**Gastronomical Workers Union Local 610**
**and Metropolitan Hotel Association**
**Pension Fund**
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# MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE GASTRONOMICAL WORKERS UNION LOCAL 610 AND METROPOLITAN HOTEL ASSOCIATION PENSION FUND HELD MARCH 9, 2017 IN SAN JUAN, PUERTO RICO

The following Trustees were present:

| Union Trustee | Employer Trustee |
|---|---|
| J. Rivera, Chairman | D. New, Secretary |
| M. Vazquez | |

**Also present were:**
L. DuVall – Associated Administrators, LLC
A. Cohn – The Segal Company (via teleconference)
R. Egan – The Segal Company (via teleconference)
J. Herishen – Salter & Company (via teleconference)
M. Lotruglio – Quan-Vest Consultants (via teleconference)
M. Nham – Slevin & Hart, P.C.

## I. CALL TO ORDER

A quorum being present, the meeting was called to order.

## II. MINUTES

The Trustees reviewed the minutes of the last regular meeting held on October 6, 2016, which were circulated in advance of the meeting. After discussion, and upon a MOTION duly made and seconded, the Trustees

> **RESOLVED, that the minutes of the regular Board meeting held on October 6, 2016 were approved as presented.**

## III. ATTORNEY'S REPORT

A. Delinquency Report and Litigation Update

Club Deportivo

Ms. Nham reported on the status of the Fund's discussions with the United States Bankruptcy Trustee's Office regarding Club Deportivo's failure to satisfy its obligations under its Chapter 11 Bankruptcy Plan. After discussion, the Trustees directed Fund counsel to send another letter to the United States Bankruptcy Trustee requesting that they re-open this case.

Hotel Melia

Ms. Nham reviewed discussions between the Trustees and Hotel Melia between regular Board meetings regarding payment of the delinquent amounts owed. Pursuant to these discussions, Fund counsel prepared a Settlement Agreement which was sent to Hotel Melia for signature on February 13, 2017. Hotel Melia remitted one payment of \$2,000 to the Fund, but it failed to respond to or to execute the proposed Settlement Agreement. Chairman Rivera stated that Hotel Melia advised him that it does not want to pay any further contributions to the Fund. He further advised that the current stipulation extending the term of the collective bargaining agreement that requires Hotel Melia to pay contributions to the Fund expired December 31, 2016. After discussion, and upon MOTIONS duly made and seconded, the Trustees

**RESOLVED, that December 31, 2016 is the effective date of Hotel Melia's withdrawal from Fund.**

**RESOLVED, to authorize Segal to calculate Hotel Melia's withdrawal liability obligation to the Fund based on the December 31, 2016 date of withdrawal from the Fund.**

**RESOLVED, to authorize Salter to perform a final payroll audit of Hotel Melia for the period of time allowed by the Fund's audit policy.**

Hospital Del Maestro

Ms. Nham discussed the outstanding withdrawal liability amount owed by Hospital Del Maestro and the settlement proposal made by the employer. She stated that in accordance with the Trustees' decision at the October 6, 2016 Board meeting, Fund counsel proposed a counter settlement offer to Hospital Del Maestro of \$5,000 per month withdrawal liability payments. On October 29, 2016, Hospital Del Maestro made a counter offer of \$4,000 per month. In response, Fund counsel asked for further clarification regarding the terms of Hospital Del Maestro's counter offer and asked Hospital Del Maestro to execute a confession of judgment. Hospital Del Maestro has not responded to Fund counsel's questions. Ms. Nham stated that if Hospital Del Maestro accepts the Fund's settlement offer, its withdrawal liability payment schedule must be recalculated to reflect lower monthly payments. After discussion, and upon MOTION duly made and seconded, the Trustees

**RESOLVED, to authorize Fund counsel to send another letter to Hospital Del Maestro stipulating that it agree to a confession of judgement and that it respond within two weeks and to authorize the Fund actuary to recalculate Hospital Del Maestro's withdrawal liability payment schedule to reflect monthly payments of $4,000.**

B. Form 5500 and Financial Statements

Ms. Nham stated that Fund counsel had worked with the Fund auditor on the Form 5500 and Financial Statements for the Plan year-ended May 31, 2016.

