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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 24, 2020
VIA ZOOM CONFERENCE CALL

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
Jackie Coyle - Novak|Francella, LLC
Tyler Geiman - Novak|Francella, LLC
Marcella Pascal - Novak|Francella, LLC
Henry Jaung – Meketa Investment Group
Brian Dana – Meketa Investment Group
Coralie Taylor – Cheiron, Inc.
Kevin Woodrich – Cheiron, Inc.

I. CALL TO ORDER

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

II. MINUTES

Board Meeting, June 4, 2020

Anne-Marie Sims reported she had received no comments on the draft of the subject minutes which had been circulated prior to this meeting.

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

> **RESOLVED that the minutes of the Board meeting held June 4, 2020 are approved.**

III. INVOICES

Ms. Sims presented a list of invoices dated September 18, 2020. 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 18, 2020 are approved for payment.**

IV. PAYROLL AUDIT REPORT

Payroll Audit Collections Report

Ms. Sims referred to the Payroll Audit Status Report 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 the status of open payroll audits as of September 17, 2020.

Ms. Coyle provided an overview of the current status of the payroll audits in progress. She reported that the payroll audits were completed and findings issued to the employers with respect to the Hilton Crystal City, Restaurant Associates and Sheraton Premier at Tysons Corner. Ms. Coyle stated the payroll audits showed no discrepancies for Hilton Crystal City, but that there is a dispute in the payroll audit finding for Restaurant Associates and Sheraton Premier at Tysons Corner. She reported that Novak had reviewed the disputed items and revised reports were issued to both employers. Ms. Coyle noted that the payroll audit for the Embassy Suites Convention Center will begin in the upcoming weeks. The Trustees determined that after completing the audit of Embassy Suites Convention Center, Novak|Francella should delay auditing any more participating employers until after the first of the year 2021. Ms. Coyle exited the meeting following her report.

V. AUDITOR REPORT

Financial Statements for Years Ended December 31, 2019

Ms. Marcella Pascal of Novak | Francella, LLC ("Novak") reviewed the Financial Statements for year ended December 31, 2019, a copy of which is attached to and made a part of these minutes as Exhibit B. Ms. Pascal confirmed that the financial statements, in her opinion, present fairly, in all material respects, the financial status of the Fund. Ms. Pascal then reviewed the audit report in detail. Ms. Pascal reported that the Form 5500 and Financial Statements would be filed under extension on October 15, 2020. Ms. Pascal exited the meeting following her report.

VI. CO-COUNSEL REPORT

Ms. Mayerson noted that at the last Trustees' meeting, Cheiron reported on the effects on the Plan of increasing the required minimum distribution (RMD) age from age 70-1/2 to age 72 under the SECURE Act, and concluded that changing the RMD age to 72 would have very little impact on the Plan's valuation results.

After discussion, on Motion made and seconded, the Trustees voted approval of the following resolution:

> **RESOLVED to approve increasing the required minimum distribution from 70½ to age 72 effective for participants who reach age 70½ after 2019, as permitted under the SECURE Act.**

Co-Counsel said that an Amendment to the Plan would be prepared and circulated to Trustees for review and signature and that a Summary of Material Modification would be prepared for mailing to participants notifying them of this change.

VII. <u>INVESTMENT CONSULTANT REPORT</u>

The Trustees welcomed Mr. Jaung and Mr. Dana of Meketa Investment Group, who reviewed the Investment Review Report dated September 24, 2020 included in the meeting materials. Mr. Dana provided an economic and market update as of August 31, 2020.

Mr. Jaung presented the executive summary of the Plan's investment performance. He noted that the Fund had a very strong return YTD, 1 and 3 years ending Q2 2020. The Fund returned 0.7%, 5.7%, and 6.3%, respectively during these periods, net of fees. These results placed the Fund in the 11^{th}, 17^{th} and 29^{th} percentile, respectively, within the peer group of Taft-Hartley DB Plans with less than $500 million in total assets.

Mr. Jaung also noted that the Fund still has a relatively defensive posture compared to other similar sized pension funds. Even with the additional equities bought during early Q2 when the markets were near the bottom, the Fund's equity weight is still less than the median equity weight of its peer group. This can be seen clearly during Q2 when the Fund returned a very high 10.5%, and ranked in the 72^{nd} percentile. The Fund is positioned defensively, so when the markets run as they did in Q2, there will be a lag with the peer group median.

Mr. Jaung reported that the Fund's market value was $275 million, an increase of approximately $33 million since the end of Q1 2020. This is a significant increase in a short period of time. Since the inception of Meketa's relationship with the Fund to end of July 2020, the Fund returned 7.8%, slightly trailing the two primary benchmarks by 0.2%. The fee is still very low, at 35 basis points.

