**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 FEBRUARY 23, 2023

The following Trustees were present:

| UNION TRUSTEES | EMPLOYER TRUSTEES |
|---|---|
| John Boardman - Chairman | Solomon Keene |
| Linda Martin | Michael D'Angelo (via video conference) |
| Stephanie Steer Jones | 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)
Kathy Phillips - Associated Administrators, LLC (via video conference)
Dawn Welch - Associated Administrators, LLC
Henry Jaung - Meketa Investment Group
William Duryea - Meketa Investment Group
Paul Schwab - UNITE HERE Local 25
Jackie Coyle - Novak|Francella
Kevin Woodrich - Cheiron (via video conference)

## I. CALL TO ORDER

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

## II. MINUTES

Board Meeting, December 15, 2022

The Trustees reviewed the draft minutes of the December 15, 2022 meeting.

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

> **RESOLVED that the minutes of the Board meeting held December 15, 2022 are approved as presented.**

## III. INVOICES

Ms. Sims presented a list of invoices dated February 23, 2023. 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 February 23, 2023 are approved for payment.**

## IV. PAYROLL AUDIT REPORT

A. Payroll Audit Collections Report

Ms. Jackie Coyle was welcomed to the meeting by the Trustees. She referred to the Payroll Audit Collections Report dated February 15, 2023, included in the meeting book. A copy of the report is attached to and made part of the minutes as Exhibit A. Ms. Coyle reviewed the report, which contains results for collection of payroll audit deficiencies. She informed the Trustees that she had previously been asked to perform an exit audit of Harrington Hotel, which was scheduled to be sold, but that even though the sale has been put on hold she had been asked to go ahead with the audit by Mr. Boardman.

Ms. Coyle presented a list of proposed audits over the next three years for the Trustees' consideration. The Trustees discussed the fact that, due to the suspension of audits during the pandemic, when all or almost all of the contributing employers were shut down, a number of contributing employers have not been audited for many years. The Trustees directed Ms. Coyle to complete payroll audits from the date of the last audit (or 2015, if later) to the current timeframe. If audit findings for an audit that commences in 2015 are substantial, and there is an unaudited period before 2015, Ms. Coyle is to inform the Finance Committee so that it can determine if the scope of the audit needs to be extended before 2015. The Board expressed a willingness to revise Novak's per-audit fees to account for the longer-than-anticipated audit periods.

Ms. Sims informed the Trustees that the operator of the Omni Shoreham Hotel completed a self-audit and has requested reimbursement of an overpayment of contributions. The Trustees asked Ms. Coyle to move the Omni Shoreham Hotel to the Year 1 - 2023 payroll audit cycle list, with an audit period of 2017 through December 31, 2022. In addition, the Trustees asked her to move the Madison Hotel to the Year 1 - 2023 payroll audit cycle list due to the frequent delinquencies and substantial amount of staffing changes that have occurred. Ms. Steer Jones added that the operator at the Beacon Hotel is changing and asked that an exit audit be added to the Year 1 – 2023 list. Mr. Boardman said that the Finance Committee would review the proposed list in more detail after the meeting and inform Ms. Coyle and Ms. Sims of any other changes.

Ms. Sims requested a current contact list of owners and operators for all hotels from Ms. Steer Jones, who agreed to supply this information to the Fund Office.

Ms. Sims reported that the operator of The Ven at Embassy Row recently contacted the Fund Office, advising that it has overpaid contributions on all Funds. This matter is currently being reviewed at the Fund Office to determine if benefits were extended to participants due to the overpayment and she will then advise the employer that it may request a credit for any overpayment net of these erroneous benefit payments.

The Trustees thanked Ms. Coyle for her presentation and excused her from the meeting.

## V. COUNSEL REPORT

### A. Secure 2.0

Ms. Mayerson discussed the SECURE 2.0 Act of 2022, which was signed into law on December 29, 2022. The Act further increases the age at which retirement plan distributions must begin to age 73 for individuals who reach age 72 after December 31, 2022, and before January 1, 2033, and increases to age 75 for those turning age

74 after December 31, 2032. She noted Secure 2.0 permits increases in the dollar limit on mandatory distributions from $5,000 to $7,000 beginning in 2024.

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

> **RESOLVED to increase the required benefit distribution age to 73 for individuals who reach age 72 after December 31, 2022, and before January 1, 2033 and increase to age 75 for those turning age 74 after December 31, 2032.**
>
> **And,**
>
> **RESOLVED to increase the dollar limit on mandatory distributions from $5,000 to $7,000.**

Ms. Mayerson stated Co-Counsel would prepare a Summary of Material Modification to be mailed to participants.

