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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 SEPTEMBER 4, 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
Tyler Geiman - Novak | Francella, LLC
Henry Jaung - Meketa Investment Group
David Jenson – Associated Administrators, LLC
Fiona Liston - Cheiron
Anne-Marie Sims - Associated Administrators, LLC
Kevin Woodrich - Cheiron

I. CALL TO ORDER

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

II. MINUTES

Board Meeting, May 15, 2013

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 May 15, 2013 are approved.**

III. INVOICES

Ms. Sims presented a list of invoices dated September 4, 2013. 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 September 4, 2013 are approved for payment.**

IV. AUDITOR REPORT

Financial Statements for Years Ended December 31, 2012 and 2011

Mr. Geiman of Novak|Francella, LLC ("Novak"), distributed copies of the Financial Statements for years ended December 31, 2012 and 2011, a copy of which is attached to and made a part of these minutes as Exhibit A. He confirmed that the financial statements, in their 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, 5500 and Financial Statements would be filed under extension.

V. PAYROLL AUDIT COLLECTIONS REPORT

Ms. Sims referred to the Payroll Audit Collections Report dated August 4, 2013 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 Mr. Dan Katz and Ms. Ellen Ranzman were unable to attend the meeting, but that there were no collection matters requiring Board action.

VII. INVESTMENT CONSULTANT REPORT

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

Capital Markets Review

Mr. Spatrick began his presentation with the review of the capital markets. The U.S. equity market continued to perform well, but nearly all other asset classes had negative returns during the second quarter. The negative returns ranged from -1% in developed international equities to -9% in emerging markets and commodities. Many of the underperforming asset classes did rebound in July, led by U.S. stocks, up 5%.

Mr. Spatrick next discussed the Treasury yield curve. He explained the sudden rise in interest rates, focusing on the 10 year portion of the curve. He noted that the yield on 10 year Treasury bonds rose by 1% during the quarter, and as of September 4th, the yield was at 2.86%.

Mr. Spatrick next discussed credit spreads. He noted that the high yield bonds had approximately a 4.9% yield advantage over Treasury bonds. This means that high yield bonds are yielding approximately 7.4% currently.

Fund Performance

Mr. Jaung discussed the fund performance through July. The second quarter 2013 return was -1.8%, which resulted in returns for YTD and 12 months ending the second quarter of +2.1% and +8.6% respectively. Performance rebounded during July as the Fund returned +2.6%, and the YTD performance increased to +4.8%. The most recent Fund performance lagged the policy benchmark. The current policy benchmark does not reflect the Pension Fund's exposure to emerging markets, TIPS and commodities.

Mr. Jaung said that a more specific "target policy benchmark" was added to reflect the Fund's actual asset allocation. This includes emerging markets, TIPS and private equity indices. Mr. Spatrick stated that the current policy benchmark is appropriate for evaluating the asset allocation decisions Meketa Investment Group made, while the new target policy benchmark is useful for evaluating Meketa's manager selection decisions.

Concluding the performance review, Mr. Jaung stated that since Meketa's inception (October 1, 2011), the Fund has a cumulative return of 24.3%, outperforming both the policy benchmark of 23.9% and the new target policy benchmark of 21.7%.

Second Quarter 2013 Fund Highlights

Mr. Jaung then discussed high level factors that helped performance.

1- The Fund continued to overweight domestic equity, which had the highest return during the period, + 3%. The new domestic equity fund, Vanguard Dividend Growth, outperformed the S&P 500 Index by over 1.2% since the initial position was taken in February 2013.

2- The Fund also had an overweight to high yield bonds. Although the high yield bonds had a slight negative absolute return during the second quarter (-0.3%), on a relative basis, it was one of the best performing asset classes. Both managers, Sky Harbor and Loomis Sayles (bank loans), outperformed their respective benchmarks as well.

The detractors were:

1- The Fund had overweighed emerging markets equity which was one of the hardest hit asset classes.
2- The Fund's exposure to natural resources and TIPS were detractors, as they were also hurt by recent events.

Next Steps

Mr. Jaung reported that the Fund will be making an additional $2 million investment with the AFL-CIO BIT Fund. In addition to this investment, Meketa will continue to seek additional real estate investments, specifically in the value-added real estate sector.

Meketa is also working to identify a private debt manager specializing in senior loans. The current plan is to invest $2 million with the private debt manager, once identified. The funding will come from public high yield bonds.

Manager Performance Review

Mr. Spatrick reminded the Trustees that three of the four domestic equity portfolios are index funds. The fourth, Vanguard Dividend Growth, has performed well since the Fund's initial investment in February 2013, outperforming the S&P 500 Index by over 1.2%.

Mr. Spatrick reported that the two international developed markets equity investments protected on the downside by holding up better than their respective benchmarks. Manning & Napier was down -0.9% compared to the benchmark, the MSCI ACWI (ex-U.S.), which was down -3.1%.

Vontobel returned -4.1% as compared to -8.6% for the benchmark.

PIMCO made significant bets in emerging markets bonds, currencies and inflation linked bonds. Because these were some of the weakest sectors, PIMCO underperformed its benchmark.