## IV. INVESTMENT CONSULTANT'S REPORT

The Trustees welcomed Mr. Tom Mazur of Quan-Vest Consultants, Inc. ("Quan-Vest") to the meeting via teleconference.

A. Management Changes at Quan-Vest

Mr. Mazur reported on the passing of Quan-Vest's Founder and Chairman, Dr. Anthony F. Lotruglio. He informed the Trustees that Quan-Vest's Board of Directors elected Mr. Mark W. Lotruglio, President of Quan-Vest and majority shareholder, to serve as Chairman. He stated that Quan-Vest would continue to provide investment management consulting services to the Fund on a seamless basis.

B. Performance Report

Mr. Mazur reported that the market value of the Fund's portfolio as of January 31, 2017 was $9.2 million as compared to $14.9 million ten years ago. He reviewed the investment performance report for the period ended January 31, 2017. He reported that for the one-year period ended January 31, 2017, the Fund's total portfolio returned 8.4% compared to a passive index return of 7.9%. The equity portfolio returned 21.8% and the Fund's fixed income portfolio returned 1.6% for the one-year period ended January 31, 2017. He stated that these reported returns were net of investment fees.

C. Asset Allocation

Mr. Mazur reported that the asset allocation on January 31, 2017 was 66.9% in fixed income, 31.9% in domestic equity, and 1.2% in cash. He said that the market value of assets for the combined portfolio was $9,180,446, of which Vanguard Total Stock Fund ("Vanguard") held $2,925,654 and Cutwater Asset Management ("Cutwater") held $6,254,792.

D. Investment Portfolio Withdrawals

Mr. Mazur stated that the Fund's asset allocation policy targets are 30% in domestic equity and 70% in fixed income, with an allowable range of plus or minus 10%. He advised that the percentage of assets invested in domestic equity is at the limit of what is permissible under those targets. He recommended adjusting the Fund's monthly withdrawals to $130,000 from Cutwater (fixed income) and $70,000 from Vanguard (domestic equity), to maintain the Fund's asset allocation policy targets.

Mr. Mazur stated that he had been advised by the Fund's administrative manager that an additional $120,000 is needed to pay Fund expenses. He recommended withdrawing $40,000 from the Vanguard Total Stock Market Index Fund and $80,000 from fixed income investments managed by Cutwater.

E. Document Request

Mr. Mazur stated that Quan-Vest is working with the Fund's administrative manager and counsel to provide certain Fund documents requested by Cutwater.

The Trustees thanked Mr. Mazur for his report and excused him from the meeting.

Trustee Discussion

The Trustees discussed Quan-Vest's recommendations and upon MOTIONS duly made and seconded, it was unanimously

> **RESOLVED, to approve one-time withdrawal of $120,000 from the Fund's investment portfolio to pay expenses with $40,000 from the Fund's investment in the Vanguard Total Stock Market Index Fund and $80,000 from the fixed income investments managed by Cutwater Asset Management.**
>
> **RESOLVED, to approve, effective April 2017, withdrawing $70,000 each month from the Fund's Vanguard Total Stock Market Index Fund and $130,000 from the Fund's fixed income account managed by Cutwater Asset Management.**

Ms. DuVall stated that she would work with Quan-Vest to issue the required notices to Vanguard and Cutwater.

## V. AUDITOR'S REPORT

The Trustees welcomed Mr. Joe Herishen of Salter & Company, LLC ("Salter") to the meeting via teleconference.

A. Financial Statements

Mr. Herishen reviewed the Independent Auditor's Report and Financial Statements for the Plan years ended May 31, 2016 and 2015. He expressed an unqualified/unmodified opinion on the financial statements, meaning that in his opinion, the financial statements present fairly, in all material respects, the financial status of the Plan as of May 31,

2016. He stated that this is the highest level of opinion that can be achieved in conforming to accounting principles generally accepted in the United States.

Mr. Herishen reported that the Net Assets Available for Benefits on May 31, 2016 were $10,697,470. He said that total additions for the Plan year ended May 31, 2015 were $70,396 and total deductions were $2,613,707, which resulted in a $2,543,311 decrease in Net Assets Available for Benefits.

B. Form 5500 Annual Return and Form 8955-SSA

Mr. Herishen reported that pending Trustee signatures, he was ready to electronically file the Fund's Form 5500 and Form 8955-SSA for the Plan year-ended May 31, 2016.