Ms. Mayerson informed the Trustees that Secure 2.0 changes the obligations of plan fiduciaries with respect to certain benefit overpayments and imposes restrictions on overpayment recoupment efforts.

B. Mandarin Oriental Withdrawal Liability

Ms. Mayerson reported that the Mandarin Oriental was sold in July 2022. The buyer and seller submitted an application for exemption from withdrawal liability in December 2022 and requested a waiver from the purchaser’s bond requirement on the grounds that the purchaser’s net tangible assets are in excess of the unfunded vested benefits allocable to the seller. Mr. Boardman reviewed the documentation included with the application and concluded that it supports the waiver request.

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

> **RESOLVED to approve the exemption from withdrawal liability under ERISA's asset sale exception and waive the requirement of a purchaser bond.**

C. CAPTRUST Fiduciary Review

Ms. Mayerson reported that co-counsel had had a call with CAPTRUST to obtain a preliminary report of CAPTRUST's fiduciary review of Meketa previously authorized by the Board of Trustees. CAPTRUST has completed its review and provided a positive oral report to Co-Counsel. CAPTRUST will now proceed to prepare a draft written report summarizing its findings for the Trustees' review.The Trustees requested that CAPTRUST be invited to the next Board meeting to present their report.

## VI. INVESTMENT CONSULTANT REPORT

**Investment Consultant Report**

**Introduction:**

Henry Jaung and Will Duryea of Meketa entered the meeting. Mr. Jaung introduced Mr. Duryea and explained that he will be working with the Fund and the 401(k) plan. Mr. Duryea gave the Board a brief summary of his background. Mr. Jaung then outlined the presentation Meketa prepared for the meeting.

**Executive Summary:**

Mr. Jaung began the summary by stating that the full calendar year of 2022 was a very bad period for all risk asset classes, although Q4 saw a nice rebound. The Fund returned 5.4% during the quarter, although was down 9.8% for the calendar year, ranking in the top 19% in Meketa's peer group of all Taft-Hartley DB plans less than $500 million. for 2022 This universe comprises over 360 Taft-Hartley plans. The return of -9.8% represents outperformance over the two benchmarks for the calendar year by 3.5% (Policy BM) and 0.5% (Target Policy BM). There was a very positive sign in that the Fund showed a positive cashflow for the first time since 2020. During 2022, the Fund saw a positive cashflow of approximately $700K. The market value of the Fund stood at $282 million at the end of 2022.

Mr. Jaung reminded the Board that Meketa has and continues to keep a conservative profile for the Fund, in accordance with the Board's investment philosophy. The Fund also remains very liquid as there has been no additional private investments added to the Fund since 2022. He suggested that, as the cashflow continues to be more positive, as the industry continues to recover from the pandemic, the Board should consider resuming the private markets investments in 2023.

**Current Views and Positioning:**

Mr. Jaung reiterated the Fund's positioning as staying conservative and liquid. There is a great deal of uncertainty with persistent high inflation and Fed's tightening giving rise to the potential for a hard landing caused by Fed's further tightening policies. This will keep the market volatility at a high level for the foreseeable future. There is the also the uncertainty of where the corporate earnings will land in 2023. Although the equity valuations across the globe have come down during 2022, there is still too much uncertainty to be in any other mode but conservative. This is why the Fund carries a slight underweight to equities and a slight overweight to high grade bonds in general. The Fund has consistently held approximately 40% in global equities throughout Meketa's tenure. This is significantly less than the peers' average of approximately 55%. The Fund also held approximately 25% in defensive asset classes like high grade bonds and TIPS. Mr. Duryea pointed to the risk and risk adjusted section of the report to highlight that within the peer group, the Fund is in the lowest 20% in total volatility measures and top 20% in risk adjusted measures.

**Performance Review:**

Mr. Jaung reviewed the performances of the asset class aggregates to begin this section. He shared with the Board that most of the aggregates have outperformed their respective benchmarks during 2022. The global equity aggregate outperformed the MSCI ACWI by 1.4%, Investment Grade Bonds aggregate outperformed the Bloomberg Aggregate Index by 0.1%, TIPS outperformed by 6%, emerging markets debt by 0.7%, and the high yield bonds outperformed by 2.8%. These assets represent over 75% of the Fund. The two aggregates that underperformed were real estate and natural resources. Real estate was due to the underperformance of the REIT Index fund and the natural resources was due to the gold exposure in First Eagle.

