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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 FEBRUARY 28, 2013
WASHINGTON, D.C.

The following Trustees were present:

<u>UNION TRUSTEES</u>	<u>EMPLOYER TRUSTEES</u>
John Boardman - Chairman	Solomon Keene - Secretary-Treasurer
Stephanie Steer	Steve Smith

Also present were:

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

I. CALL TO ORDER

Mr. John Boardman a confirmed that Union Trustee Ms. Martin had given him her proxy for all matters to come before the Trustees during this meeting. Mr. Solomon Keene confirmed that Employer Trustee, Mr. Manion, had given him his proxy for all matters to come before the Trustees during this meeting. A quorum being present, Chairman Boardman called the meeting to order.

II. APPOINTMENT OF NEW TRUSTEE

Ms. Sims reported that she received written confirmation on January 16, 2013 from Mr. Solomon Keene in his capacity as President of the Hotel Association of Washington, D.C., confirming the appointment by the Association of Mr. Steve Smith, General Manager of the Hyatt Regency Washington on Capitol Hill, as Employer Trustee effective that date, replacing Mr. Stuart Damon who had recently retired from service.

III. MINUTES

Special Board Meeting, December 13, 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 Special Board meeting held December 13, 2012 are approved.**

IV. INVOICES

Ms. Sims presented a list of invoices dated February 28, 2013.

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

> **RESOLVED that the invoices set forth in the list dated February 28, 2013 are approved for payment.**

V. 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 October 9, 2012 Through February 20, 2013," 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 had recently made numerous attempts to schedule the payroll audit of the Hotel and Restaurant Temps and then the employer did not have the payroll records available when the auditors finally scheduled a date. She said multiple emails were sent to the employer enumerating what records were required but to date Calibre has received no response. Mr. Boardman said that this employer will be filing for bankruptcy in the near future, and because the employer is a cash business, the Fund would not be able to claim any assets. After considerable discussion, the Trustees concurred that the payroll audit on this employer should be closed due to the upcoming bankruptcy filing.

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

VI. PAYROLL AUDIT COLLECTIONS REPORT

Ms. Sims referred to the Payroll Audit Collections Report dated February 25, 2013 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.

VII. 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.

VIII. INVESTMENT CONSULTANT REPORT

The Trustees welcomed Mr. Henry Jaung from Meketa Investment Group ("MIG").

Performance Review

Mr. Jaung began his report by stating that the Fund had a good year, returning 12.1% net of fees (12.4% gross of fees). This was close to the top quartile of 12.7% (gross return) for the Taft-Hartley universe for plans with assets of less than $500 million, even though the Fund held significantly less equity than the plans in the universe's top quartile, 47% versus 62%. The Fund's value as of December 31, 2012 was $121.9 million.

Mr. Jaung summarized fourth-quarter performance by asset class. For the asset class aggregates, he began with the domestic equity aggregate. Since MIG's inception with the Fund in mid 2011, MIG had taken an active large cap bet, given the uncertainties surrounding the equity markets and the more defensive nature of the large cap stocks. This resulted in the domestic equity aggregate outperforming the broad equity benchmark by 0.6%. He further stated that MIG took the large cap bet off and the Fund is now in a more market cap neutral position. Mr. Boardman asked if MIG had taken any profits off the table in 2012. Mr. Jaung replied in the affirmative, stating that the redirection of a portion of large cap assets to mid cap and small cap is an example of such a move.

With respect to emerging markets equity, Dimensional Emerging Markets Value returned 7.1% for the quarter, beating the benchmark by 1.5%.

Next Mr. Jaung discussed the Treasury Inflation Protected Securities ("TIPS") allocation. The Fund has been an investor in TIPS since December 2011. In that time period TIPS returned 6.5%. More importantly, the funding source was domestic investment grade bonds, which returned approximately 5%. This too was a positive trade. Mr. Jaung also stated that with the potential for a rising interest rate environment, MIG may consider reducing the duration of the TIPS holdings to a more intermediate profile.

Mr. Jaung explained that the emerging market debt investment was also a positive trade. He said the initial investment was made in March 2012 and the total return was 8.2% for the investment period ended December 31, 2012. This represented almost 5% more than the funding source, the domestic investment grade bonds. Initial investment had an overweight to dollar based emerging market debt as global uncertainties favored the reserve currency (US dollar) over local currencies. This bet paid off as the dollar based bonds outperformed the local currencies by 7% since February 2012. MIG took the profit from the dollar based overweight and is now at a neutral position. Mr. Jaung also highlighted this as an example of taking profits.

