UNITE HERE Local 25 and Hotel Association of Washington, D.C.
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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 SEPTEMBER 30, 2021
VIA VIDEO CONFERENCE

The following Trustees were present via conference call:

UNION TRUSTEES	EMPLOYER TRUSTEES
John Boardman - Chairman	Solomon Keene
Stephanie Steer Jones	Charles Hill (for a portion of the meeting)
Linda Martin (for a portion of the meeting)	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
Henry Jaung – Meketa Investment Group
Peter Belval – Meketa Investment Group
Coralie Taylor – Cheiron, Inc.
Kevin Woodrich – Cheiron, Inc.
Matthew Wells – Cheiron, Inc.
Jackie Coyle – Novak|Francella
Tyler Geiman – Novak|Francella

I. CALL TO ORDER

Mr. Keene reported that Mr. Hill would exit the meeting before its conclusion and has provided him with a proxy for all matters coming before the Board. Mr.

Boardman reported that Ms. Martin would exit the meeting before its conclusion and has provided him with a proxy for all matters coming before the Board. A quorum being present, Chairman Boardman called the meeting to order.

II. MINUTES

Board Meeting, June 2, 2021

The Trustees reviewed the draft minutes of the June 2, 2021 meeting.

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

> **RESOLVED that the minutes of the Board meeting held June 2, 2021 are approved.**

III. INVOICES

Anne-Marie Sims presented a list of invoices dated September 30, 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 September 30, 2021 are approved for payment.**

IV. AUDITOR REPORT

Financial Statements for years ended December 31, 2020 and 2019

Mr. Tyler Geiman of Novak | Francella, LLC ("Novak"), reviewed copies of the Financial Statements for years ended December 31, 2020 and 2019, which were distributed to Trustees prior to the meeting and copies of which are attached to and made a part of these minutes as Exhibit A. He confirmed that the audit included an unmodified opinion of the financial statements of the Fund, and he presented the report in detail. Mr. Geiman reported that the Form 5500 would be filed timely.

V. **PAYROLL AUDIT REPORT**

Payroll Audit Collections Report

Ms. Sims referred to the Payroll Audit Collections Report dated September 20, 2021, included in the meeting book. A copy of the report is attached to and made part of the minutes as Exhibit B. 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.

Ms. Sims reported that after numerous attempts to collect payment on the payroll audit findings from the employer formerly operating at the Fairfax Embassy Row, the Fund has not received a response or payment. Accordingly, this matter will be referred to Collection Counsel.

Ms. Jackie Coyle provided an overview of the current status of the payroll audits performed by Novak. She reported that the exit audit for the Marriot Wardman has been completed with no findings. She reported that Novak is currently experiencing exit audit issues with the W Hotel as the payroll contact, Veronica Whitley, is hesitant to provide electronic information that includes social security numbers, even though she was advised that he auditors already have social security numbers. Ms. Stephanie Steer Jones suggested Ms. Coyle contact Gus Ceccini, who is head of Labor Relations for Marriott Eastern Region, as he can facilitate the receipt of the requested documentation from the W Hotel if this issue continues. The Trustees requested that Ms. Mayerson should be copied on all correspondence. Mr. Singerman recused himself during this discussion, as Seyfarth Shaw represents Marriott International.

Ms. Coyle asked the Trustees if Novak can resume conducting payroll audits on a regular cycle as many of the hotels have recently reopened after the COVID-19 pandemic. Mr. Boardman said that if the properties could share the required documentation needed to perform these audits electronically then payroll audits could resume. Ms. Coyle stated that the auditors at Novak are willing to go on site in order to conduct the audits, if the employer permits. The Trustees agreed that this was acceptable and payroll audits could resume.

VI. CO-COUNSEL REPORT

Withdrawal Liability – Fairfax Embassy Row

Ms. Steer Jones reported the permanent closure of the Fairfax Embassy Row Hotel in September 2021. Ms. Mayerson noted that at the last meeting, the Trustees adopted a revised withdrawal liability procedure that allows the Fund to assess withdrawal liability with respect to the Fairfax Embassy Row based on its estimated Unfunded Vested Benefits ("UVBs"). However, because the withdrawal occurred after the actuarial valuation had been completed, the calculation need not be based on the estimate. Ms. Sims said that a withdrawal liability demand letter would be sent to the Fairfax Embassy Row.