Mr. Dana commented on Meketa's current view of the state of the markets. He highlighted that Meketa still is very cautious as there are many issues the markets will face in Q3 and beyond. The COVID issue has not been resolved in any way, there is a looming election, and the current state of the economy is still very fragile. This is why Meketa has not added more equities to the Fund since the initial equity purchase made earlier in the year. Mr. Dana reviewed the attribution analysis for 1 year ending July 2020. The total outperformance relative to the benchmark was approximately 3% in that time frame. Mr. Dana highlighted that the outperformance came evenly between asset allocation decisions and security selection, which is a positive way of gaining outperformance.

The final topic was the IPS and the modifications by Meketa to address illiquid investments. Mr. Dana then reported on a Finance Committee meeting that occurred on August 17 in which he and Mr. Jaung had met with Mr. Boardman, Mr. Keene, Ms. Mayerson and Mr. Singerman to discuss possible modifications to the Investment Policy Statement (IPS) to provide clarification requested by Meketa regarding alternative investments under the Plan. During the meeting, Meketa discussed the characteristics of various alternative investments, and of hedge funds in particular, so as to more clearly distinguish between permissible and impermissible investment vehicles. As a result of this meeting, Mr. Dana presented a revised IPS for the Trustees' consideration which (i) specifies that investment vehicles which either engage in short selling of physical equity or debt securities or engage in arbitrage strategies are not permissible investments, and (ii) provides that no new investments may be made which cannot be fully redeemed within 30 days until further authorization from the Board of Trustees due to the severe negative impact to the Fund’s cash flow caused by the COVID pandemic.

After discussion, on Motion made and seconded, the Trustees voted approval of the following resolution:

> **RESOLVED, to approve and adopt the revised Investment Policy Statement as presented.**

VIII. ACTUARY REPORT

2020 Actuarial Valuation Results

The Trustees welcomed Mr. Kevin Woodrich and Ms. Coralie Taylor of Cheiron, Inc. to the meeting. Ms. Taylor discussed their report titled “2020 Actuarial Valuation Results” in detail. A copy of the report is attached to and made a part of these minutes as Exhibit C. The funded status of the Plan (actuarial value basis) as of January 1, 2020 is 74.9% on an actuarial value of assets basis, versus the preliminary result of 72.1%. The funded status of the Fund increased from 67.9% to 76.9% on a market value basis. Ms. Taylor stated that current economic climate is not reflected in the results as of January 1, 2020.

Mr. Woodrich led a discussion with the Trustees of the potential impact of the COVID pandemic on the funded status of the Fund and modeled scenarios involving declines in participant hours extending over different periods. He noted that the Fund has a high credit balance which can be applied to meet minimum contribution requirements if contribution hours decline below the minimum contribution level.

IX. ADMINISTRATIVE MANAGER'S REPORT

A. Second Quarter 2020 Administrative Manager's Report

Ms. Sims presented and reviewed the Second Quarter 2020 Administrative Manager's Report, a copy of which is attached to and made a part of these minutes as Exhibit D.

B. Second Quarter 2020 Pension Benefit Applications

Ms. Sims presented and reviewed the Second Quarter 2020 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 2020 Pension Benefit Applications are approved for payment as presented.**

X. OTHER FUND BUSINESS

Fidelity Bond Renewal

Ms. Sims reported on the fidelity bond renewal effective October 4, 2020, explaining that the quoted premium was $2,730 for three years for the same $250,000 coverage level as currently in effect, with an option to pre-pay for $2,463 (in either event cancellable by the Fund during the three years with no penalty).

After discussion and on Motion made and seconded, the Trustees approved the following resolution:

> **RESOLVED to approve renewing the Fidelity Bond policy with Chubb at the current $250,000 limit of liability, for a prepaid premium amount of $5,910.00.**

Ms. Sims reminded the Trustees that they had approved by email poll at the end of August a renewal of the fiduciary insurance policy at no premium increase with the incumbent carrier, effective September 1, 2020, for a two-year policy period to lock in the premium (but cancellable by the Fund with no penalty).

XI. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Tuesday, December 8th, 2020, commencing at 10:00 a.m.

XII. ADJOURNMENT

There being no further business, the meeting was adjourned.

Approved by the Board of Trustees on __________, 2020

By: ___________________________________

Anne-Marie Sims, Associated Administrators, LLC.

AMS/bm

(Org. 09-24-2020)

Attachments:
Exhibit A: Payroll Audit Collections Report, as of September 17, 2020
Exhibit B: Novak|Francella – Auditor Report – Financial Statements – PYE 2019
Exhibit C: Cheiron: 2020 Actuarial Valuation Results Report
Exhibit D: Associated Administrators, LLC-Administrative Managers Report – Second Quarter 2020
Exhibit E: Pension Benefit Applications Report – Second Quarter 2020