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 FEBRUARY 27, 2020
IN WASHINGTON, D.C.

The following Trustees were present:

UNION TRUSTEES	EMPLOYER TRUSTEES
John Boardman - Chairman	Solomon Keene
Linda Martin	Charles Hill
Stephanie Steer	Satinder Palta

Also present were:

Anne Mayerson - Bredhoff & Kaiser, PLLC
Fredric Singerman - Seyfarth Shaw, LLP
Barbara Maiorano – Associated Administrators, LLC
Jackie Coyle - Novak|Francella, LLC
Tyler Geiman - Novak|Francella, LLC
Anne-Marie Sims - Associated Administrators, LLC
Henry Jaung – Meketa Investments
Coralie Taylor – Cheiron, Inc.
Kevin Woodrich – Cheiron, Inc.

I. CALL TO ORDER

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

II. APPOINTMENT OF NEW TRUSTEE

Ms. Sims reported that she received written confirmation 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. Satinder Palta, General Manager of the Marriott Marquis Hotel, as Employer Trustee effective February 6th, 2020, replacing Mr. William Walsh who had recently provided his resignation as Trustee. Mr. Singerman reported that Mr. Palta had previously been a Trustee on the Fund and had received fiduciary training at that time.

III. MINUTES

Board Meeting, Revised August 6, 2019

Ms. Sims reported she had received no comments on the revised 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 revised minutes of the Board meeting held August 6, 2019 are approved, and Ms. Sims is authorized to execute the minutes on behalf of the Trustees.**

Board Meeting, November 20, 2019

Ms. Sims reported she had received no 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 November 20, 2019 are approved, and Ms. Sims is authorized to execute the minutes on behalf of the Trustees.**

IV. INVOICES

Ms. Sims presented a list of invoices dated February 14, 2020. She 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 February 14, 2020 are approved for payment.**

V. PAYROLL AUDIT REPORT

Payroll Audit Collections Report

Ms. Sims referred to the Payroll Audit Status Report included in the meeting book. A copy of the report is attached to and made part of the minutes as Exhibit A. Ms. Sims reviewed the report, which contains the status of open payroll audits as of February 18, 2020.

Ms. Jackie Coyle provided an overview of the current status of the payroll audits being performed by Novak. With respect to Hilton Washington Embassy Row, Mr. Boardman has not been able to obtain a contact for Destination Hotels, which was the operator during the audit period (the property was sold and the operator changed in December 2018). Mr. Boardman and Mr. Keene said they would try to obtain a contact at Destination.

The Trustees asked Anne Mayerson to send audit entry letters to Destination, if necessary, once contact information has been established.

Ms. Coyle reported that, with respect to the Beacon Hotel audit (January 2017 through March 2018), the seller's CFO and payroll administrator, Pattie Tipton, has provided the requested documentation and the audit is complete. Ms. Coyle reviewed the findings and asked whether contributions are due for the hours worked when someone works double time. She said that the employer is paying contributions on regular hours and overtime hours but not double time hours on Inauguration Day. After discussion, the Trustees referred this issue to the Finance and Collection Trustees and Co-Counsel.

Ms. Coyle reported that, with respect to the Capitol Skyline audit (January 2016 through December 2018), Novak has completed the audit report, and a draft report has been sent to the employer before Novak issues a final report to the Fund office.

Ms. Coyle reported that Novak has received payroll records from the Sheraton Tysons Corner. Mr. Boardman noted that Sheraton Tysons Corner has been on the market for six months. The Trustees discussed the need to extend the audit period for this employer through 2019.

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

RESOLVED to extend the audit period for Sheraton Tysons Corner through 2019.

[Note: the audit period was subsequently extended through the April 3, 2020 closure date of the Sheraton Tysons Corner]

VI. COLLECTION COUNSEL REPORT

Ms. Sims reported that, after numerous attempts to collect payment on the audit findings for Aramark at Capital One Arena, this matter was referred to Collection Counsel.

VII. CO-COUNSEL REPORT

A. SECURE ACT

Counsel reported that the SECURE ACT was recently passed into law. One of the provisions of the law allows for pension plans to increase the age at which required minimum distributions ("RMDs") must begin to 72, effective with respect to individuals who attain age 70½ after December 31, 2019. Counsel explained that the Plan can adopt this provision and increase the age for commencement of RMDs to age 72 or retain the Plan's current provision requiring distribution at age 70½. After discussion, the Trustees requested that the Actuary do a cost analysis for Trustee consideration showing the cost, if any, for the Plan to increase the age for RMD's to 72.

