UNITE HERE Local 25 and Hotel Association of Washington, D.C.
Pension Plan
911 Ridgebrook Road
Sparks, Maryland 21152-9451
Telephone: (410) 683-6500
(800) 638-2972
www.associated-admin.com

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 21, 2022

The following Trustees were present via conference call:

UNION TRUSTEES	EMPLOYER TRUSTEES
John Boardman - Chairman	Solomon Keene (via video conference)
Stephanie Steer	Michael D'Angelo
	Satinder Palta (via video conference)

Also present were:

Anne Mayerson - Bredhoff & Kaiser, PLLC
Ben Conley - Seyfarth Shaw, LLP
Anne-Marie Sims - Associated Administrators, LLC
Barbara Maiorano - Associated Administrators, LLC (via video conference)
Dawn Welch - Associated Administrators, LLC
Henry Jaung - Meketa Investment Group
Brian Dana - Meketa Investment Group (via video conference)
Tyler Geiman - Novak|Francella (via video conference)
Marcella Pascal - Novak|Francella (via video conference)
Coralie Taylor - Cheiron (via video conference)
Paul Schwab - UNITE HERE Local 25

I. CALL TO ORDER

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

II. MINUTES

Board Meeting, April 13, 2022

The Trustees reviewed the draft minutes of the April 13, 2022 meeting.

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

> **RESOLVED that the minutes of the Board meeting held April 13, 2022 are approved as presented.**

III. INVOICES

Ms. Sims presented a list of invoices dated June 21, 2022. 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 21, 2022 are approved for payment.**

IV. PAYROLL AUDIT REPORT

Payroll Audit Collections Report

Ms. Sims referred to the Payroll Audit Collections Report dated June 15, 2022, 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.

Mr. Tyler Geiman from Novak|Francella reported on the status of payroll. He reported that the new operator of the Washington Court Hotel, Hilton, has advised that it does not have the payroll records from the previous operator (Harbaugh). Mr. Boardman stated he would attempt to obtain contact information for Harbaugh.

With respect to the Levi audit, Mr. Geiman said no one has responded to phone calls or written requests. Mr. Schwab stated he would provide a contact at Levi.

Mr. Geiman reported that Novak is also currently experiencing exit audit issues with the Trump Hotel, which has not provided all the information required to complete the audit. Ms. Steer noted that Ms. Martin was contacting Trump Hotel to attempt to receive the required information.

Mr. Geiman informed the Trustees that the auditor has been unable to schedule the exit audit of the prior operator of the Capital Liaison (now Yotel, which took over in February 2019). Ms. Steer said she would assist with obtaining contact information for the prior operator.

Ms. Steer requested that the payroll auditor inform her immediately when experiencing difficulty contacting or obtaining the required information to complete the audits. She also requested copies of all correspondence sent to these employers and actions taken by Novak when attempting to schedule the audit with the employer. Mr. Boardman noted that payroll audits had been delayed due to the COVID-19 pandemic and that most audit timelines were for scheduled for the period January 1, 2016 to December 31, 2018. After discussion, the Trustees requested that the payroll audits that were put off during the pandemic be extended through 2021.

V. <u>COUNSEL REPORT</u>

Co-Counsel reported there were no Pension matters requiring Board action.

VI. <u>AUDITOR REPORT</u>

<u>Financial Statements for years ended December 31, 2021</u>

Ms. Marcella Pascal of Novak│Francella, LLC ("Novak"), reviewed copies of the Financial Statements for year ended December 31, 2021, which were distributed to Trustees prior to the meeting and a copy of which is attached to and made a part of these minutes as Exhibit B. She confirmed that the audit included an unmodified opinion of the financial statements of the Fund, and she presented the report in detail. Ms. Pascal reported that the Form 5500 and Financial Statements would be filed timely.

VII. INVESTMENT CONSULTANT REPORT

Mr. Jaung began the meeting by highlighting the importance of protecting the corpus of the Fund, especially during the downturns like we are in midst of and the Covid-induced downturn we faced in 2020. He reminded the Board that Historically every bear market is followed by a bull market; the question is "how long" the bear market will last. He continued by saying that Meketa has stayed conservative. Although the absolute performance for the short periods is low, the Fund's performance relative to its peer groups (323 PT-H Pensions under $500 million) is near the top, ranking in the 4th and top 20% percentile for the previous quarter and 12 months ending 3/31/2022. He stated that the Fund has historically exhibited lower volatility than most of the other members in the peer group over all periods, which resulted in mostly top quartile ranking in the historical risk-adjusted performances.

