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 APRIL 9, 2019 NEW YORK, NY

The following Trustees were present:

Union Trustees	Employer Trustees
J. Rivera, Chairman	D. New, Secretary

Also present were:
L. DuVall – Associated Administrators, LLC
R. Egan – The Segal Company
J. Herishen – Calibre CPA Group (via teleconference)
L. Lotruglio – Quan-Vest Consultants
A. Madan – Slevin & Hart, PC
M. Nham – Slevin & Hart, PC
L. Ortiz – The Segal Company

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 11, 2018, 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 11, 2018 were approved as presented.**

III. INVESTMENT CONSULTANT'S REPORT

A. Performance Report

Mr. Lotruglio reported that the market value of the Fund's portfolio as of March 31, 2019 was $4.48 million. He reviewed the investment performance report for the period ended March 31, 2019. He reported that for the one-year period ended March 31, 2019, the Fund's total portfolio returned 4.4% compared to the policy benchmark of 6.2%. The equity portfolio returned 8.8% and the Fund's fixed income portfolio returned 2.8% for the one-year period ended March 31, 2019. He stated that these reported returns were net of investment fees. Ms. Egan clarified that the actuarially assumed rate of return is 4%, not 5% as stated on page 5 of the Quan-Vest report.

B. Asset Allocation

Mr. Lotruglio reported that the asset allocation on March 31, 2019 was 72.8% in fixed income and 27.2% in domestic equity. He noted that while the Fund's portfolio was primarily invested in the fixed income bond portfolio, this was within the permissible range for fixed income under the Fund's Investment Policy Statement. He further noted that the fees for the fixed income bond portfolio were low. He advised that the market value of assets for the combined portfolio was $4,484,289, of which $1,220,289 was held in the Vanguard Total Stock Fund and $3,264,000 was held in the Vanguard Short-Term Bond Index Fund.

C. Class Action Securities Litigation Settlement

Ms. DuVall reported that the Fund received a check for $734.00 as a result of a class action settlement regarding Amalgamated Bank. Mr. Lotruglio reported that the Fund received a notice of a class action settlement regarding the Bank of New York Mellon. He stated that Quan-Vest determined that the settlement was not applicable to the Fund based on the Fund's investments since the class action related to foreign currency exchange rates.

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

IV. AUDITOR'S REPORT

The Trustees welcomed Mr. Joe Herishen of Calibre CPA Group ("Calibre") to the meeting via teleconference.

A. Financial Statements

Mr. Herishen reviewed the Independent Auditor's Report and Financial Statements for the Plan year ended May 31, 2018. He expressed an unqualified/unmodified opinion on the financial statements, explaining that in his opinion, the financial statements present fairly, in all material respects, the financial status of the Plan as of May 31, 2018. 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, 2018 were $6,890,045. He said that total additions for the Plan year ended May 31, 2018 were $550,279 and total deductions were $2,449,636, which resulted in a $1,899,357 decrease in Net Assets Available for Benefits.

The Trustees discussed the Schedule of Administrative Expenses and requested that Mr. Herishen issue a supplemental statement to clarify the fees paid to New & Karfunkel, PC for Trustee New's services to the Fund as a Professional Trustee.

B. IRS Form 5500 Annual Return

Mr. Herishen reported that the Fund's Form 5500 for the Plan year ended May 31, 2018, was filed electronically on March 13, 2019.

C. Puerto Rico Form AS 6042.1 - Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions

Mr. Herishen reported that he prepared Puerto Rico Form AS 6042.1 for the Plan year ended May 31, 2018 and provided it to the Fund office for mailing to the Department of the Treasury in Puerto Rico by March 15, 2019.

D. Audit Engagement Proposal for Plan Year Ending May 31, 2019

Mr. Herishen discussed Calibre's proposed engagement letter dated April 8, 2019 describing the services and fees for Calibre to perform the annual audit and tax preparation of the Fund for Plan year ending May 31, 2019. He said that fees remain the same as for the prior year's audit engagement performed by Salter & Company. The Trustees reviewed Calibre's proposed audit engagement.

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

After discussion, and upon a MOTION duly made and seconded, it was unanimously

> **RESOLVED, to approve the engagement of Calibre CPA Group to perform the annual audit and tax preparation of the Fund for the Plan year ending May 31, 2019.**

V. ACTUARY'S REPORT

A. Actuarial Valuation and Review as of June 1, 2018

Ms. Ortiz presented the Actuarial Valuation and Review ("Valuation") as of June 1, 2018. She provided an overview of the Valuation and explained that it establishes the funding requirements for the current year, analyzes the preceding year's experience, summarizes the actuarial data, and includes the actuarial information required to be filed with the Form 5500.

