**UNITE HERE Local 25 and Hotel Association of Washington, D.C.**
**Pension Plan**
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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 JUNE 2, 2021
VIA VIDEO CONFERENCE

The following Trustees were present via conference call:

| 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
Anne-Marie Sims - Associated Administrators, LLC
Barbara Maiorano - Associated Administrators, LLC
Thomas Dunleavy – Meketa Investment Group
Brian Dana – Meketa Investment Group
Coralie Taylor – Cheiron, Inc.
Kevin Woodrich – Cheiron, Inc.
Jackie Coyle – Novak|Francella
Tyler Geiman – Novak|Francella

## I. CALL TO ORDER

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

## II. MINUTES

Board Meeting, March 24, 2021

The Trustees reviewed the draft minutes of the March 24, 2021 meeting.

On Motion made and seconded, the Trustees approved the following resolution:

> **RESOLVED that the minutes of the Board meeting held March 24, 2021 are approved.**

## III. INVOICES

Anne-Marie Sims presented a list of invoices dated June 2, 2021. 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 June 2, 2021 are approved for payment.**

## IV. AUDITOR REPORT

Tyler Geiman reported that Novak|Francella has completed the fieldwork associated with the annual financial audit and will present draft auditors' report/financial statements at the next Trustee meeting.

## V. **PAYROLL AUDIT REPORT**

Payroll Audit Collections Report

Ms. Sims referred to the Payroll Audit Collections Report dated June 2, 2021, 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 results for collection of payroll audit deficiencies after receipt of the audits from Novak|Francella and before referral of unpaid billed deficiencies to the Fund's Collection Counsel.

Jackie Coyle provided an overview of the current status of the payroll audits performed by Novak. Ms. Coyle reported that Novak|Francella has completed exit audits for the Marriott Wardman Park and Fairfax Embassy Row Hotel. She reported that the audit for the Marriott Wardman Park found no discrepancies, but there were significant findings for Fairfax Embassy Row as the Employer did not pay contributions on vacation hours. She estimated that the principal amount of the assessment exceeded $100,000. Ms. Coyle reported that the Fairfax Embassy Row was about be sold and due to the short timeline asked if it would be acceptable to send the preliminary report findings to the employer now for payment. The Trustees agreed that this action was acceptable and requested that a copy of the demand letters be sent to Ms. Steer.

## VI. **CO-COUNSEL REPORT**

A. Withdrawal Liability Procedures

Anne Mayerson distributed a copy of the proposed revised withdrawal liability procedures for Trustee consideration. She described the new provisions, including the requirement that an employer must provide the Fund with notice of a withdrawal or asset sale affecting its participation in the Plan as soon as it becomes aware of the event; and the provision permitting the Fund to assess withdrawal liability based on estimated unfunded vested benefits (UVBs). It was noted that the decision of whether to assess withdrawal liability based on estimated or final UVBs would be within the purview of the Finance Committee.

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

> **RESOLVED to adopt the revised withdrawal liability procedures, as presented.**

The Trustees agreed to assess withdrawal liability with respect to the Fairfax Embassy Row based on its estimated UVBs.

## VII. INVESTMENT CONSULTANT REPORT

Brian Dana introduced his colleague Thomas Dunleavy and discussed the agenda for Meketa's presentation.

Market Update

Mr. Dana gave an overview of the current market environment. As Covid-19 cases in the US, and other developed countries, declined with widespread vaccines, the outlook for the emerging markets was not so positive. Meketa believes that low vaccine rates and high case counts throughout many emerging markets will continue to be a story for the rest of 2021, and that the spread of the virus will continue to effect growth and mobility will continue to affect growth in countries across the world. "High frequency indicators" like the Dallas Fed mobility index, OpenTable seated diners and TSA daily airport travelers all continued to trend in a positive direction for the 2$^{nd}$ quarter. In the US, the more positive trajectory of the virus throughout the Spring, continued to drive improving unemployment numbers from their peak. It also lead the yield curve to steepen pricing in higher growth and inflation. Market returns were historic year over year with all equities returning 40%+. US equities lead others year to date. In fixed income, core bonds remained flat year over year with TIPS picking up 7.5%.In Q1 2021 bonds with mostly negative across the board with the yield curve steepening. Valuations continued to remain elevated against their long term averages, though this could somewhat be justified by less competition from low bond rates. Fiscal stimulus will continue to be a theme for the foreseeable future with the American Jobs Plan a particular area to watch.

Executive Summary

Mr. Dunleavy went through a brief summary of investment performance for the Pension Fund as of March 31, 2021. The Fund's market value was $290 million. The increase in Fund value was in spite of net negative cash flows. The Fund also raised excess cash to deal with the negative cash flows. Overall the Fund was well within IPS ranges during the quarter. Positive Fund performance was driven by US equities, over not only the trailing year but also the trailing quarter. In Q1, value and small cap stocks drove US equity returns. Private equity returns for 2020 were strong, with an aggregate IRR of just under 20%.