The high yield and natural resource equities were both funded in September 2012. Mr. Jaung stated that this is too short a period to make any judgments, but they both have outperformed their respective funding sources in that period. High yield returned 4.3% versus domestic investment grade bonds' 0.35% return. Natural resources returned 5.8% versus the broad domestic equity's return of 2.2%.

Mr. Jaung concluded the performance review portion of his report by stating that most, if not all the "bets" have been positive in 2012.

Recent Activities

Mr. Jaung stated that, as discussed at the October Trustees' meeting, Artio was terminated in December due to underperformance and MEPT was terminated effective December 31, 2012. During January, MIGused a portion of the MEPT proceeds and some additional cash to invest $4.5 million in a floating rates fund from Loomis Sayles. The Loomis fund currently yields over 4.5% and has the potential to fare well in a rising interest rate environment. In January, MIG also made its first contribution, in the amount of $.5 million, to TA Realty Associates Fund X, to which $2.5 million had previously been committed. In order to keep the allocation to real estate close to the target weight, MIG invested $2 million in a Vanguard Real Estate Investment Trust ("REIT") Index fund. This fund currently yields over 3.5% and MIG believes it is a more efficient place to keep the assets than in cash. This will be the most likely funding source as other private real estate opportunities arise.

MIG also restructured the domestic equity portfolio in late January by funding a dedicated midcap manager, Amalgamated LongView MidCap 400 Index fund (initial contribution of $4.6 million), and a high quality, income-oriented manager, Vanguard Dividend Growth fund ($8.5 million). The proceeds came from redemptions from the

Amalgamated LongView Large Cap 500 Index fund ($11.4 million redeemed) and Amalgamated LongView Small Cap 600 Index fund ($1.7 million redeemed).

Finally, on February 1, MIG made an additional $2 million contribution to the Vontobel Emerging Markets portfolio

As part of the rebalancing of the domestic equity aggregate, MIG added Vanguard Dividend Growth Fund to complement the Amalgamated S&P 500 index fund.

The result of the new investments brought the cash position to approximately $1 million.

Next Steps

Mr. Jaung reported that MIG plans to contribute approximately $4 million to the AFL-CIO BIT portfolio at the end of March, and will decide funding source(s) at that time based on asset allocation. In addition, the Fund intends to commit $2 million to Ridgemont Equity Partners ("REP"), which is an attractive investment because the Fund already has existing investments in the portfolio, giving transparency to its holdings, the existing investments of the vehicle mitigate the J-curve, and the existing investments of the vehicle are valued at a 140% multiple of investment capital, but is able to invest at a price of cost plus 5%. This will allow the fund to register an instant gain. Besides the instant gain, MIG feels that REP brings a very strong management team with a long positive track record.

The Trustees thanked Mr. Jaung for his presentation and he was excused from the balance of the meeting.

IX. CO-COUNSEL REPORT

A. Marriott Wardman Steady Banquet Waiter Audit Update

Ms. Mayerson reported that, per Trustee directive at the December 16, 2012 Finance and Collections Committee meeting, a letter had been sent to the Marriott Wardman

Hotel in response to their proposal set forth in their letter dated November 1, 2012, with respect to the employer's self-audit of the steady banquet waiters for the period of June 2007 through December 2010. She concluded that to date she had not received a response from the employer.

B. <u>Financial Accounting Standards Board ("FASB") Information Disclosure</u>

Ms. Sims reported that the Fund Office received requests from two employers seeking certain information to comply with new FASB regulations. After discussion, Co-Counsel said that they would work with the Administrative Manager to draft a general response on behalf of the Fund for these employers and any future requests.

C. <u>Internal Revenue Service ("IRS") Payments Commencing after Normal Retirement Age</u>

Ms. Mayerson reported that there is an open issue with the Internal Revenue Service ("IRS") that the IRS says must be resolved before it will complete its review the Fund's most recent request for a favorable determination letter. Specifically, she reminded the Trustees that the IRS had previously audited the Fund for the 2005 plan year and had found that participants who continue working after normal retirement age (generally age 65) but do not commence their benefits until they actually retire, were not being routinely provided with the make-up payments required in the Plan document to account for the missed payments (nor was an actuarial increase to the benefit at retirement provided). The Fund made make-up payments to participants who began to receive a pension on or after January 1, 2004, but the IRS has not yet decided whether it will require the Fund make correction for periods before 2004 and has submitted the issue to its national office for a "technical advice memorandum."

