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 DECEMBER 15, 2022
VIA VIDEO CONFERENCE

The following Trustees were present via conference call:

UNION TRUSTEES	EMPLOYER TRUSTEES
John Boardman - Chairman	Solomon Keene
Stephanie Steer	Michael D'Angelo
Linda Martin	Satinder Palta

Also present were:

Anne Mayerson - Bredhoff & Kaiser, PLLC
Ben Conley - Seyfarth Shaw, LLP
Henry Jaung - Meketa Investment Group
Brian Dana - Meketa Investment Group
Tyler Geiman - Novak|Francella
Barbara Maiorano - Associated Administrators, LLC
Anne-Marie Sims - Associated Administrators, LLC
Kathy Phillips - Associated Administrators, LLC
Dawn Welch - Associated Administrators, LLC
Paul Schwab - UNITE Here Local 25
Coralie Taylor - Cheiron
Kevin Woodrich - Cheiron

I. CALL TO ORDER

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

II. MINUTES

Board Meeting, June 21, 2022

The Trustees reviewed the draft minutes of the June 21, 2022 meeting.

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

> **RESOLVED that the minutes of the Board meeting held June 21, 2022 are approved, as presented.**

III. INVOICES

Ms. Sims presented a list of invoices dated December 15, 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 December 15, 2022 are approved for payment.**

IV. PAYROLL AUDIT REPORT

Payroll Audit Collections Report

Ms. Sims referred to the Payroll Audit Collections Report dated December 8, 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.

With respect to the payroll audit scheduled for Washington Court Hotel for 2016-2020, the operator that commenced to operate this property as of February 2021 had previously advised that it does not have payroll records from the previous operator, Harbaugh. Mr. Boardman reported that Harbaugh is no longer a business entity and is defunct, so the Fund is unable to pursue any exit payroll audits. With respect to the exit audit scheduled for Capitol Liaison for 2017-2018, Mr. Geiman informed the Trustees that the auditor has been unable to schedule the exit audit of the prior operator of the Capital Liaison. Ms. Sims added that the findings for the previous audit period were de minimis.

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

> **RESOLVED to forgo exit payroll audits for the Capital Liaison and Washington Court hotels.**

With respect to the Embassy Row, Mr. Boardman reported that he is still trying to obtain contact information for Destination.

V. COUNSEL REPORT

A. Environmental, Social and Governance Factors ("ESG") for Plan Investments

Co-counsel reported that the U.S. Department of Labor ("DOL") issued final regulations on fiduciary considerations with respect to investing based on environmental, social, and governance ("ESG") factors and proxy voting, which will become effective on January 30, 2023. The new regulations replaced final regulations that were adopted under the previous administration in December of 2020. Under the final regulations, a fiduciary may consider ESG factors if the fiduciary reasonably determines such factors are relevant to a risk/return analysis. ESG factors may also be considered as a "tie-breaker" where competing investments equally serve a plan's financial interests over appropriate time horizons. The final proxy voting rule reaffirms that voting and deciding whether to vote proxies is included in fiduciary duties associated with managing securities investments, and removes provisions of the prior rule that encouraged plans to abstain from proxy voting.

B. SECURE ACT 2.0: Required Minimum Distribution ("RMD")

Co-counsel reminded the Trustees that they had previously agreed to increase the age at which an individual who is no longer working in covered employment must begin to receive benefits (the "required beginning date") from 70½ to 72 for individuals reaching age 70½ beginning in 2020. She added that the– Internal Revenue Service has extended the deadline to adopt a plan amendment memorializing this change through December 31, 2025. Ms. Mayerson further reported that the SECURE 2.0 Act of 2022 is pending and would further increase the required beginning date over a number of years to age 75 beginning January 1, 2033.

C. Mandarin Oriental Withdrawal Liability

Ms. Mayerson reported that the Mandarin Oriental was sold in July 2022, and that the buyer and seller would need to complete and submit the Fund's Application for Exemption from Withdrawal Liability by the end of the year to be eligible for an exemption from withdrawal liability under ERISA's asset sale exception.

D. Meketa Contract – Full Discretionary

Co-counsel explained that Meketa has agreed, as a discretionary investment manager, to take on the legal review of documentation for new investments on behalf of the Fund with no increase in its fee. Following discussion, and on Motion made and seconded, the Trustees approved the following resolution:

RESOLVED, to delegate to Chairman and Secretary the authority to review, approve and execute an amendment to the Meketa Investment Consultant Agreement providing that Meketa will be responsible for the legal review of documentation for new investments on behalf of the Fund .