Private markets investments continue to do very well. 2022's IRR (internal rate of return) is at 15% through September, as private equity returns lag by approximately one quarter.

**Capital Markets Assumptions:**

Mr. Jaung stated that many of the asset classes returns assumptions were higher in 2023. This was basically due to lower valuations in equities with the large drawdowns in 2022 and significantly higher yields in bonds. The expected return for the Fund is higher due to these factors. The preliminary expected return for the Fund for 2023 is approximately 8%. The full asset allocation study will be presented at the next meeting. Mr. Jaung stated that the higher expected return does not reflect any significant changes to the conservative way that the Fund is being managed. A question was asked about the risk factors around the new assumptions. Mr. Jaung explained that Meketa has always been very conservative in the risk measurements. The tendency is to increase the expected volatility from the historical averages, modify the historical correlations to a higher number and factor in the skewness of the asset classes in the overall risk parameters.

**CAPTRUST Update:**

Mr. Duryea gave an update regarding CAPTRUST's review of Meketa. He stated that Meketa has provided all the information requested to date.

With that, the presentation was completed.

## VII. ACTUARY REPORT

The Trustees welcomed Mr. Kevin Woodrich and Ms. Coralie Taylor from Cheiron to the meeting. Mr. Woodrich distributed copies of his report titled, "Actuarial Consultant's Presentation" and reviewed it in detail. A copy of the report is attached to and made a part of these minutes as Exhibit B.

Mr. Woodrich reported Annual Certification of Plan Status under Section 432(b) of the Internal Revenue Code has to be filed by March 31, 2023. Cheiron anticipates that the Fund may remain in "safe" status for the 2023 Plan year based on the estimated financial information received from Meketa, which reflected that as of December 31, 2022, the estimated market value return was -9.6%. The estimated funded status as of January 1, 2023 would be 80.3%. The actual funding status for the actuarial certification will be determined based on financial information received from the Fund Auditor which will include the cash flows.

Mr. Woodrich reminded the Trustees that, at their December 2022 meeting, they had adjusted the industry activity assumption to be used for the PPA certification to assume the following hours worked as a percentage of 2020 hours: 15% for 2020, 70% for 2022; 75% in 2023; and 100% in 2024 and following years. He asked the Trustees if there should be any additional adjustments made to the activity assumptions prior to the PPA certification being completed.

Mr. Boardman stated the Finance Committee would obtain realistic market reports for 2024 and 2025 and review occupancy numbers and inform Mr. Woodrich if any adjustments need to be made to the industry activity assumptions prior to March 31, 2023.

Mr. Woodrich reported that the Annual Funding Notice is required to be distributed to all participants, participating employers and the PBGC by April 30, 2023.

Mr. Woodrich reported that Cheiron is working on the Experience Study that was proposed and approved by the Trustees at the last meeting and would present the Study at the next Board meeting.

The Trustees thanked Mr. Woodrich and Ms. Taylor for their presentation, and they were excused from the meeting.

## VIII. ADMINISTRATIVE MANAGER'S REPORT

A. Fourth Quarter 2022 Administrative Manager's Report

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

B. Fourth Quarter 2022 Pension Benefit Applications

Ms. Sims presented and reviewed the Fourth Quarter 2022 Pension Benefit Application Reports, copies of which are attached to and made a part of these minutes as Exhibit C.

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

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

## IX. OTHER FUND BUSINESS

Restaurant Associates

Ms. Sims reminded the Trustees that, at their last meeting, they had agreed to delegate to the Finance Committee the authority to permit Restaurant Associates, which has a collective bargaining agreement with UNITE HERE Local 23, to continue to participate in the Fund, provided it agree to (i) be bound by the terms of the Trust Agreement and (ii) to pay contributions to the Fund at rates consistent with the rates under the HAWDC CBA no later than December 1, 2022. Restaurant Associates and Local 23 have now negotiated an extension of their current CBA through February 28, 2023; the memorandum of agreement includes the provisions requested by the Trustees Accordingly, the Finance Committee has agreed to permit Restaurant Associates to stay in the Fund for the term of the current CBA.

## X. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next Board meeting for Tuesday, June 7, 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. 4-13-2022)

Attachments:

Exhibit A: Novak|Francella - Payroll Audit Collections Report February 15, 2023

Exhibit B: Associated Administrators, LLC – Administrative Managers Report – Fourth Quarter 2022

Exhibit B: Fourth Quarter 2022 Pension Benefit Application Reports