VII. INVESTMENT CONSULTANT REPORT

Investment Consultant Report

Mr. Jaung introduced Mr. Peter Belval as the newest member of the Meketa team servicing the Fund. Mr. Jaung discussed the agenda for the presentation and provided comments on the market returns through August 2021, including a few events that shaped the returns of the various asset classes so far in 2021.

Market Update

Mr. Jaung began by stating that the equity markets, especially the U.S. markets, continued to be the best performing asset class in 2021. Through August, the S&P 500 Index has returned close to 22%. He stated that when the markets go through this type of euphoric period, the Fund tends to lag a bit because the Fund is conservatively positioned relative to its peers.

Executive Summary

Mr. Jaung summarized the Fund's position at the end of August 2021. The market value was $305.3 million, which represents an increase of $7.5 million since the end of April 2021, and an increase of over $63 million since March 21, 2019. The Fund continues to perform well with a return of 9.2% year-to-date (YTD), outperforming both the Policy and the Target Policy Benchmarks YTD. An important component of this performance continues to be the very solid returns from the private markets investments, with an aggregate internal rate of return of 17.3% since inception through Q1 2021 valuations. Mr. Jaung reviewed the risk/return charts, highlighting the lower volatility the Fund continues to carry relative to its peer group and its benchmarks. The net investment change during the past 12 months was approximately $40 million during the period in which the net cashflow was a negative $14.7 million.

Mr. Jaung reviewed the current investment structure of the Fund. US Equity is underweight due to the high valuations along with concerns surrounding the debt ceiling and Fed tapering. Emerging markets, both equities and bonds, are underweighted, not necessarily due to valuations, but rather due to Meketa's concerns regarding a potential global growth slowdown, the price of commodities and the lack of Covid preparedness. The Fund has a slight overweight to developed markets equity as this sector has reasonable valuations and growth potential. Investment grade bonds are still overweight by approximately 5%, as Meketa still has a conservative tilt. All the asset classes were within the applicable ranges. Mr. Jaung noted that the Meketa will be removing GQG Global Equity Fund and placing the assets in the three regional index funds.

Mr. Jaung referred the Trustees to Meketa's request for a fee increase, effective January 1, 2022. Because the Board had not been provided with the request in advance of the meeting, it deferred discussion of this request to the December meeting.

VIII. ACTUARY REPORT

A. 2021 Preliminary Data Summary

Mr. Woodrich and Ms. Taylor introduced their Matthew Wells as the newest addition to the team servicing the Fund. They referred the Trustees to their report titled "2021 Preliminary Actuarial Valuation Results," which had been provided to the Trustees prior to the meeting, and reviewed it in detail. A copy of the report is attached to and made a part of these minutes as Exhibit C.

Mr. Wells provided a historical review of the Pension plan that addressed plan maturity indicators, participation, as well as key actuarial indicators, minimum funding and cash flow. Ms. Taylor then provided an overview of the final key results of the January 1, 2021 actuarial valuation. Ms. Taylor noted that the total number of hours reported by employers for 2021 reflects a 75% decrease from 2020, along with a 65% decrease in average hours per employee. She reported that the projected funded status of the Fund was approximately 76%, and that the Fund was projected to be fully funded on an actuarial basis by 2028.

Mr. Woodrich reported that the projected funded status for January 1, 2022 should be about 79% on an actuarial-value basis or 83% on a market-value. Mr. Boardman commented that the Trustees' prior hours' projections may have been overly optimistic and that he would now project that hours will not return to 100% of their pre-pandemic estimated level until 2024, and will be at 30% for 2021, 45% for 2022, and 75% for 2023.

IX. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2021 Administrative Manager's Report

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

B. Second Quarter 2021 Pension Benefit Applications

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

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

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

X. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Monday, December 20, 2021 commencing at 10:00 a.m.

XI. 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. 09-30-2021)

Attachments:
Exhibit A: Novak|Francella - Auditor Report – Financial Statements – PYE 2020 & 2019
Exhibit B: Novak|Francella - Payroll Audit Collections Report – September 2021
Exhibit C: Cheiron: 2021 Preliminary Actuarial Valuation Results
Exhibit D: Associated Administrators, LLC-Administrative Managers Report Second Quarter 2021
Exhibit E: Pension Benefit Applications Report – Second Quarter 2021