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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 APRIL 5, 2013
WASHINGTON, D.C.

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
John Boardman - Chairman	Solomon Keene - Secretary-Treasurer
Stephanie Steer	Steve Smith
Linda Martin	Joel Manion

Also present were:

Anne Mayerson - Bredhoff & Kaiser, PLLC
Fredric Singerman - Seyfarth Shaw, LLP
Fiona Liston - Cheiron, Inc.
Anne-Marie Sims - Associated Administrators, LLC
Karen Walsh - Associated Administrators, LLC

I. CALL TO ORDER

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

II. BENEFIT MODIFICATION DISCUSSION

Ms. Liston distributed a hard copy of the revised analysis, entitled "Multiplier Discussion," a copy of which is attached to and made a part of these minutes as Exhibit A. She noted that Cheiron had discovered an error in the computer model used at the December meeting to show the Trustees sample scenarios of actuarial costs where (1) the benefit multiplier was increased to $30.00 to all service credits and future accruals and (2) a

10% increase for pensioners currently in pay status. She stated that the error was discovered during Cheiron's peer review process. Ms. Liston said the error has been corrected and that the revised analysis distributed at this meeting is correct. She reported that the graph reflected the appropriate measure of liability after the increase, and that the move to the 7% discount rate was taken into account in 2013.

Ms. Liston noted that, since the benefit improvements were not implemented by the January 1, 2013 valuation date, the first valuation to reflect this change will be in 2014, and that the funding impact of a benefit increase will not be included in the annual funding notice for 2013. Ms. Liston explained that, if the Trustees were to approve the implementation of this benefit modification, the Plan would be certified in "Endangered Status" in 2014, and the Trustees would be required to adopt a Funding Improvement Plan by October 2014. The timeline to deliver this to the Bargaining Parties would be by November of the same year. Ms. Liston noted that the Funding Improvement Plan is required to reduce the level of underfunding by 33% over a ten-year period. She reported that, since the rate increase in the Pension Fund had already been bargained to allow for benefit increases, the Funding Improvement Plan would not require any benefit curtailments or contribution increases that are not already agreed to in the current collective bargaining agreement and will therefore be considered a "No Action" Plan.

The Trustees requested that Ms. Liston be excused from the meeting. The Employer Trustees then called for a caucus. Following the caucus, the Employer Trustees expressed their concern with the error discovered in the model used by Cheiron to determine actuarial costs for the proposed benefit modification. They also said that they were concerned that Cheiron changed the fundamental assumptions used in the analysis without Trustee direction. The Employer Trustees requested that a third party actuary review and validate the accuracy of Cheiron's data. The Employer Trustees requested that the scope of the review be done in accordance with generally accepted actuarial principals. After discussion, the Union Trustees concurred and requested that the third party actuarial review be completed within two week. Mr. Singerman reported that he had been in discussions with Horizon Actuarial Services, LLC, and that it was prepared to complete the review, subject to Trustees' approval. The Trustees said that the fee for the third party actuarial review should be paid by Cheiron due to the calculation error and the need to validate its work.

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

> **RESOLVED to engage Horizon Actuarial Services, LLC, as independent actuarial consultant to perform a second opinion actuarial review of the possible benefit improvement being considered by the Fund's Board of Trustees, using basic actuarial techniques and relying on the data provided by Cheiron.**

Mr. Boardman requested that a conference call be set up with all the Trustees to further discuss this issue and make a decision on the proposed benefit modifications on Tuesday April 16, 2013, subject to the Employer Trustees receiving the requested information from Horizon.

Ms. Liston was invited back to the meeting. The Trustees expressed their concern over the error discovered in Cheiron's calculation and explained their decision to engage Horizon to validate the funding projections. They said that any fees incurred by Horizon would be paid by Cheiron. Ms. Liston confirmed that Cheiron would assume the fees.

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

III. <u>ADJOURNMENT</u>

There being no further business, the meeting was adjourned.

Respectfully submitted,
Solomon Keene
Secretary-Treasurer

AMS/klw
(Orig.04-16-13)

Attachments: Exhibit A: Cheiron: Multiplier Discussion