Ms. Ortiz reported that assets are projected to be exhausted in the Plan year beginning June 1, 2020, specifically April 2021. The Pension Benefit Guaranty Corporation ("PBGC") financial assistance will be needed to continue payment of the Plan's benefit at the reduced PBGC guaranteed benefit level.

Ms. Ortiz reviewed the withdrawal liability assumptions shown on pages 30 and 31 of the Valuation. After discussion, and upon a MOTION duly made and seconded, it was unanimously

> **RESOLVED, to adopt the withdrawal liability assumptions reflected on page 31 of the Actuarial Valuation and Review as of June 1, 2018.**

The Trustees discussed the mass withdrawal rules and whether to pursue a second mass withdrawal liability assessment. After discussion, and upon a MOTION duly made and seconded, it was unanimously

> **RESOLVED, not to pursue a second mass withdrawal liability assessment because there is no ability to collect amounts in addition to the amounts already paid by withdrawn employers.**

B. ERISA Section 4245(d)(1) Test for Plan Year Beginning June 1, 2017

Ms. Ortiz presented a letter dated April 8, 2019 stating that pursuant to the requirements of ERISA Section 4245(d)(1), Segal determined that the assets of the Fund as of May 31, 2018 exceeded three times the total amount of benefit payments paid during the Plan year beginning June 1, 2017.

C. Updated Solvency Projections for Rehabilitation Plan

Ms. Ortiz reviewed a memorandum from Segal dated April 9, 2019 regarding a projection of the Fund's future market value of assets in order to assist the Trustees in updating the Fund's Rehabilitation Plan ("RP"). Ms. Egan stated that the Fund is projected to be insolvent by April 2021. Based on the projections, Ms. Egan stated that the Fund is currently meeting the annual standards set forth in the RP. She stated that Segal recommended that the Trustees maintain the same annual standards as reflected in the Third Update to the RP. After discussion, and upon a MOTION made and seconded, it was unanimously

RESOLVED, to adopt Segal's recommendation to maintain the annual standards set forth in the Third Update to the Fund's Rehabilitation Plan, based on Segal's determination that the Fund is currently meeting these annual standards.

The Trustees thanked Ms. Egan and Ms. Ortiz for their reports.

VI. ATTORNEY'S REPORT

A. Procedures Relating to Fund Insolvency

Ms. Nham and Ms. Madan reviewed a memorandum from Fund counsel dated March 25, 2019, regarding procedures relating to Fund insolvency. Ms. Nham noted that ERISA Section 4245(d) requires plans in critical status to monitor the possibility of impending insolvency. She advised that if the Trustees determine that the Fund will be insolvent in the next five plan years, the Trustees must send a notice of insolvency to participants and beneficiaries, the union, contributing employers, the PBGC, and the IRS. She noted that it is possible that there will be new legislative or regulatory relief for funds approaching insolvency in 2019, and therefore suggested that the Trustees evaluate whether the Fund will be insolvent in 2020.

B. Plan Amendment No. 3

Ms. Nham presented Plan Amendment No. 3 to Appendix A, Section 9, which amends the definition of a Highly Compensated Employee pursuant to Puerto Rico Treasury Acts 9-2017 and 257-2018. After discussion, and upon a Motion duly made and seconded, the Trustees

RESOLVED, to adopt Plan Amendment No. 3 as presented.

C. Hotel Melia

Ms. Nham reported that between Board meetings a Settlement Agreement with Hotel Melia was signed in which Hotel Melia agreed to pay to the Fund $202,581.60, plus interest in the amount of $9,624.01, and Fund's costs and attorneys' fees in the amount of $23,771.00, for a total settlement amount of $235,976.61. A check dated February 4, 2019 in the amount of $235,976.61 was received by the Fund office and deposited to the Fund's bank account at Banco Popular de Puerto Rico.

It was noted that Hotel Melia sent two additional checks to the Fund for contributions for months that occurred after its withdrawal from the Fund on December 31, 2016. After discussion, the Trustees directed the Administrative Manager to mail the two checks to Hotel Melia's attorney, Mr. Andréu Fuentes, since the Fund could not accept payments from an employer that has no written collective bargaining agreement or participation agreement requiring contributions to the Fund.

D. Active Consulting Group, Inc. ("Active Consulting")

Ms. Nham explained that Active Consulting informed the Fund office that it will not continue its standard tax reporting services due to changes in reporting regulations in Puerto Rico. Therefore, it will be necessary for the Fund to engage a replacement vendor to provide such services starting in 2019. Ms. Nham asked the Trustees for authorization to consult with local counsel in Puerto Rico regarding a suitable replacement. After discussion, and upon a Motion duly made and seconded, the Trustees

> **RESOLVED, to authorize the Fund Office and Fund counsel to consult with local counsel in Puerto Rico regarding a vendor to replace Active Consulting, Inc.**

VII. ADMINISTRATIVE MANAGER'S REPORT

Ms. DuVall presented the Administrative Manager's Report for June through August 2018. Such report indicated contributions of $1,164, withdrawal liability income of $7,514, and interest and dividend income of $29,404, producing total income of $38,082. Expenses included $510,257 for pension benefits and $73,380 in operating expenses, producing total expenses of $583,637, which resulted in a net deficit of $545,555 for the period June through August 2018. She further noted that contributions were made on behalf of four active participants.