Counsel further reported that the SECURE ACT also provides for increased penalties for the late filings of the annual Form 5500 and Registration Statement identifying deferred vested participants entitled to a benefit.

B. Lost Participants

Co-Counsel reported that they are working with the Administrative Manager on a policy for Trustee consideration regarding how the Plan handles lost participants.

C. Collection Policy

Ms. Mayerson distributed a redlined version of the revised collection policy for Trustee consideration. The revision incorporates language to address the employer's obligation to retain records, as previously approved by the Board of Trustees.

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

RESOLVED to adopt the Collection Policy as presented.

D. Seyfarth Shaw – Engagement Letter

Mr. Singerman reported that Seyfarth Shaw is preparing a new engagement letter for Trustee consideration and requested that this be delegated to the Finance and Collections Committee. After discussion, on Motion made and seconded, the Trustees voted approval of the following resolution:

> **RESOLVED to delegate to the Finance and Collections Committee authority to approve revisions to Seyfarth Shaw's engagement letter.**

VIII. UNITE HERE Local 23 Participating Employers

Ms. Mayerson reported that two Local 23 employers remain in the Fund: Restaurant Associates and Aramark Verizon Center (Concessions). Under its current Collective Bargaining Agreement that expires on December 2, 2021 the contribution rate is below than the contribution rate in the HAWDC contract. The Restaurant Associates CBA, which expires in July 2021, has rates consistent with the HAWDC CBA. Mr. Boardman discussed the challenges posed to the Fund because Local 25 does not have visibility into the contract terms governing Fund contributions or transactions that would potentially affect the Fund. He recommended that Aramark be terminated as soon as administratively practical and that Restaurant Associates be terminated at the end of its CBA in July 2021.

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

> **RESOLVED to terminate the participation of Aramark Verizon Center (Concessions) effective May 1, 2020, and to terminate the participation of Restaurant Associates effective upon termination of the CBA in July 2021.**

IX. INVESTMENT CONSULTANT REPORT

The Trustees welcomed Mr. Henry Jaung of Meketa Investment Group ("Meketa"). Mr. Jaung began by outlining the meeting agenda, including an executive summary, including asset growth and performance through 12/31/2019, the performance of the aggregate asset classes, and a market update highlighting the current macroeconomic environment. The report concluded with a review of the current Fund structure and an attribution analysis.

The Fund was valued at $263.6 million at the end of December 2019, an increase of $11.3 million from previous quarter's end. The Fund posted a 3.9% gross of fees return during Q4 2019 and 15.7% for calendar year 2019. Since the inception date with Meketa in October 2011, the Fund returned 7.6% gross of fees, slightly trailing the Policy and Target Policy Benchmarks by 0.7% and 0.9%, respectively. The Fund continued to have a conservative positioning through 2019, and that was the primary reason for underperforming the two primary benchmarks. The Fund continues to carry an underweight position to global equities and an overweight position to high grade bonds. Mr. Jaung highlighted that U.S equities outperformed all other asset classes during Q4. The standout performer in 2019 was the First Eagle Gold Fund with a total return of 39%. He also pointed out that the private markets program within the Fund continues to perform well. The all-in internal rate of return of the program was approximately 15%.

The Fund is well within the policy ranges for all asset classes. Meketa made no changes in positioning during Q4 2019. He reminded the Board that, in 2011, the total assets of the Fund were approximately $100 million. It has grown significantly and now stands at approximately $264 million. He further stated that 80% of the increase was due to investment gains, and 20% due to the positive cash flow. Mr. Jaung said that this is the only pension fund he works with that has a positive cash flow. He concluded this section by highlighting that the management fee for the Fund is a low 0.33%.

The primary reason for the Fund's underperformance relative to the two benchmarks continues to be the conservative positioning of the Fund, particularly the overweight to investment grade bonds. It is Meketa's belief that the recent downturn in the equity markets would have improved the relative ranking of the Fund within its peer group as most plans in the peer group have higher equity weighting than the Fund.

Meketa made no changes in positioning during Q4 2019. Given the market volatility over the last week or so, and the drop in Treasury yields, Meketa may begin to implement some re-balancing to equities. Mr. Boardman asked if Meketa would consider selling bond positions given that the yields are at historical lows. Mr. Jaung agreed that, while yields are extremely low, it is possible for them to go lower from these levels. He emphasized that there is very little visibility in this volatility, so any decisions to rebalance will be made after Meketa is able to digest the current environment.

