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 JUNE 4, 2020
VIA WEB-EX 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
Barbara Maiorano – Associated Administrators, LLC
Jackie Coyle - Novak|Francella, LLC
Tyler Geiman - Novak|Francella, LLC
Anne-Marie Sims - Associated Administrators, 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, February 27, 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 February 27, 2020 are approved.**

III. INVOICES

Ms. Sims presented a list of invoices dated June 4, 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 June 4, 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 May 27, 2020.

Jackie Coyle provided an overview of the current status of the payroll audits in progress. With respect to the Beacon Hotel audit for the period January 2017 through March 2018, Ms. Coyle reported that the prior owner's CFO and payroll administrator, Pattie Tipton, provided the requested documentation and the audit is complete. Ms. Coyle reviewed the findings and said that the employer is disputing findings relating to the payment of contributions for double-time hours worked on Inauguration day and will be providing Novak|Francella with additional information regarding this matter.

Ms. Coyle reported that initial testing is in progress with respect to the Hilton Crystal City, Restaurant Associates and Sheraton at Tysons Corner. However due to the national COVID-19 crisis, audit progress is slow and/or halted, with limited response from hotel staff. Ms. Coyle suggested a need to discuss a new process for auditing the remaining hotels for 2020. Mr. Boardman requested that the audits be handled on a case by case basis and discussed the possible need to delay further audits and referring delinquencies to collections counsel until hotels resume operations.

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

> **RESOLVED to delegate to the Finance and Collections Subcommittee the authority to make adjustments to the current audit process as appropriate due to the COVID-19 pandemic and the resulting impact on employer staffing.**

V. CO-COUNSEL REPORT

Withdrawal Liability – Sheraton Tysons Corner

Anne Mayerson reminded the Trustees that they had previously agreed to accept a settlement offer from the owner of the Sheraton Tysons Corner in the full assessed amount of $1,261,665 based on Cheiron's advice that, although the assessed amount is subject to revision based on the final January 1, 2019 valuation, there was no reason to expect any significant difference in the final number. Ms. Mayerson said that she expects payment to be made within the next few days.

CARES Act – Extension of Participant Deadlines

Ms. Mayerson reported that the Department of Labor ("DOL")/Employee Benefits Security Administration ("EBSA") and the Department of Treasury/Internal Revenue ("IRS") jointly issued guidance that requires plans to extend the deadline for participants and beneficiaries to file claims and appeals by disregarding the period from March 1, 2020 until 60 days after the announced end of the COVID-19 emergency, or other date announced by the federal government, for purposes of determining the deadline.

VI. INVESTMENT CONSULTANT REPORT

The Trustees welcomed Henry Jaung and Brian Dana of Meketa Investment Group. Mr. Dana began by outlining the meeting agenda, which includes an executive summary, asset growth and performance through 03/31/2020, Investment Policy Statement ("IPS") discussion, and an asset allocation review and risk analysis. Mr. Dana also provided comments regarding the economic landscape and impacts being seen around the world due to COVID-19 pandemic.

Mr. Jaung reported that Meketa has kept the Trustees well-informed about Fund experience during the past three months by sending frequent performance updates. He said that the Fund ended the quarter with $242.2 million, which decreased by $21.5 million from the previous quarter ending market value. The estimated market value as of May 31 was $263 million, which Mr. Jaung explained brings the Fund close to the 12/31/2019 market value. For the first quarter, the Fund returned -8.9%, placing it in the top 15% of its peer group (Taft-Hartley Defined Benefit plans of less than $500 million). The Fund also outperformed the policy benchmark and the target policy benchmark by 220 and 320 basis points respectively during the quarter. The Fund placed very high for the past 12 months as well as the past 3 years with 15th and 24th percentile rankings, respectively.

Mr. Jaung reviewed the risk/return profile of the Fund by reviewing two periods, 12 months and 36 months ending Q1 2020. In both periods the Fund's standard deviation was significantly lower than the two benchmarks with the return being higher than the benchmarks. The conservative nature of the Fund's investment portfolio provided for significant outperformance during this most recent turmoil.

Mr. Jaung and Mr. Dana reviewed the first quarter portfolio actions section. In early March, following the February equity downturn that caused the fixed income asset classes to move to the top of their permissible ranges, Meketa rebalanced the portfolio by reducing Short-Term TIPS (along with some of the cash position) and adding to international developed equities. In addition, Meketa harvested the gains from gold exposure by reducing that exposure and reallocating it along with some cash to passive US equities. From early March and into Mid-March, deterioration in equity performance continued. Meketa took the opportunity to add more international equity to the Fund by trading out of investment grade bonds.

Mr. Dana also highlighted some additions Meketa made to the credit sectors due to improvements in credit market liquidity, unprecedented levels of monetary policy support, and more attractive spreads. Specifically, Meketa transferred assets from TIPs to (i) initiate a new position with Pacific Floating Rate Fund in mid-April and (ii) add to the current SKY Harbor High Yield Fund on May 1. and Even with the additional equity investments during Q1, the Fund retained a modestly defensive positioning, and the Fund is still well within the policy ranges for all asset classes.

Mr. Dana introduced a new potential investment for the Fund. Sculptor is a flexible credit fund that has a hybrid of private markets and hedge fund characteristics. It focuses on distressed and opportunistic fixed income instruments. It does carry a lock up period. Mr. Boardman and Mr. Keene described the very limited contributions the Fund can expect for the foreseeable future due to the pandemic. Given this information, Mr. Dana acknowledged that this investment was not appropriate at this time. The Trustees requested that the Finance Committee meet with Meketa before the next meeting to discuss further the attributes of a potential manager that would result in it being classified as an impermissible hedge fund investment under the IPS and whether any clarification of the IPS is warranted.

The last item on Meketa's agenda was the IPS change in the asset allocation classifications to reflect a global equity allocation. This item was tabled until the next meeting.

VII. ACTUARY REPORT

The Trustees welcomed Mr. Kevin Woodrich and Ms. Coralie Taylor of Cheiron, Inc. to the meeting.

A. 2020 Security Act Study

Coralie Taylor reviewed Cheiron's analysis of 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, noting that the Plan's current assumption tables, as detailed in the report, reflect current law (which requires a minimum distribution commencing at age 70). Ms. Taylor concluded that changing the RMD age to 72 would have very little impact on the valuation results. Ms. Taylor recommended that no changes be made to these assumptions until the Plan experience develops post-legislation.

Mr. Woodrich reported that, due to COVID-19 emergency and its effect on hours worked and contributions received, the Fund is still at 75% funded status.

VIII. ADMINISTRATIVE MANAGER'S REPORT

A. First Quarter 2020 Administrative Manager's Report

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

B. First Quarter 2020 Pension Benefit Applications

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

IX. NEXT MEETING DATE AND LOCATION

The Trustees scheduled the next regular Board meeting for Thursday, September 24th, 2020, commencing at 10:00 a.m.

X. 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. 06-04-2020)

Attachments:
Exhibit A: Payroll Audit Collections Report, as of May 27, 2020
Exhibit B: Cheiron: Local 25 Security Act Study 2020
Exhibit C: Associated Administrators, LLC-Administrative Managers Report – First Quarter 2020
Exhibit D: Pension Benefit Applications Report – First Quarter 2020