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 JULY 24, 2014
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
Tanaz Moghadam – Bredhoff & Kaiser, PLLC
Jeff Ianniello – Associated Administrators, LLC
Fiona Liston – Cheiron (for part of the meeting)
Henry Jaung - Meketa Investment Group
Anne-Marie Sims - Associated Administrators, LLC
Alan Spatrick – Meketa Investment Group
Laura Szarmach – Seyfarth Shaw, LLP (for part of the meeting)
Dawn Welch – Associated Administrators, LLC

I. CALL TO ORDER

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

II. MINUTES

A. Board Meeting, April 30, 2014

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 April 30, 2014 are approved.

III. INVOICES

Ms. Sims presented a list of invoices dated July 24, 2014. 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 July 24, 2014 are approved for payment.

IV. AUDITOR REPORT

Mr. Geiman of Novak | Francella, LLC ("Novak"), distributed copies of the Financial Statements for years ended December 31, 2013 and 2012, a copy of which is attached to and made a part of these minutes as Exhibit A. He confirmed that the financial statements, in Novak's opinion, present fairly, in all material respects, the financial status of the Fund. Mr. Geiman then reviewed the audit report in detail. Mr. Geiman reported that the Forms 990 and 5500 would be filed under extension.

V. PAYROLL AUDIT COLLECTIONS REPORT

Ms. Sims referred to the Payroll Audit Collections Report dated July 10, 2014 included in the meeting book. A copy of the report is attached to and made a part of the minutes as Exhibit A. 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.

VI. COLLECTION COUNSEL REPORT

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

VII. INVESTMENT CONSULTANT REPORT

Investment Consultant Report

The Trustees welcomed Messrs. Jaung and Spatrick from Meketa Investment Group ("MIG").

Market Review

Mr. Spatrick began by stating that the capital markets were all up during the first six months of 2014, led by U.S and other developed markets' equities. The best performing fixed income sectors were TIPS and emerging markets. He also said that the interest rates declined slightly during the first half of the year to approximately 2.5%. This is a good indication of the expected return investors should anticipate in government bonds, as yields are the best predictor of future return. He discussed the yield spread between investment grade corporate bonds and high yield bonds relative to Treasuries. The spreads are currently narrow relative to their historical averages. He noted that inflation ranged from 5.5% to -1% during the past six years. Inflation is currently running at around 2.1%.

Executive Summary

Mr. Jaung began by stating that the Pension Fund's market value was $150.5 million at July 31, 2014, representing an increase of $7.2 million for the quarter, $11.6 million year to date and $25 million for the past 12 months, resulting largely from returns of 3.8%, 6.0% and 14.5%, respectively. The 2014 performance to date has been led by asset classes with poor 2013 returns. Emerging market equity and fixed income, natural resources and TIPS all had very good returns during the first six months of 2014. The strong 2014 returns helped the Pension Fund edge ahead of the policy benchmark, 38.8% vs. 38.6% since inception. The Fund still lags the target policy benchmark slightly, but when adjusted for the 52% of the Pension Fund assets in mutual funds that are net of fees, the Pension Fund outperforms both benchmarks since MIG's inception on October 2011.

Mr. Jaung reviewed the asset allocation changes since October 2011, and stated that not all the calls have worked out positively. Since October 2011, U.S equities had the strongest returns, and 100% invested in this asset class would have resulted in the highest return for the Pension Fund; anything away from this asset class would have a negative impact on the Pension Fund. On the other hand, investments funded from cash, such as REITS, bank loans and private equity all had net positive impacts for the Pension Fund.

Mr. Jaung then discussed the relationship between emerging markets and developed markets. During 2000 to 2010 investors saw a rapid growth in emerging markets. GDP, corporate earnings, as well as the middle class's ability to consume, grew tremendously. When this trajectory slowed down in the early 2010s, the investors fled from emerging markets.

Mr. Jaung stated that this extrapolation of growth was unreasonable. A major reason for the slowdown in emerging markets was the rising wage, which led to shrinking of corporate profit margins. While wages were increasing in the emerging markets, the story was very different in the developed markets. Wages were stagnant in a very difficult employment environment. This in turn allowed developed markets, especially U.S corporations, to increase profit margins. As employment in the U.S. improves and wages tick higher, profit margins for U.S. based corporations may shrink. This should make emerging market corporations more competitive.

Mr. Jaung also discussed the interest rate environment for the past 12 months. He called it the reversal of expectation. Contrary to consensus view, yields came down significantly and at the end of the second quarter of 2014, it was below 2.5%. He stated that there are signs that the "reversal of the reversal" may take place. He highlighted stronger job market reports, a glimmer of wage increase and the higher capacity utilization as causes for potential higher interest rates.

Mr. Jaung reviewed the private market investments in the Pension Fund. He stated that the program is still in its early stage, but the results so far are positive. There has not been a sharp impact to the overall performance yet, but distributed amounts plus reported market values are above the amounts called to date.