Investing in a Low Interest Rate Environment & the Barbell Approach

Mr. Dana discussed asset allocation in a low interest rate environment. He discussed how a low interest rate environment challenges investors and what they could do to navigate these challenges. He noted that what worked in the last decade is unlikely to be as effective in the next decade, given the steep decline in rates. Expected returns per Meketa Investment Group's 2021 Asset Study were down for asset classes across the board due to declining interest rates and strong recent returns (effectively pulling those returns from the future). To address this issue, he described a possible asset allocation approach known as the "barbell" approach, in which assets are allocated at the two opposite ends of the risk spectrum: high return (equities, private equity) and risk mitigating (long government bonds, primarily). The focus would be on capital efficiency and assets with high correlations to equity, such as high yield bonds, whereas bank loans and emerging market debt would have reduced allocations or be eliminated. He explained that the two ends of the barbell had a significant negative historical correlation. Correlation was most important during periods of economic stress. By combining assets that are not highly correlated, a portfolio can produce higher return for a given level of risk or can produce lower risk for given level of return. After additional discussion, the Trustees thanked Mr. Dana for the presentation and advised that they will consider any changes in asset allocation that Meketa may recommend from time to time. ..

Pension Fund Performance Update

Mr. Dunleavy discussed Pension Fund performance for the first quarter of 2021. The Fund was up 1.7% as of March 31 and about 6% as of May 31. Overall the Fund continued to be positioned fairly conservatively during the first quarter, with a 50% or so allocation to bonds, real estate and cash. This stance certainly helped in March 2020 and the Fund's risk-adjusted performance reflected that, ranking in the top quartile in most periods. That heavier allocation to bonds did hurt as rates rose sharply in Q1 2021. Mr. Dunleavy then discussed performance attribution over the quarter. Equities continued their recent climb. Value moved ahead of growth in terms of return. US equities continued to outperform international equities. Within fixed income, the yield curve rose (resulting in falling bond prices) in February and March, hurting investment grade bonds. Still, inflation expectations rose benefiting TIPS. Investment grade bonds were down 3.3% for the quarter. The US dollar appreciated during the first quarter (which has since reversed in Q2), hurting emerging market debt. High yield and emerging market debt yields compared to treasuries remain at record lows. High yield was up 1.5% for the quarter while real estate was up 1.0%. Mr. Dunleavy noted the real estate number would rise next quarter with REITs up 11% so far in Q2. Natural resources were up 12.1% in Q1 and up another 10%+ in Q2 so far. He concluded with stating that Private equity had also performed well in Q1.

## VIII. ACTUARY REPORT

A. 2021 Preliminary Data Summary

Mr. Woodrich and Ms. Milligan of Cheiron, Inc., distributed copies of their report titled "Actuarial Consultant's Report" and reviewed it in detail. A copy of the report is attached to and made a part of these minutes as Exhibit B.

Ms. Milligan reviewed the Fund's January 1, 2021 preliminary data summary, highlighting the significant reduction in the number of hours worked in 2020 compared to the previous year (a 75.6% reduction). She stated that, because of the significant reduction in hours for 2020, many participants will need to work an additional year in order to become vested.

Mr. Woodrich reported that, due to the COVID-19 emergency and its effect on hours worked and contributions received, the Fund is at 75% funded status as of the end of the 2020 plan year (up from 72% as of the end of the prior plan year).

## IX. ADMINISTRATIVE MANAGER'S REPORT

A. First Quarter 2021 Administrative Manager's Report

Ms. Sims presented and reviewed the First Quarter 2021 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit C.

B. First Quarter 2021 Pension Benefit Applications

Ms. Sims presented and reviewed the First Quarter 2021 Pension Benefit Application Reports, copies of which are attached to and made a part of these minutes as Exhibit D.

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

> **RESOLVED that the First Quarter 2021 Pension Benefit Applications are approved for payment as presented.**

## X. OTHER FUND BUSINESS

Annual Funding Notice

Ms. Sims reported that, as required by law, the Annual Funding Notice was mailed to all required parties by the April 30, 2021 deadline.

## XI. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Thursday, September 30, 2021 commencing at 10:00 a.m.

## XII. ADJOURNMENT

There being no further business, the meeting was adjourned.

Approved by the Board of Trustees on __________, 2021

By: ____________________________________

Anne-Marie Sims, Associated Administrators, LLC

AMS/bm

(Org. 06-02-2021)

Attachments:
Exhibit A: Novak|Francella Payroll Audit Collections Report: Dated June 2, 2021
Exhibit B: Cheiron: Actuarial Consultant's Report
Exhibit C: Associated Administrators, LLC-Administrative Managers Report First Quarter 2021
Exhibit D: Pension Benefit Applications Report – First Quarter 2021