C. Puerto Rico Form 480.70(OE) – Informative Return for Income Tax Exempt Organizations

Mr. Herishen reported that pending Chairman Rivera's signature, Salter had prepared the Fund's Form 480.70(OE) for the Plan year ended May 31, 2016, to be mailed to the Puerto Rico Department of the Treasury under the allowable extension of time to file.

D. Audit Engagement Letter for Plan Year Ending May 31, 2017

Mr. Herishen discussed Salter's proposed engagement letter dated March 9, 2017 describing the services and fees for Salter to perform the annual audit and tax preparation of the Fund for Plan year ending May 31, 2017.

E. Management (Trustee) Representation Letter

Mr. Herishen stated that Ms. DuVall had the annual Management (Trustee) Representation Letter to present to the Trustees for signature.

F. Hotel Melia

Ms. Nham informed Mr. Herishen that the Board determined that Hotel Melia withdrew from the Fund effective December 31, 2016 and had authorized Salter to perform a final payroll audit of Hotel Melia for the period of time allowed by the Fund's audit policy.

The Trustees thanked Mr. Herishen for his report and excused him from the meeting.

Trustee Discussion

The Trustees discussed Salter's proposed audit engagement and upon a MOTION duly made and seconded, it was unanimously

> **RESOLVED, to approve the engagement of Salter & Company, LLC to perform the annual audit and tax preparation of the Fund for the Plan year ending May 31, 2017.**

The Audit Engagement Letter, Form 5500, Form 8955-SSA, Form 480.70(OE), and the Trustee Representation Letter were signed by the Trustees during the Board meeting.

## VI. ACTUARY'S REPORT

The Trustees welcomed Ms. Rosanna Egan and Mr. Alan Cohn from The Segal Company ("Segal") to the meeting via teleconference.

A. 2015 Schedule MB–Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information

Ms. Egan stated that Segal had completed the Fund's Schedule MB and provided it to the Fund auditor to file with the Fund's Form 5500 for the Plan year ended May 31, 2016.

B. June 1, 2016 Actuarial Valuation

Ms. Egan stated that Segal is working to complete the Fund's actuarial valuation as of June 1, 2016.

C. Pension Protection Act ("PPA") Zone Certification

Ms. Egan stated that the Fund's PPA zone certification filing deadline is August 31, 2016. Certain information will be needed by Segal to complete the zone certification. Fund Counsel and the Administrative Manager will work together to provide the requested information to Segal.

D. ERISA Section 4245(d)(1) Test for the Plan Year Beginning June 1, 2015

Ms. Egan discussed a letter dated March 3, 2017 stating that Segal determined that assets for the Fund as of May 31, 2016 exceeded three times the total amount of benefit payments paid for the Plan year beginning June 1, 2015.

E. Hotel Melia

Ms. Nham informed Ms. Egan that the Board determined that Hotel Melia withdrew effective December 31, 2016 and had authorized Segal to calculate Hotel Melia's withdrawal liability as of that date. Ms. Egan stated that once Segal completed the June 1, 2016 actuarial valuation, Segal would then be able to calculate Hotel Melia's withdrawal liability obligation to the Fund.

F. Hospital Del Maestro

Ms. Nham informed Ms. Egan of a settlement proposal made by Hospital Del Maestro to pay its outstanding withdrawal liability owed at $4,000 per month, rather than the existing $9,968.11 per month, due to financial difficulties. Segal was asked to re-calculate Hospital Del Maestro's withdrawal liability payment schedule based Hospital Del Maestro's proposed monthly payments.

The Trustees thanked Ms. Egan and Mr. Cohn for their reports and excused them from the meeting.

## VII. ADMINISTRATIVE MANAGER'S REPORT

Ms. DuVall presented the Administrative Manager's Report for September through November 2016. Such report indicated contributions of $1,164 and interest and dividend income of $52,509, producing total income of $53,673. Expenses included $527,995 for pension benefits and $60,962 in operating expenses, producing total expenses of $588,957, which resulted in a net deficit of $535,284 for the period September through November 2016. She further noted that contributions were made on behalf of four active participants.