VI. INVESTMENT CONSULTANT REPORT

Mr. Jaung began the meeting by highlighting the long-term approach for the Pension Fund and the goal of generating high risk adjusted returns, especially during periods of market stress. Mr. Jaung went on to note the continued dynamics caused, in part, by investors interpretation of central banks globally.

He continued by saying that Meketa has stayed conservative. Although the absolute performance for the short periods is low, the relative performance to the Fund's peer group, consisting of 350+ Taft-Hartley pension funds with assets under $500 million, in the second quartile. The Fund ranked in the 26th and 36th percentile for the year-to-date and trailing 12 months ending September 30, 2022.

He also stated that the Fund has always exhibited lower volatility than most of the other members of its peer group. He highlighted several data points including being in the top quartile over the last three years ending September 30 2022 for Annualized Standard Deviation, Information Ratio and Beta.

Current Market Environment.

Mr. Dana reported on the current market environment, highlighting the dynamic difficulties of both stocks and bonds falling simultaneously in 2022. He went on to note some of the drivers behind the change in interest rates, inflation and the impact on the real economy.

Performance.

Mr. Jaung said that 2022 has been an awful year for simple stock and bond investors. A simple 60% equities and 40% bonds portfolio was on pace to lose more than 14% for the year-to-date period as of December 15, 2022. Overall the Fund generated a trailing 1-year loss of 11% through October 31, 2022. The Fund's approach to diversify the asset allocation and use other tools, specifically in the more inflation sensitive asset classes of Real Estate and Natural Resources Equities, which– proved practical. These asset classes, which comprise approximately 18% of the Fund as of October 31, 2022, were the Fund's lone positive contributors on a trailing 1-year and year-to-date basis. They produced 6.5% and 6.8%, respectively, for the trailing 1 year period.

Commented [A1]: Can you please make sure Meketa is okay with these edits? Thanks.

The rest of the Fund's asset classes were affected by the broad negative capital market conditions. The equity managers collectively lost 19.5% over the trailing year as of October 31. 2022. The investment grade bond portfolio also fell by 15.6% over the trailing year through October 31, 2022.
The market value at the end of October was $274 million, down from approximately $302 million at the end of 2021.

Mr. Jaung noted that the time may be near to reconsider private market investments for the Fund. Additional discussion is anticipated at the next meeting on the Private Equity and Real Estate investment programs.

Mr. Dana noted that Meketa is working with CapTrust on the fiduciary review previously authorized by the Board.

VII. <u>ACTUARY REPORT</u>

A. <u>2022 Actuarial Valuation Results</u>

The Trustees welcomed Mr. Kevin Woodrich and Ms. Coralie Taylor of Cheiron, Inc. to the meeting. Ms. Taylor reviewed in detail Cheiron's report titled "2022 Actuarial Valuation Results." A copy of the report is attached to and made a part of these minutes as Exhibit B. The funded status of the Plan (actuarial value basis) as of January 1, 2022 is 78.7% on an actuarial value of assets basis, versus the preliminary result of 76.5%. The valuation results reflect a market value return on assets of 11.03%. There was a 17.3% decrease in the number of actives, from 3,993 in 2021 to 3,302 in 2022 and a 7.6% increase in hours from the prior year. Total annual benefits are up 11.2%.

B. <u>Experience Study Fee Proposal</u>

Mr. Woodrich reviewed a memorandum, dated October 6, 2022, which followed up on the Trustees' prior discussion of the continued use of the 6.75% investment assumption. He recommended that the Fund complete an experience study prior to the 2023 valuation, which compares how well actual experience has conformed to the actuarial assumptions being used and to make changes where that actual experience has been materially different than predicted. Mr. Woodrich stated that as a best practice, assumptions should be reviewed approximately every five years, and that Cheiron had last performed an experience study for the Fund in 2017. He noted that the proposed fee to perform the study would be $16,500 and would include an analysis of the Plan's experience from 2017 to 2022.

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

> **RESOLVED, to approve Cheiron to perform the Experience Study for a fixed fee of $16,500, for the period of 2017-2022.**

VIII. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2022 and Third Quarter 2022 Administrative Manager's Report

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

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

> **RESOLVED that the Second Quarter 2022 and Third Quarter 2022 Pension Benefit Applications are approved for payment as presented.**

C. Contribution Overpayment

Ms. Steer reported that the Memorandum of Agreement ("MOA") for several employers, provided for a 10-cent increase in pension contributions effective

September 2023 as the result of a scriveners' error, and that the parties were in the process of executing a collective bargaining agreement (CBA) with the correct language. Ms. Sims said these employers have been paying at the increased rate since October 2022 by $0.10 cents per hour.

