UNITE HERE Local 25 and Hotel Association of Washington, D.C.
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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 OCTOBER 18, 2012
WASHINGTON, D.C.

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
John Boardman - Chairman	Solomon Keene - Secretary-Treasurer
Stephanie Steer	Joel Manion
	Stuart Damon

Also present were:

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

I. CALL TO ORDER

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

II. MINUTES

A. Board Meeting, July 19, 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 Board meeting held July 19, 2012 are approved.**

B. Finance and Collections Committee, August 16, 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 Finance and Collections Committee meeting held August 16, 2012 are approved.**

III. INVOICES

Ms. Sims presented a list of invoices dated October 18, 2012. 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 October 18, 2012 are approved for payment.**

IV. 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 June 28, 2012 through October 8, 2012," 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 recently completed the payroll audit of the Capital Skyline Hotel. She said the employer omitted hours, failed to report employees in covered job classifications and disputed the interest calculation and the findings that summer help should be reportable to the Fund and requested that these Participants be removed from the results. Additionally, she noted that the employer's general ledger indicated that they used Temps of D.C. and Foodstaff Temp agencies. This was brought to the attention of the General Manager and Comptroller, and she requested detailed invoices for the period January 1, 2009 through December 31, 2012. Ms. Odell said that Calibre had requested these invoices on numerous occasions via email and telephone and still have not received them. She requested that the Fund assist them in obtaining these documents. The Trustees discussed this matter and Counsel requested that Ms. Odell provide additional information on this issue, specifically which records were requested, deadlines for the requests and an explanation of why the employer is not providing the documents.

Ms. Odell reported that the L'Enfant Plaza Hotel was unwilling to send its original payroll records for the period January 1, 2008 through June 14, 2010 to Calibre's Washington, D.C. office and requested that the audit be performed at the Loews Hotel in New York where the records are kept. She explained that a new management group took over the L'Enfant Plaza Hotel on June 15, 2010. Ms. Odell said that in order for Calibre to conduct the audit in New York, additional audit fees of up to $1,000 would be charged.

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

V. <u>PAYROLL AUDIT COLLECTIONS REPORT</u>

Ms. Sims referred to the Payroll Audit Collections Report dated July 2, 2012 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.

VI. <u>COLLECTION COUNSEL REPORT</u>

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. Alan Spatrick and Mr. Henry Jaung from Meketa Investment Group ("MIG") to the meeting.

Agenda

Mr. Jaung began by outlining the agenda MIG prepared for the meeting. The items on the agenda were:

1- Capital markets and macroeconomic updates
2- Executive summary, including the Pension Fund return and market value at the end of August 2012
3- Update of the current asset allocation, including the new investments in natural resources equity and high yield bonds
4- Briefing the Trustees on the next steps MIG will be undertaking to refine the investment managers structure

Capital Markets and macroeconomic updates

Mr. Spatrick described capital market returns during the second and third quarters of 2012. Equities worldwide fell sharply in the second calendar quarter, before rebounding smartly during the third quarter of the year. Bonds produced gains in both quarters, pushing interest rates down further. Mr. Spatrick described the rapid cyclical shifts in investment performance between different sectors of the markets, focusing on a chart which showed how frequently US and foreign equity historical returns alternated in leadership.

Executive Summary

Mr. Jaung began by stating that the Fund's market value at the end of August was $115.7 million, an increase of $3.7 million from June 30. The Fund returned 7.9% year to date with all the asset class aggregates and managers posting positive returns. The Fund also outperformed the benchmark by 1.4% since MIG's initial involvement with the Fund.

Asset Allocation Update

Mr. Jaung noted that the slight overweight in domestic equities along with the overweight in the large cap segment continued to benefit the Fund. The international and emerging markets exposures are on the lower end of the target ranges. He stated MIG plans to make changes to the international manager roster by selling the Artio portfolio and investing the proceeds in a low cost index fund and adding to the current investments in the emerging markets. Mr. Spatrick will discuss this in more detail later in the presentation.

Mr. Jaung stated that the investment grade bond managers' structure will be revised with the elimination of Western Asset Core Plus Fund. The proceeds will be used to bring TIPS to the target weight and possibly a less expensive index fund. He stated that Mr. Spatrick will add more detail on this decision to eliminate Western Asset. He also stated that MIG is comfortable with the current positions in emerging markets debt and high yield bonds as they are very close to the target weights.

Mr. Jaung also stated that MIG will be restructuring the real estate managers by liquidating the MEPT portfolio and investing the proceeds in a value add real estate fund. Again, Mr. Spatrick will discuss the analysis behind this trade later on.

He concluded this section by introducing the next topic of manager analysis by saying that this will be MIG's initial foray in restructuring the investment managers in place prior to MIG's involvement.