Ms. DuVall presented the pension report for the period September 2016 to January 2017. She reviewed the pension roll, a list of deleted/deceased participants, a list of adjustments and changes, a list of small pension cash-out payments and pension applications submitted for Trustee approval. After further discussion, and upon a MOTION duly made and seconded, the Trustees unanimously

> **RESOLVED, that the pension applications and small pension cash-out payments are approved as presented.**

## VIII. INVOICES

Ms. DuVall presented a list of invoices dated March 9, 2017. The Trustees reviewed the list and determined that all invoices represented proper Fund expenses. After discussion and upon a MOTION duly made and seconded, it was unanimously

> **RESOLVED, that the invoices listed in the Administrative Manager's Report dated March 9, 2017 are approved for payment.**

## IX. TRUSTEE EXPENSE VOUCHER REPORT

Ms. DuVall presented a report dated March 9, 2017 listing Trustee travel expenses incurred in attending the October 6, 2016 Board of Trustees meeting held in Washington, D.C. Upon a MOTION duly made and seconded, it was unanimously

> **RESOLVED, that the expenses listed on the Trustee Expense Voucher Report dated March 9, 2017 are approved for reimbursement.**

## X. OTHER FUND BUSINESS

Ms. DuVall reported the following:

A. Fidelity Bond Renewal

The Fund's fidelity bond was renewed for the period of February 1, 2017 to February 1, 2018.

B. Fiduciary Liability Insurance Policy Renewal

The Fund's fiduciary liability policy was renewed for the period of February 21, 2017 to February 21, 2018.

C. Puerto Rico Tax Filings

Form 480.7C Informative Return for Retirement Plans and Annuities was mailed on February 27, 2017 to each Plan participant and beneficiary for whom the Fund issued a pension distribution for the 2016 tax year.

D. Summary of Material Modifications ("SMM")

An SMM regarding overpayments and a change in Trusteeship on the Fund's Board of Trustees was mailed to the Plan participants on November 18, 2016.

E. Annual Retiree Certifications

Despite repeated attempts by the Fund office, there are ninety-five retirees and twenty-six beneficiaries who failed to provide a completed 2016 Retiree Information Form ("RIF"). Of these, eighteen retirees and four beneficiaries under age 70.5 will have their pension benefit payments suspended if they fail to return a completed RIF to the Fund office by March 14, 2017. The Board agreed.

F. Banco Popular de Puerto Rico ("Banco Popular")

Ms. DuVall reported that that the Fund office had identified two fraudulent checks totaling $1,065 that cleared in February 2017. Banco Popular agreed to return $1,065 to the Fund's bank account, subject to a sworn statement signed by a notary. Fund counsel drafted an Affidavit for Ms. DuVall to provide to Banco Popular. On March 8, 2017, Trustee Rivera, Trustee Vazquez, and Ms. DuVall met with Banco Popular representatives to deliver Ms. DuVall's Affidavit and to discuss Positive Pay services offered by Banco Popular to avoid potential fraudulent check activity in the future. Ms. DuVall reported that Banco Popular charges a Positive Pay maintenance fee of $40.00 per month, plus a $0.02 per check fee based on the number of checks written on each account. After discussion and upon a MOTION duly made and seconded, it was unanimously

**RESOLVED, to approve adding Positive Pay services for the Fund's accounts at Banco Popular.**

Ms. DuVall stated that she would work with Banco Popular to complete the necessary paperwork to implement Positive Pay.

G. Trustee Web Portal

Ms. DuVall provided an overview of the Trustee Web Portal created by Associated Administrators, LLC ("Associated"). She explained that a secure portion of Associated's website had been established to allow Trustees and Fund counsel to access meeting materials in advance of scheduled Board meetings and to reduce the amount of paper usage. The Trustees expressed interest in utilizing the Trustee Web Portal. Ms. DuVall provided each Trustee and Fund counsel with a username and unique password to log in to the Trustee Web Portal.

## XI. NEXT MEETING DATE AND ADJOURNMENT

After discussion, the Trustee decided that the next regular Board meeting would be held in Washington, D.C. at the law offices of Slevin & Hart on October 5, 2017, starting at 10:00 a.m.

There being no further business to come before the Trustees, the Board meeting adjourned.

Respectfully submitted,

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|---|---|
| ______________________ | ______________________ |
| Chairman | Secretary |
| ______________________ | ______________________ |
| Date | Date |

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