MEETING OF THE BOARD OF TRUSTEES OF THE HOSPITALITY INDUSTRY 401(k) PLAN

Held at: UNITE HERE Local 25
901 K Street, N.W., Suite 200
Washington, DC 20001

On: August 6, 2019

Trustees Present:
John Boardman
Solomon Keene

Others Present:

Anne Mayerson, Bredhoff & Kaiser, PLLC, Fund Co-Counsel
Fred Singerman, Seyfarth Shaw LLP, Fund Co-Counsel
Anne-Marie Sims, Associated Administrators, LLC
Tyler Geiman, Novak Francella
Marcella Pascal, Novak Francella
Alan Spatrick, Meketa Investment Group (for part of the meeting)
Bill Stahl, Prudential Retirement (by telephone for part of the meeting)
Casey Golodsky, Prudential Retirement (by telephone for part of the meeting)

I. Call to Order

The meeting was called to order at approximately 12:15 p.m.

II. Approval of Minutes of Prior Meeting

The Trustees reviewed the minutes of the Board of Trustees meeting of April 25, 2019 and approved them with no changes.

III. Prudential

Bill Stahl reviewed with the Trustees the Plan Summary as of June 30, 2019, including demographics, distributions, and investment option statistics.

Mr. Stahl reported on completed educational meetings with the Omni Shoreham (May 23), the Sheraton Tyson (June 13), and the Embassy Suites – Convention Center (July 23). A September 19, 2019 meeting has been scheduled with the Double Tree Hilton – Crystal City. In addition, a September 20, 2019 meeting has been confirmed for the Gaylord. Prudential has ceased efforts to schedule a meeting with the St. Regis, since Doris Hooks (who was to provide Mt. Stahl with a contact name) has not responded to any of Mr. Stahl's messages.

Mr. Stahl explained that, as requested at the last meeting, he had followed up with the Madison to determine why it was making contributions in 2019 for periods going back as far as 2017. In response to his email request, he received a response from Alberto Rodriguez in the HR Department that stated, "HR does not normally handle 401K contributions. It was an accounting function and as of Jan 2018, we were given the responsibility and came across certain discrepancies that required attention." A discussion for the best way to proceed followed, in the course of which Mr. Solomon noted he believed the Madison's General Manager position had been vacant for some time. Mr. Boardman said he would contact the Madison to obtain the name of the responsible person so that a call could be scheduled between that person and counsel to determine the reason for the late contributions and ensure future contributions are made timely. In response to a question, Ms. Sims advised the last payroll audit for the Madison covered the period 2014 – 2016 (with no findings), and noted the hotel was sold in July 2017. The Trustees agreed that a closing audit for the short 2017 period was not warranted.

IV. Investment Consultant's Report

Mr. Spatrick reviewed the 401(k) Plan. Total Plan assets were valued at $42.1 million on June 30, an increase of $2.2 million for the second quarter, and an increase of $3.9 million over the prior twelve months. He said that just under 36% of total assets were invested in balanced funds; the next largest group was large-cap U.S. equities at 20% of total assets, then the stable value fund at 14%.

Next, Mr. Spatrick reviewed fund performance. He said that absolute and relative performance has been good over the past year, highlighting that five of the six active US equity managers beat peers and benchmarks, with three of those funds outperforming benchmarks by wide margins. He said that among midcap funds, Artisan gained 19.8% over the past year, nearly 600 basis points above the benchmark.

He said that the Principal small-cap growth fund had the best relative returns of all fund options, outperforming its benchmark by almost 1000 basis points. The only significant underperformer was the small-cap international fund run by the DFA, whose returns were hurt by the market's preference for growth over value and preference for large stocks over small stocks.

He said that the two active bond funds outperformed their respective benchmarks over the past year and that the set of Vanguard target date funds filled an important role on the Plan and accounted for 36% of total assets. The Vanguard target date funds performed well overall, partly due to very low fees.

Next, he presented a first draft of an investment policy statement for the 401(k) Plan. He said that, in the document, Meketa sought to identify the purpose, objectives, and constraints of the Plan, while describing selection and monitoring of the funds. Mr. Spatrick described the statement as an initial draft, and said that if Trustees and Fund Counsel had comments, Meketa would address those comments at the next meeting.

Finally, Mr. Spatrick said that his firm had a recommendation regarding fund options. He said that the Plan currently offers low-cost index funds for U.S. equities, for emerging market equities, and for real estate. He said that his firm recommended adding two new index funds, one investing in international equities and one in investment-grade bonds.

He said that Meketa recommend adding the Vanguard Total Bond Index fund, which provides broad exposure to U.S. investment grade bonds, with an expense ratio of 0.05%, structured more conservatively than the existing core plus bond fund.

He said they also recommended adding the Vanguard Total International Stock Index fund, which offers exposure to developed and emerging market equities, and said that the current expense ratio is 0.11%. He summarized by saying that the addition of those two funds would offer the participants an index fund in all major asset classes.

A motion was made, seconded and approved, to add the two recommended funds to the Plan.

V. Auditor's Report

Tyler Geiman presented draft financial statements for the year ended December 31, 2018. He is still awaiting delinquency schedules from Prudential to complete the financial statements. Once he receives the schedules, he will circulate an updated draft of the financial statements.

VI. Co-counsel Report

Mr. Singerman reported, at the request of the DOL investigator, he and Anne Mayerson had a call with the investigator the previous Friday. During the call, the investigator raised four points that would normally be raised at the end of a non-multiemployer plan audit:

1. The investigator said the "DOL calculator" that the Plan uses to calculate lost earnings on late contributions may be used only for plans that participate in the Department's Voluntary Fiduciary Correction Program ("VFCP") and since the Plan has not applied for VFCP relief, it may not use the DOL calculator to calculate lost earnings. Co-counsel explained to the investigator that, given the small dollar amount of lost earnings and the fact that administrative fees are largely paid by participants, the most reasonable and cost-effective methodology is to use the DOL calculator. The investigator said that he would ask his supervisor.
2. The Plan had previously provided documentation requested by the DOL, including contribution reports, from the beginning of the audit period (2014) through the end of

2017. The investigator asked for contribution reports from 2018 to date. Co-counsel explained that there was a gap during the period of transition from Principal to Prudential, and asked him to reconsider this request given that he already has four years of data. The investigator said that he would ask his supervisor.

3. The investigator wants the Plan to work on payroll process improvements for habitually late employers but provided no detail as to which employers he was referring to.
4. The investigator wants to interview the Trustees. He said that the interviews are generally done separately but he will discuss with his supervisor co-counsel's request to interview the Trustees jointly, since all decisions are made jointly. The investigator confirmed co-counsel could be present at the interview(s).

Anne Mayerson added that the DOL investigator had requested a tolling agreement, which counsel recommended that the Trustees agree to but which has not yet been provided.

VII. Administrative Manager's Report

Ms. Sims presented the Administrative Manager's Report for the First Quarter 2019. The Trustees reviewed the cashflow report and concluded the participant administrative fee does not appear to require adjustment at this time. Mr. Singerman asked that the Administrative Manager's Report include a cash flow projection as requested at the prior meeting.

VIII. Next Meeting Date and Adjournment

The next meeting was scheduled to immediately follow the meetings of the related funds on November 20, 2019. There being no further business before the Board of Trustees, the meeting was adjourned at 2:00 p.m.