Ms. DuVall presented the Administrative Manager's Report for September through November 2018. Such report indicated contributions of $1,164, payroll audit income of $26,615, withdrawal liability income of $11,271, producing total income of $39,050. Expenses included $512,221 for pension benefits and $52,621 in operating expenses, producing total expenses of $564,842, which resulted in a net deficit of $525,792 for the period September through November 2018. She further noted that contributions were made on behalf of four active participants.

Ms. DuVall presented the pension report for the period October 2018 through April 2019. She reviewed the pension roll, a list of deletes/deceased participants, and pension applications submitted for Trustee approval. After discussion, and upon a MOTION duly made and seconded, the Trustees unanimously

RESOLVED, to approve the pension applications as presented.

VIII. INVOICES

Ms. DuVall presented a list of invoices dated April 9, 2019. 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 April 9, 2019 are approved for payment.

IX. TRUSTEE EXPENSE VOUCHER REPORT

Ms. DuVall presented a report dated April 9, 2019 listing Trustee travel expenses incurred in attending the October 11, 2018 Board meeting held in Washington, DC. Upon a MOTION duly made and seconded, it was unanimously

RESOLVED, that the expenses listed on the Trustee Expense Voucher Report dated April 9, 2019 are approved for reimbursement.

X. OTHER FUND BUSINESS

Ms. DuVall reported the following:

A. Fiduciary Liability Insurance Policy Renewal

The Fund's Fiduciary Liability insurance through RLI Insurance Company ("RLI") and the Fund's Excess Fiduciary Liability insurance through Hudson Insurance Company ("Hudson") expire on April 21, 2019. Both carriers provided quotes to renew for the period April 21, 2019 to April 21, 2020 with the same liability limits as the expiring policies and with no increase in premiums. RLI quoted $21,113 to renew the Fiduciary Liability policy. Hudson quoted $15,835 to renew the Excess Fiduciary Liability policy. After discussion, and upon a MOTION duly made and seconded, the Trustees

RESOLVED, to approve renewal of the Fund's Fiduciary Liability insurance through RLI Insurance Company and the Excess Fiduciary Liability insurance through Hudson Insurance Company for the period April 21, 2019 to April 21, 2020.

B. Fidelity Bond Renewal

The Fund's Fidelity Bond was renewed between meetings for the period February 21, 2019 to February 21, 2020 through Hudson for a premium of $1,556.

C. Puerto Rico Tax Filings

Form 480.7C – Informative Return – Retirement Plans and Annuities was mailed by February 28, 2019 to each Plan participant and beneficiary for whom the Fund issued a pension distribution for the 2018 tax year. Form AS 6042.1 – Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions – for Plan year ended May 31, 2018 was mailed on March 4, 2019 to the Puerto Rico Department of the Treasury.

D. Pension Benefit Guaranty Corporation ("PBGC") Premium Filing

The Fund's Comprehensive Filing with the PBGC for the Plan year beginning June 1, 2018 was completed on March 7, 2019.

E. Multiemployer Summary Report 104(d) Notice

On April 4, 2019, the Fund office mailed the Report of Summary Plan Information for the 2017 Plan Year to the participating employers and the Union.

F. Foreign Bank and Financial Accounts Reporting ("FBAR")

Quan-Vest confirmed that none of the Fund's assets managed by Vanguard were subject to FBAR filing.

G. Annual Retiree Certification

On December 13, 2018, the Fund office mailed the annual Retiree Information Forms to retirees and beneficiaries receiving pension benefit payments from the Fund.

H. Discontinuation of Retiree Club Deductions

Following notification from the Union that the retiree club disbanded in October 2018, the $2.00 retiree club monthly dues for those retirees who had voluntarily elected such amount be deducted from their pension benefit payments was discontinued effective January 2019, with return of dues retroactive to October 2018.

XI. NEXT MEETING DATES AND ADJOURNMENT

After discussion, the Trustees agreed to schedule a special Board meeting via teleconference on July 31, 2019 starting at 10:00 a.m. for the purpose of discussing any decision items needed to be resolved related to the Fund insolvency process.

After discussion, the Trustees decided that the next regular Board meeting will be held in Washington, D.C. at the law offices of Slevin & Hart on October 11, 2019, starting at 10:00 a.m.

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

Respectfully submitted,

______________________	______________________
Chairman	Secretary
______________________	______________________
Date	Date

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