Mr. Jaung concluded by discussing the next steps. He said that U.S equities and high yield bonds had a great run, and he is looking at trimming the positions. He also said that the proceeds will most likely be added to the two asset classes that had the weakest returns during 2013, emerging markets equity and fixed income. He estimated approximately 3% each from U.S. equities and 3% from high yield bonds would be added to emerging markets equity and bonds, at equal levels.

Performance Review

Mr. Spatrick began with the current asset allocation of the Pension Fund. He noted that it is very well diversified and only U.S. equities and investment grade bonds represent more than 10% of the total, at 32% and 13%, respectively. All asset classes are within the target range with U.S equities at the higher end at 32%. This offsets the 4% underweight to private equities and 3% underweight to real estate. There have been no manager changes thus far in 2014.

The Pension Fund had a total return of 3.8% for the second quarter as all asset classes produced positive returns, ranging from emerging market equities with 7.5%, to high yield bonds' 2% return. The 3.8% represents 30 to 60 basis points outperformance over the two total fund benchmarks. During the past 12 months, the Pension Fund returned 14.5%, slightly below the two target benchmarks, as U.S equity, international equity and natural resources stocks returned over 20% during this period.

Mr. Jaung said that the three asset classes that performed poorly in 2013 had roughly $100 billion in outflows during the year. In his experience, fund flow is a great predictor and has the highest direct correlation to past performance. He often views it as a contrarian indicator. He reviewed MIG's managers' analysis process. MIG identifies manager that fit well with the client profile, with solid teams, strategy, process, and reasonable fees.

Unless MIG sees a structural change to any of the above, it will stay with the manager even through short periods of underperformance. What MIG saw in 2013 did not warrant any manager changes. Underperforming managers were frequently reviewed and there were no indications that the original premises for hiring these managers had changed. Mr. Jaung highlighted the fixed income aggregate's characteristics. He reviewed how well diversified it is and how the yield is higher than the Barclays Aggregate Index, but with similar quality and duration. He commented that in fixed income, higher yield typically wins over time.

Mr. Jaung concluded by reviewing the style and investment thesis of Vontobel and Stone Harbor, the two emerging markets managers. Vontobel's thesis of the growing consumerism in the emerging countries led them to buy non-global export oriented companies. This was detrimental to the performance in 2013, but as emerging market consumer confidence returned in early 2014, the consumer oriented companies performed well. With Stone Harbor, Mr. Jaung reviewed what hurt the performance in 2013, primarily buying the long end of the yield curve in certain Latin American countries and underweighting Europe. Stone Harbor did not capitulate on this thesis and this paid off during the first half of 2014.

In response to a question from Ms. Mayerson, Mr. Jaung replied that the peer group information was not available until the second month after the quarter end. He expects that data to be available soon. He stated that the relative performance of the Pension Fund should be near the top quartile for the second quarter and first half of 2014 as the performance was very good. He will send the report as soon as it is available.

VIII. CO-COUNSEL REPORT

A. Internal Revenue Service ("IRS") Payments Commencing after Normal Retirement Age

Mr. Singerman reported that the IRS had concluded that the Fund is not required to make any additional correction with respect to participants who the IRS previously found to have continued working after normal retirement age but who received neither make-up payments nor actuarially increased payments at retirement, and therefore concluded its audit of 2005.

B. Favorable Determination Letter

Mr. Singerman reported that the Fund had received a favorable determination letter from the IRS dated July 08, 2014. He said this determination letter applies to all the amendments executed through October 26, 2009.

C. Cycle D Pension Plan Restatement and Internal Revenue Submission

Mr. Singerman reported that, under the IRS determination letter process as described in Revenue Procedure 2007-44, pension plans are required to restate their plans and submit them to the IRS to maintain a favorable determination letter on a five-year cycle based on the type of plan or Employer Identification Number ("EIN"). He said that in this process, all multiemployer plans are assigned to Cycle D that runs from February 1, 2014 through January 31, 2015. Mr. Singerman stated that Co-Counsel will start working on the submission package and required documentation to be approved by the Trustees.

D. Second Amendment

Mr. Singerman distributed a copy of the Second Amendment to the UNITE HERE Local 25 and Hotel Association of Washington, D.C. Pension Plan, which contains the proposed amendments relating to Section 401(a)(9).

On Motion made and seconded, the Trustees voted approval of the following resolution:

RESOLVED to adopt the Second Amendment to the UNITE HERE Local 25 and Hotel Association of Washington D.C. Pension Plan as presented.

E. Third Amendment

Mr. Singerman distributed a copy of the Third Amendment to the Plan document which reflects (1) the benefit increases effective as of January 2013, and (2) the IRS-approved language concerning calculation of benefits to participants who continue working after normal retirement age.

On Motion made and seconded, the Trustees voted approval of the following resolution:

RESOLVED to adopt the Third Amendment to the Plan as presented.