Commented [A2]: Is it September 2023 or October 2022 (see below)?

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

> **RESOLVED to, upon the receipt of executed CBAs correcting the contribution rate set forth in the MOA retroactive to [date], treat amounts paid to the Fund as a result of the incorrect contribution rate in the MOAs as a mistake of fact, and to refund the overpayments to the applicable employers.**

IX. <u>OTHER FUND BUSINESS</u>

A. <u>Restaurant Associates</u>

Mr. Boardman reminded the Trustees that, in February 2020, the Trustees voted to terminate the participation of Restaurant Associates effective upon termination of its collective bargaining agreement with Local 23 in July 2021 (the CBA was subsequently extended). Mr. Boardman reported that the collective bargaining agreement the bargaining parties have requested continued participation with the Fund, contingent on paying contribution rates that are consistent with the HAWDC contract. Ms. Mayerson noted the Pension Fund Agreement permits the Trustees to accept employers other than Local 25 as participating employers only if they agree to the following terms: (1) to be bound by the terms of the Trust Agreement (and any amendments thereto), (2) the contribution rate is sufficient to support the level of benefits that are being offered under the Plan and (3) the Plan Actuary certifies that the inclusion of the employees of the employer will not affect the funding status of the Plan or the benefit of existing Plan participants. Mr. Woodrich confirmed that the contribution rate is sufficient to support the level of benefits and that the inclusion of the employees of the employer will not affect the funding status of the Plan or the benefit of existing Plan participants.

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

> **RESOLVED to delegate to Chairman and Secretary the authority to permit Restaurant Associates to stay in the Fund, provided that it agree to be bound by the terms of the Trust Agreement and rates consistent with the HAWCD contract, effective December 1, 2022.**

B. Form 5500 for the Plan Year Ended December 31, 2021

Ms. Sims reported the timely filing, under extension, of the Form 5500 for the Plan year ended December 31, 2021.

C. 2022 Summary Annual Report

Ms. Sims reported that the Summary Annual Report had been mailed to Participants on time.

D. Cyber Liability Insurance

Ms. Sims reported the Cyber Liability policy for the Fund was renewed for the period of November 1, 2022 through October 31, 2023 for a premium of $12,340.

E. Fiduciary Liability Insurance

Ms. Sims reported the policy renewed for the period of September 1, 2022 through August 31, 2023 for a premium of $7,707.

F. Novak|Francella – Audit Engagement Letters

Ms. Sims reported that copies of the proposed audit engagement letter for the 2022 Plan Year from Novak|Francella, LLC ("Novak") had been circulated prior to the meeting. A copy of the subject letter is attached to and made a part of these minutes as Exhibit H.

Ms. Sims noted that the proposed fee of $21,800 for the audit and related services represent a 3% increase over last year.

Commented [A3]: This is the same amount is shown in the minutes for the other two funds. If this is the number in aggregate, the following words should be added after "for the Fund":", the H&W Fund and the Legal Fund", and the following words should be added at the end of the sentence: "for all three funds in the aggregate, allocated among the them based on [whatever criteria is used to allocate]."

Commented [A4]: This is the same amount is shown in the minutes for the other two funds. Same comment above applies.

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

> **RESOLVED that the Fund's engagement letter with Novak|Francella, LLC for the audit and related work for the 2022 plan year, at a fee of $21,800, is approved.**

X. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the following Board meetings for 2023, commencing at 10:00 a.m. February 23rd, 2023, June 7th, 2023, September 13th, 2023, and December 13th, 2023.

XI. ADJOURNMENT

There being no further business, the meeting was adjourned.

Approved by the Board of Trustees on __________, 2023

By: ________________________________

Anne-Marie Sims, Associated Administrators, LLC

AMS/bm

(Org. 12-15-2022)

Attachments:
Exhibit A: Payroll Audit Collections Report, dated December 8, 2022
Exhibit B: Cheiron: 2022 Actuarial Valuation Results

Exhibit C: Cheiron: B. Experience Study Fee Proposal
Exhibit D: Associated Administrators, LLC – Administrative Managers Report - Second Quarter 2022
Exhibit E: Associated Administrators, LLC – Administrative Managers Report - Third Quarter 2022
Exhibit F: Second Quarter 2022 Pension Benefit Applications
Exhibit G: Third Quarter 2022 Pension Benefit Applications
Exhibit H: Novak|Francella – Audit 2022 Pension Fund Engagement Letter