In response to a question from Mr. Boardman, Mr. Jaung said that Meketa is incorporating ESG factors into its strategy and is currently surveying managers as to how they are addressing ESG.

Mr. Jaung next turned to Fund performance. While the equity and bond markets are both off to the worst start in decades, if not ever, approximately 20% the Fund is invested in other asset classes that have had solid returns, including 9% in real estate that has returned over 21%, 4.3% in natural resources that has returned over 20% and 6.7% in private equity that has returned over 35% over the trailing 12 months. During the trailing 12 months, the Fund has had a positive return of 0.6%, outperforming our Policy Benchmark and Target Policy Benchmark. More recently the Fund (-6.0%) is outperforming both benchmarks (-9.4% and -7.2% respectively) by wide margins year-to-date. Since Meketa's inception in 2011, the Fund has returned 7.8% annualized, outperforming the actuarially assumed return over the same period.

The market value at the end of April was $290 million, down from approximately $302 million at the end of 2021. Over the past 12 months, the Fund has had significant net cash outflow as contributions are still a fraction of the pre-Covid level.

Mr. Jaung noted that most of the asset classes have beaten their respective benchmarks. For example, all the public equity managers combined have outperformed the MSCI ACWI Index since inception by 1.3% annualized since 2011. The combined equity managers have produced 11.7% vs. 10.4% for the MSCI ACWI Index during this period. Year to date through April 2022, the public equity managers have lost 12.0%, generating 90 basis points of alpha over the MSCI ACWI (-12.9%). Mr. Jaung also noted that private investments in PE and real estate will be an area Meketa will be looking to add to the Fund when the cashflow situation improves.

Mr. Dana then reviewed the asset allocation study Meketa has conducted for this meeting. The baseline proposal is to increase the equity weights by 6% by elimination the current 7% allocation to emerging markets debt and adding 3% to gold and gold miners by reducing natural resources. Mr. Dana acknowledged the difficulty of achieving the 6.75% return assumption with either the existing or proposed asset allocation, noting that doing so would require more equity, which would be accompanied by increased volatility.

After discussion, the Board decided to defer a change in asset allocation pending input from Cheiron regarding the continued appropriateness of the 6.75% return assumption for the Fund.

VIII. <u>ACTUARY REPORT</u>

The Trustees welcomed Ms. Coralie Taylor of Cheiron, Inc. to the meeting.

Ms. Taylor informed the Trustees that the 2022 PPA certification of the Plan's funding status was submitted timely to the IRS in March 2022. She noted the Fund is not in endangered, critical, or critical and declining status due to the Special Rule of Section 432(b)(5) of the Code and Section 305(b)(5) of ERISA. The Plan is not projected to be classified as being in critical status for the following five Plan years.

Ms. Taylor recommended that the actuarial assumptions for the Plan be reviewed since they have not been studied since 2017. She explained that, . as a "best practice," assumptions should be reviewed every three to five years to compare how well the actual experience has conformed to the assumptions being used and to make changes where the actual experience has been materially different from what was predicted. The Trustees requested that Cheiron provide a proposal for completing an actuarial experience study.

IX. ADMINISTRATIVE MANAGER'S REPORT

A. First Quarter 2022 Administrative Manager's Report

Ms. Sims presented and reviewed the First Quarter 2022 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit C.

B. First Quarter 2022 Pension Benefit Applications

Ms. Sims presented and reviewed the First Quarter 2022 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 2022 Pension Benefit Applications are approved for payment as presented.**

X. OTHER FUND BUSINESS

Annual Funding Notice

Ms. Sims reported that the Annual Funding Notice was mailed to all eligible participants, participating employers and Unions and Pension Benefit Guaranty Corporation by the April 30, 2022 deadline.

XI. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Tuesday, October 4, 2022 commencing at 10:00 a.m.

XII. ADJOURNMENT

There being no further business, the meeting was adjourned.

Approved by the Board of Trustees on __________, 2022

By: ______________________________

Anne-Marie Sims, Associated Administrators, LLC

AMS/bm

(Org. 6-21-2022)

Attachments:
Exhibit A: Novak|Francella - Payroll Audit Collections Report June 15, 2022
Exhibit B: Novak|Francella – Financial Statements for year ended December 31, 2021
Exhibit C: Associated Administrators, LLC – Administrative Managers Report – First Quarter
Exhibit D: Pension benefit applications, First quarter 2022