F. Collection Policy Update

Anne Mayerson distributed a copy of the revised Collections Policy to reflect three clarifications on the Policy requested by the Finance and Collection Committee. Specifically, the policy as proposed to be amended clarifies that the maximum period for which an employer may take credit for an overpayment is three years, that the determination as to whether to credit an employer with overpayments is to be made by the Finance and Collection Committee, and that any such credit will not include any portion of the overpayment that was used to calculate the pension of a participant in pay status.

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

RESOLVED to approve the revised Collection Policy as presented.

G. Legal Claimant Services

Mr. Singerman reported that the Fund had received a letter from Legal Claimant Services, in regards to a dormant stock account still registered to the Pension Plan for the Hotel Association of Washington DC. He explained that Legal Claimant Services purports to recover unclaimed assets and claims that the Fund has an account of dormant stock which is comprised of 732 shares, and currently valued at approximately $37,000.00.

Mr. Singerman said that Meketa and PNC had confirmed that they were not aware of any dormant stock registered to the Fund. For this reason, and because Legal Claimant Services charges a 20% fee on all unclaimed assets, which it defines broadly to include assets that the Fund may be fully aware of but with respect to which the Fund has not responded to various communication concerning the assets, Counsel recommends that the Fund not engage Legal Claimant Services at this time.

The Trustees decided not to take action on the letter.

IX. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2013 Administrative Manager's Report

Ms. Sims presented and reviewed the Fourth Quarter 2013 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit B.

B. First Quarter 2014 Administrative Manager's Report

Ms. Sims presented and reviewed the First Quarter 2014 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit C.

C. First Quarter 2014 Pension Benefit Applications

Ms. Sims presented and reviewed the First Quarter 2014 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 First Quarter 2014 pension benefit applications are approved for payment as presented.**

D. Second Quarter 2014 Pension Benefit Applications

Ms. Sims presented and reviewed the Second Quarter 2014 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 Second Quarter 2014 pension benefit applications are approved for payment as presented.**

X. ACTUARY REPORT

2014 Preliminary Valuation Results

Ms. Fiona Liston of Cheiron, Inc. distributed copies of her report entitled the "2014 Preliminary Valuation Results" and reviewed it in detail. A copy of the report is attached to and made a part of these minutes as Exhibit F. She reported that the Fund was certified in the Yellow Zone ("Endangered Status") for the 2014 Plan year, because the funded ratio is less that 80%. Ms. Liston explained that the Trustees will need to adopt a Funding Improvement Plan ("FIP") by November 26, 2014, but noted that the current bargained contributions and Plan provisions are projected to meet the criteria of a valid FIP. Ms. Liston stated that the bargaining parties would need to be notified of the FIP by December 26, 2014.

Ms. Liston distributed a draft copy of proposed FIP for Trustee review.

On Motion made and seconded, the Trustees voted approval of the following resolution:

> **RESOLVED to adopt the Funding Improvement Plan subject to any changes recommended by Co-Counsel.**

XI. OTHER FUND BUSINESS

A. Request for Pension Credit Correction

Mr. Singerman explained that the Fund had received a request from Mr. Boardman for credit for service with Local 25 from 1992 through 1996, during which time he states he was mischaracterized as an independent contractor. Mr. Singerman reminded the Trustees that at their last meeting the Trustees had approved retaining an independent fiduciary to evaluate the claim. He said that since that meeting the independent fiduciary retained, Mr. Sherwin Kaplan, had retired and would not be able to complete this work. Mr. Singerman and Ms. Mayerson said they had considered a number of additional potential Independent Fiduciaries and proposed that the Trustees engage Mr. Frank Cummings to review the claim. They said that as part of his retainer requirement, Mr. Cummings had requested that he be added to the Fund's Fiduciary Liability policy as an independent fiduciary.

On Motion made and seconded, the Trustees voted approval of the following resolution: RESOLVED to engage Mr. Frank Cummings to decide this claim.

Mr. Boardman recused himself from this discussion.

B. UNITE HERE Local 23 Participation Agreements

Mr. Boardman reported that all employers that were previously required to contribute to the Fund under collective bargaining agreements with UNITE HERE Local 25 and are now required to contribute to the Fund under collective bargaining agreements with UNITE HERE Local 23 have executed a Participation Agreement in order to continue participation in the Fund, with the exception of Haute on the Hill Mr. Boardman said he would continue to work with UNITE HERE Local 23 to obtain a signed participation agreement with Haute on the Hill.

XII. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Thursday, October 16th 2014.

XIII. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,
Solomon Keene
Secretary-Treasurer

AMS/drw
(Org. 07-26-14)

Attachments:
Exhibit A: Novak | Francella, LLC: Financial Statements for years ended Dec. 31, 2013 and 2012
Exhibit B: Associated Administrators, LLC: Fourth Quarter 2013
Exhibit C: Associated Administrators, LLC: First Quarter 2014
Exhibit D: Associated Administrators, LLC: First Quarter 2014 Pension Benefit Applications
Exhibit E: Associated Administrators, LLC: Second Quarter 2014 Pension Benefit Applications
Exhibit F: Cheiron, Inc: 2014 Preliminary Valuation Results