Mr. Spatrick reported that both Stone Harbor funds, hedged and un-hedged, performed poorly, largely as a result of investor liquidations, requiring managers to sell quality liquid securities to raise cash. Natural resources were the hardest hit asset class during the quarter as the concern for global growth intensified and traded in tandem with the emerging markets. Although down significantly during the quarter, the SSgA S&P Global LargeMidCapNatural Resources Index portfolio rebounded by 2% during July.

Mr. Spatrick reported that the AFL-CIO BIT Fund had a strong absolute quarter, but still lagged its peers by approximately 1%.

VIII. CO-COUNSEL REPORT

Co-Counsel reported that there were no legal matters requiring Board action at this time.

A. Counsel Rate Increase Request

Mr. Singerman noted that the most recent increase of the Co-Counsel hourly professional rate for attorneys to $350 was effective January 1, 2007. He observed that the current rate has been in effect for almost seven 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 $425 effective September 1, 2013, which represents a 3% increase, annually, from the last rate increase.

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 unanimously voted approval of the following resolution:

> **RESOLVED that, pursuant to the request of Seyfarth Shaw, LLP, and of Bredhoff & Kaiser, PLLC, the hourly rate on which the services of the law firms as Fund Co-Counsel are based, is increased from $350 for attorneys to $425 for attorneys, effective immediately.**

IX. ADMINISTRATIVE MANAGER'S REPORT

A. First Quarter 2013 Administrative Manager's Report

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

B. Second Quarter 2013 Pension Benefit Applications

Ms. Sims presented and reviewed the Second Quarter 2013 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 Second Quarter 2013 pension benefit applications are approved for payment as reported.**

X. ACTUARY REPORT

A. 2013 Preliminary Valuation Report

Mr. Kevin Woodrich of Cheiron, Inc. ("Cheiron") distributed copies of the "2013 Preliminary Valuation Report" and reviewed it in detail. A copy of the report is attached to and made a part of these minutes as Exhibit E.

B. Actuarial Update

Ms. Liston distributed a letter, dated September 4, 2013, entitled "Benefit Multiplier Analysis Performed by Cheiron." A copy of the letter is attached to and made a part of these minutes as Exhibit F. She reported that at the last meeting, the Trustees asked

Cheiron to provide a written explanation of what happened during the period December 2012 – March 2013, regarding Cheiron's analysis of a proposed increase in the benefit multiplier on the Plan's future funding. She said that an independent internal audit of Cheiron's work revealed that its initial analysis incorrectly valued the impact of the proposed benefit increases. This error was subsequently reported to the Board of Trustees and a corrected report provided. Ms. Liston reviewed the letter in detail and explained that Cheiron has instituted a new policy under which, in cases where Cheiron values plan changes, the independent audit has been moved up to coincide with the release date of the findings rather than occurring after the fact.

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

XI. OTHER FUND BUSINESS

Trustee Manion left the meeting at this time and provided Trustee Keene with his proxy for all matters coming before the Board.

A. Segal Select Insurance – Fiduciary Liability and Fidelity Bonding Policies

The Trustees welcomed Mr. Brian Smith from Segal Select Insurance, Inc., to the meeting. Mr. Smith explained that the Fund's prior broker for its fiduciary insurance policy and fidelity bond had decided to streamline its business focus and transfer the business to Segal Select Insurance Services, Inc. ("Segal"). He explained that Segal works entirely on commission and confirmed that its acquisition of this business had no effect on its commission. Mr. Smith reported that Segal focuses on four core services: fiduciary liability insurance, fidelity bonding, employment practice liability, and cyber liability insurance. He provided an overview of the options available for renewal of the fidelity bond and fiduciary liability policies. The Trustees requested that Segal provide options to combine the three fiduciary liability policies for the Welfare, Group Legal Services, and Pension Funds, into one for Trustee consideration at the next renewal.

B. Annual Funding Notice

Ms. Sims reported that, as required by law, the Annual Funding Notice was mailed to participants, the Department of Labor, Local 25, and the Pension Benefit Guaranty Corporation by the April 30, 2013 deadline.

C. Request for Pension Credit Correction

Ms. Sims informed the Board that the Fund had received a letter dated July 24, 2013 from Mr. Boardman, requesting that a correction be made to his credited years of service with Local 25 from 1992 through 1996. The letter explained that, during that period, he was employed by and receiving income from Local 25, but contributions were not being paid to the Fund on his behalf because his employment was mischaracterized as an independent contractor. Mr. Boardman is requesting that the Fund calculate the amount owed for the period above plus any interest or fee that might be required by the Fund and once calculated submit the bill to Local 25 for payment. The Trustees discussed the possibility of retaining an independent fiduciary to evaluate the claim and requested that Counsel provide them with options for consideration. Mr. Boardman recused himself from this discussion.

XI. NEXT MEETING DATE AND LOCATION

The Trustees scheduled a regular Board meeting to be held December 10, 2013, at the offices of UNITE HERE Local 25, commencing at 1:00 p.m.

XII. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,
Solomon Keene
Secretary-Treasurer

AMS/klw
(Org. 09/5/13)

Attachments:

Exhibit A: Exhibit A: Financial Statements for years ended December 31, 2012 and 2011
Exhibit B: Associated Administrators, LLC: Payroll Audit Collections Report dated August, 2013
Exhibit C: Associated Administrators, LLC: First Quarter 2013 Administrative Manager's Report
Exhibit D: Associated Administrators, LLC: Second Quarter 2013 Pension Benefit Application Report