Because this remains an open issue, the IRS requested consent to extend the statute of limitation period allowed by law for assessing additional tax on the Fund's federal tax return for the period ended December 31, 2005 until October 12, 2014. Co-Counsel recommended that the Trustees approve the extension request from the IRS. The Trustees concurred with Co-Counsel's recommendation and executed the consent on behalf of the Fund. Co-Counsel will keep the Trustees informed on any developments.

X. ACTUARY REPORT

A. Actuarial Certification

Ms. Fiona Liston of Cheiron, Inc. ("Cheiron") distributed copies of the "Annual Certification of Plan Status under Section 432(b) of the Internal Revenue Code, Update" and reviewed it in detail. A copy of the report is attached to and made a part of these minutes as Exhibit C. She reported that the Fund was certified in the Green Zone for the 2012 Plan year without a change in the rate of return. Ms. Liston reported that a copy of the draft Annual Funding Notice would be distributed to the Trustees, Co-Counsel and the Administrative Manager, for review prior to the April 30, 2013 mailing deadline.

B. Retainer Fee Increase Request

Ms. Liston distributed a letter, dated February 22, 2013, which detailed Cheiron's proposed fees for the January 1, 2013 valuation and for work performed during the period of April 1, 2013 through March 31, 2014. Cheiron requested an increase in the annual retainer fee for 2013 from $48,940 ($12,235 per quarter) to $49,808 ($12,452 per quarter), and for non-retainer fees.

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

> **RESOLVED to approve Cheiron's fee increase to $49,808 for the January 1, 2013 valuation and for work performed during the period of April 1, 2013 through March 31, 2014.**

C. Benefit Modifications

Mr. Boardman noted, as previously discussed, that the pension contribution rates had been increased during the last round of collective bargaining with the intention of increasing the level of benefits. He requested that a Special Pension meeting be set up with all the Trustees to further discuss this issue on Friday, March 22, 2013.

The Trustees thanked Ms. Liston for her report and excused her from the balance of the meeting.

XI. 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 D.

B. Administrative Services Agreement – Renewal January 1, 2013, 2014 and 2015

Ms. Sims summarized Associated's renewal proposal for 2013, 2014 and 2015 which was included in the meeting booklet. The proposal requests increases in the monthly administrative services fee by 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 in Executive Session, on Motion made and seconded, the Trustees unanimously voted approval of the following resolution:

> **RESOLVED to renew the Administrative Services Agreement for a 3-year period beginning January 1, 2013, with a 4% fee increase in the pmpm administrative services fee effective January 1, 2013, 4% fee increase effective January 1, 2014 and a 4% fee increase effective January 1, 2015.**

Mr. Boardman noted that the increase recognizes that over the next few years a number of participants will be retiring so there will be an increased workload in processing applications. Ms. Sims expressed her appreciation to the Trustees for their continued confidence in Associated.

XII. OTHER FUND BUSINESS

A. PBGC Estimated Filing

Ms. Sims reported that the 2013 estimated PBGC premium filing had been completed in time.

B. Form 5500 for the Plan Year Ended December 31, 2011

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

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, 2012 deadline.

XIII. NEXT MEETING DATE AND LOCATION

The Trustees scheduled a regular Board meeting to be held May 8, 2013, at the offices of the UNITE HERE Local 25, commencing at 12:30 p.m.

XIV. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,
Solomon Keene
Secretary-Treasurer

AMS/klw
(Orig.03/01/13)

Attachments:
Exhibit A: Calibre CPA Group, PLLC: Pension Fund Compliance Audit Program Status Report for the Period From October 9, 2012 Through February 20, 2013
Exhibit B: Associated Administrators, LLC: Payroll Audit Collections Report dated February 25, 2013
Exhibit C: Cheiron, Inc.: Annual Certification of Plan Status Under Section 432(b) of the Internal Revenue Code, Update
Exhibit D: Associated Administrators, LLC: Administrative Manager Report, Third Quarter 2012