Manager Analysis

Mr. Spatrick began with the analysis of investment grade bond manager, Western Asset. Both PIMCO and Western are "core plus" managers and both have outperformed the Barclay's Aggregate Index over the intermediate and long term. Western is a higher beta manager with slightly higher overall volatility. MIG has higher confidence in PIMCO and will eliminate Western and use the proceeds to fund lower volatility index fund and possibly TIPS.

He continued with the comparison of Manning & Napier (M&N) with Artio. He noted that Artio's rapid increase in assets impeded their ability to add value for their clients since 2007. They also have had difficulties in navigating the choppy macroeconomic environment since 2008. MIG questions the firm's stability and ability to produce returns above that of the benchmark. Mr. Spatrick stated that MIG plans to eliminate Artio and invest the proceeds in a low cost index fund. M&N went public last year and MIG has some concerns over this development. M&N will be retained by the Fund, but under close scrutiny.

The final analysis compared the MEPT portfolio to the AFL-CIO Building Investment Trust. This analysis also included the recent experience of core and value add real estate sectors. Mr. Spatrick noted how core and trophy properties have recovered to within 5% to 10% of the 2007 their peak valuation, but the value add and distressed sectors have only recovered to within 42% and 55%, respectively, of their peak valuations.

Mr. Spatrick concluded that due to the much larger asset base, MEPT will likely perform very much in line with the benchmark. Given the high management fees of this asset class, this is not the best use of active management fees. He advised the Trustees that MIG will be liquidating the MEPT portfolio at the next available window and invest the proceeds in a value add real estate fund.

The Trustees thanked Mr. Spatrick and Mr. Juang for their presentation and they were excused from the balance of the meeting.

VIII. <u>CO-COUNSEL REPORT</u>

Mr. Singerman and Ms. Mayerson reported that there were no legal matters to report.

IX. <u>ACTUARY REPORT</u>

Mr. Woodrich distributed a report entitled "January 1, 2012 Actuarial Valuation and Experience Study," a copy of which is attached and made a part of these minutes as Exhibit C. He explained at the last meeting that the Trustees expressed concern that the experience study report was overstating the total terminations in the Fund due to

Participants being counted as terminated when they were laid off, when hotels closed for renovations, and then re-counted as re-hires when the hotels re-opened. Mr. Woodrich reported that he researched how the Participant terminations were handled for the purposes of this report. He determined that predicting service base seemed more appropriate before accounting for possible renovations.

Mr. Woodrich then reviewed the demographic assumptions for the purposes of terminated vested Participants who are older than age seventy. He explained that Cheiron assumes the following probabilities of receipt based on the current ages: (1) 100% if the Participant is less than age seventy-five, (2) 75% if the Participant is between seventy-five and seventy-nine years old, (3) 50% if the Participant is between eighty and eighty-four years old, and (4) 25% if the Participant is less that eighty-five years old.

The Trustees thanked Mr. Woodrich for his report and excused him from the balance of the meeting.

X. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2012 Administrative Manager's Report

Ms. Sims presented and reviewed the first quarter 2012 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit D.

B. Third Quarter 2012 Pension Benefit Applications

Ms. Sims presented and reviewed the third quarter 2012 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 third quarter 2012 pension benefit applications are approved for payment as reported.**

C. Administrative Services Agreement - Renewal January 1, 2013 through 2015

Ms. Sims summarized Associated's renewal proposal for the years 2013, 2014 and 2015. 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, the Trustees tabled the request for further consideration until the next scheduled meeting.

XI. OTHER FUND BUSINESS

A. Fiduciary Liability Policy Renewal

Ms. Sims reported that the Fund's Fiduciary Liability Policy had been renewed for the period August 1, 2012 through August 1, 2013 and that all Trustees had paid their waiver of recourse premium.

B. Pension Benefit Guaranty Corporation - Comprehensive Filing for 2012

Ms. Sims reported that the 2011 Comprehensive PBGC premium had been filed timely.

C. 8955- SSA Schedule

Ms. Sims reported that the 8955-SSA Schedule had been filed with Internal Revenue Service prior to the October 15th, 2012 deadline and letters sent out notifying Participants eligible for deferred vested benefits as required.

D. Form 5500 for the Plan Year Ended December 31, 2010

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

XII. NEXT MEETING DATE AND LOCATION

The Trustees scheduled a Special Board meeting to be held December 13, 2012, at the offices of the UNITE HERE Local 25, commencing at 9.00 a.m.

XIII. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,
Solomon Keene
Secretary-Treasurer

AMS/klw

(Orig.10-29-12)

Attachments:
Exhibit A: Calibre CPA Group, PLLC: Compliance Audit Program Status Report for the period June 28, 2012 through October 8, 2012
Exhibit B: Associated Administrators, LLC: Payroll Audit Collections Report as of October 4, 2012
Exhibit C: Cheiron, LLC: January 1, 2012 Actuarial Evaluation and Experience Study
Exhibit D: Associated Administrators, LLC: Administrative Manager Report, Second Quarter 2012
Exhibit E: Associated Administrators, LLC: Pension Benefit Application, Third Quarter 2012