X. ACTUARY REPORT

A. 2020 Actuarial Consultant's Presentation

Kevin Woodrich and Coralie Taylor of Cheiron, Inc. distributed copies of their February 27, 2020 report titled "Actuarial Consultant's Presentation" and reviewed it in detail. A copy of the report is attached to and made a part of these minutes as Exhibit B. The Trustees confirmed that the industry activity assumption remains unchanged; that is, no change in the number of hours worked. Ms. Taylor reported that Annual Certification of Plan Status under Section 432(b) of the Internal Revenue Code (the "zone certification") is due to be filed by March 31, 2020. She reported that the Fund will be certified in the Safe zone for the 2020 Plan Year due to special rules that allow certain endangered plans to be deemed safe due to the funded ratio being above 80%. Ms. Taylor explained that, in order to qualify for these special rules, the

Plan must be projected to become Green (Safe) after 10 years without making any Plan changes.

Mr. Woodrich reminded the Trustees that the Annual Funding Notice must be sent out to the bargaining parties, participants and the Pension Benefit Guaranty Corporations ("PBCG") thirty days from the filing of the zone certification.

B. <u>2020 Retainer Fees</u>

Ms. Sims distributed a January 22, 2020 letter from Cheiron requesting an increase in its annual fee for retainer services from $54,752 to $55,628 and proposing hourly billing rates for non-retainer work for the period April 1, 2020 through March 31, 2021.

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

> **RESOLVED to approve the increase in the annual fee to Cheiron for retainer services from $54,752 to $55,628 and to approve the proposed hourly rates for non-retainer services for the period of April 1, 2020 through March 31, 2021.**

A copy of the Cheiron's fee request is attached to and made a part of these minutes as Exhibit C.

XI. <u>ADMINISTRATIVE MANAGER'S REPORT</u>

A. <u>Third Quarter 2019 Administrative Manager's Report</u>

Ms. Sims presented and reviewed the Third Quarter 2019 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit D.

B. <u>Fourth Quarter 2019 Administrative Manager's Report</u>

Ms. Sims presented and reviewed the Fourth Quarter 2019 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit E.

C. Fourth Quarter 2019 and First Quarter 2020 Pension Benefit Applications

Ms. Sims presented and reviewed the Fourth Quarter 2019 and First Quarter 2020 Pension Benefit Application Reports, copies of which are attached to and made a part of these minutes as Exhibit F.

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

> **RESOLVED that the Fourth Quarter 2019 and First Quarter 2020 Pension Benefit Applications are approved for payment as presented.**

XII. OTHER FUND BUSINESS

A. PBGC Comprehensive Filing

Ms. Sims reported that the 2019 comprehensive PBGC premium filing had been completed timely.

B. Form 5500 for the Plan Year Ended December 31, 2019

Ms. Sims reported the timely filing, under extension, of the Form 5500 for the Plan Year ended December 31, 2019.

C. Fund Auditor Engagement Letter – 2019 Plan Year

Ms. Sims reported that copies of the proposed audit engagement letter for the 2019 Plan Year from Mr. Tyler Geiman of Novak|Francella, LLC ("Novak") had been circulated prior to the meeting. A copy of the subject letter is attached to and made a part of these minutes as Exhibit E.

Ms. Sims noted that the requested fee of $20,000 for 2019 for the audit and related services is a 5% increase from the prior year.

Following discussion, upon Motion made and seconded, the Trustees unanimously voted approval of the following resolution:

RESOLVED that, the engagement of Novak|Francella, LLC for the 2019 audit and related services is approved at the requested fee of $20,000.

XIII. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Thursday, June 4th, 2020, commencing at 10:00 a.m.

XIV. ADJOURNMENT

There being no further business, the meeting was adjourned.

Approved by the Board of Trustees on __________, 2020

By: ________________________

Anne-Marie Sims, Associated Administrators, LLC.

AMS/bm

(Org. 02-27-2020)

Attachments:
Exhibit A: Payroll Audit Collections Report, as of February 27, 2020
Exhibit B: Cheiron: 2019 Preliminary Actuarial Valuation Results
Exhibit C: Cheiron: 2020 Retainer Fees
Exhibit D: Associated Administrators, LLC-Administrative Managers Report – Third Quarter 2019

Exhibit E: Associated Administrators, LLC-Administrative Managers Report – Fourth Quarter 2019

Exhibit F: Pension Benefit Applications Report – Fourth Quarter 2019 and First Quarter 2020