further, notwithstanding her repeated requests, the seller had failed to amend the sales agreement to change the "or" to an "and"). Accordingly, the sale did not satisfy the requirements to be exempt from withdrawal liability.

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

> **RESOLVED to assess withdrawal liability against the seller of the Madison Hotel.**

At this time, Ms. Odell exited the meeting.

B. Counsel Rate Increase Request

Mr. Singerman noted that the most recent increase of the Co-Counsel hourly professional rate for attorneys to $425.00 was effective September 1, 2013. He observed that the current rate has been in effect for four years, and that it is well below the current average professional billing rate for the services of experienced Taft-Hartley benefit fund attorneys located in the metropolitan Washington, D.C. area. Mr. Singerman requested that the Trustees approve an increase of the Co-Counsel hourly professional rate for attorneys to $515 effective January 1, 2018.

He noted that the proposed increase anticipates that counsel will request increases in the future on an annual basis (if appropriate) and therefore does not reflect a component for fixing the rate for a number of years in the future.

Following discussion, the Trustees called for an Executive Session, and Mr. Singerman and Ms. Mayerson left the meeting room. At the conclusion of the Executive Session, Mr. Singerman and Ms. Mayerson were recalled to the room.

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

> **RESOLVED that the hourly rate on which the services of the law firms as Fund Co-Counsel are based is increased from $425 for attorneys to $515 for attorneys, effective January 1, 2018.**

VII. INVESTMENT CONSULTANT REPORT

The Trustees welcomed Mr. Jaung and Mr. Dana of Meketa Investment Group. Mr. Jaung began with the outline of the agenda he and Mr. Dana had prepared. The agenda will be similar to previous meetings where Mr. Jaung will begin with the review of the capital markets in 2017, executive summary of the pension fund, outline of the current strategy, and positioning of the Fund. Mr. Dana will continue this discussion more in-depth, including the macro and micro reasons for the current positioning. The presentation will conclude with the updated performance of the Fund through December 2017.

Mr. Jaung began by stating that we saw two very different markets in 2017. The difference between the "offensive" and "defensive" asset classes was very large. Risk assets such as domestic and international equities, high yield bonds and emerging markets had a remarkable year. The defensive asset classes such as high quality bonds and core real estate did not fare as well. Stocks in general returned over 20% during the year and high grade bonds and core real estate generally returned low to mid-single digits. He pointed out that the Fund has even distribution between the risk and defensive assets. Within equities, there was also a large differential between growth and value styles. Growth style did significantly better than value.

Mr. Jaung reported that the Fund returned 11.7% in 2017 and was valued at $218.4 million at the end of 2017, an increase of $30.8 million for the year. The returns were led by global equity and natural resources, 21.5% and 18.9%, respectively. Since October 2011, the Fund had an annualized return of 8.3%. Mr. Jaung noted that the concerns that had caused Meketa to take a defensive approach in 2017, including extended valuations, the long period of the recovery now going on approximately 120 months, potential for the slowing of the global QE, especially in Europe, and the rising interest rates here in the U.S., still exist and, therefore, Meketa has continued to take a cautious stance and kept the Fund somewhat conservative.

Mr. Jaung reviewed the current positions within the major asset classes and where the Fund stood in relation to its investment policy statement ("IPS"). All the asset classes were within the approved ranges. The largest underweights in the pension fund were in the U.S equities, natural resources and emerging markets bonds. The largest overweight was in the investment grade bonds for the reasons highlighted earlier. Mr. Jaung spoke about the ratio between bank loans and high yield bonds. Bank loans represent approximately 3% vs. 1.6% in high yield bonds. The rationale for this is the potential for a rising interest rate environment where bank loans participate in the rise in the short term rates. He pointed out that2017 saw a significant rise in LIBOR. Mr. Singerman asked if it was possible to isolate the returns of the U.S, developed and the emerging markets equities as the IPS has specific targets and tolerance for them given that the Fund is invested with several global managers. Mr. Dana replied that Meketa does have the ability to review the allocation between the three regions, but it is not feasible to isolate the specific securities for performance purpose. Mr. Dana also noted the difficulty in breaking specific stocks into revenue production as many of the large capitalization U.S.

Equity securities generate a proportion of their income from overseas. Mr. Dana discussed several valuation metrics that Meketa is using to gain knowledge on the current environment. The result is, based on most any way one reviews capital markets, U.S. equities remain high relative to history. Mr. Dana concluded by noting that the level of volatility in capital markets was extremely low and investors should anticipate a rise in volatility. Mr. Jaung commented that Meketa is finalizing the capital markets assumptions and will be conducting an asset allocation study for the next meeting.

VIII. ADMINISTRATIVE MANAGER'S REPORT

A. Third Quarter 2017 Administrative Manager's Report

Ms. Sims presented and reviewed the Third Quarter 2017 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit B.

B. Fourth Quarter 2017 Pension Benefit Applications

Ms. Sims presented and reviewed the Fourth Quarter 2017 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 Fourth Quarter 2017 pension benefit applications are approved for payment as presented.**

IX. OTHER FUND BUSINESS

A. Fund Actuary - Retainer Fee Increase Request

Ms. Sims distributed a letter, dated January 17, 2018, which detailed Cheiron's proposed fees for the January 1, 2018 valuation and for work performed during the period of April 1, 2018 through March 31, 2019. Cheiron requested an increase in the annual retainer fee for 2018 retainer services from $52,368 ($13,092 per quarter) to $53,520 ($13,380 per quarter), and an increase in non-retainer fees effective April 1, 2018.

After discussion, on Motion made and seconded, the Trustees approved the following resolution:

> **RESOLVED to approve Cheiron's proposed retainer fee increase to $53,520 for 2018 retainer services and increase in hourly rates for non-retainer services effective April 1, 2018..**

B. Fund Auditor Engagement Letter – 2017 Plan Year

Ms. Sims reported that copies of the proposed audit engagement letter for the 2017 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 D.

Ms. Sims noted that the requested fee of $19,000 for the audit and for preparation of the Form 5500 for 2017 represented a $250 increase from the prior year.

Following discussion, upon Motion made and seconded, the Trustees approved the following resolution:

> **RESOLVED that Novak|Francella, LLC's audit engagement letter is approved.**

D. PBGC Comprehensive Filing

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

E. Form 5500 for the Plan Year Ended December 31, 2016

Ms. Sims reported the timely filing, under extension, of the Form 5500 for the Plan year ended December 31, 2016.

X. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Thursday, May 3 2018, commencing at 9:00 a.m.

XI. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,

Solomon Keene
Secretary-Treasurer

AMS/bm

(Org. 01-25-18)

Attachments:

Exhibit A: Payroll Audit Collections Report: Dated January 24, 2018
Exhibit B: Associated Administrators, LLC – Third Quarter 2017
Exhibit C: Pension Benefit Applications Report – Fourth Quarter 2017
Exhibit D: Novak|Francella – Fund Auditor Engagement Letter 2017