October 18, 2012

Board of Trustees of the UNITE HERE Local 25 and Hotel Association of Washington, D.C. Health and Welfare Fund, Group Legal Services Fund and Pension Fund

Re: Administrative Services Contract Renewal

Trustees:

The contract between Associated Administrators, LLC ("Associated") and the UNITE HERE Local 25 and Hotel Association of Washington, D.C. Health and Welfare Fund, Group Legal Services Fund and Pension Fund ("Funds") expire December 31, 2012. We hope that you will consider favorably our request for a three-year agreement.

Proposal

We propose a three-year contract term with 4% annual rate increases. Please see Exhibit A.

Additionally, PPACA and new regulations may result in additional work for the Fund. If that work is delegated to Associated Administrators, LLC by the Trustees, we propose to continue charging separate hourly fees for that work. We also propose to charge separate hourly rates for other new regulatory changes and/or the implementation of new vendors during this agreement, such as a new PBM. Associated will outline the additional work required with the Trustees and provide detail on the hours spent. The hourly rates are shown in Exhibit A.

Justification

- **New Requirements**
  - **Pension Protection Act (PPA) –** Coordination between the Fund's actuary, auditor and counsel with distribution of the Annual Funding Notice each April. Distribution of Summary Plan Information 30 days following the filing of the Form 5500 to all employers.

  - **New Investment Consultant –** Coordination with Meketa Investment Group to ensure the smooth transition from the prior Investment Consultant. We provide ongoing support to Meketa to ensure that contracts, transfers, and investment changes are executed smoothly.

- **408(b)(2) Regulations**
  Our office has just completed the mailing of the required ERISA 408(b)(2) notices and is working with service providers to comply with 408(b)(2) regulations, covering fee disclosures by vendors.

- **Regulatory Changes**
  Over the last several years, regulations continue to affect benefits administration. Associated has had to increase its workforce, training, and systems to abide by these regulations. PPACA will continue to result in several more changes in benefits processing and administration. Key components of PPACA affected the Fund, such as expanding dependent eligibility to age 26, which added new work. If the Fund's HMO benefit loses "grandfathered" status, additional regulatory changes will be required. In 2012 the Fund also will be required to produce and distribute to participants the new Summary of Benefits and Coverage and payment of the Comparative Effectiveness Research fee. In 2014, anticipated changes include no waiting periods longer than 90 days.

- **Forms 5500 and 990**
  Changes to the Form 5500 Schedule C now require additional coordination between the Fund Office and Fund vendors in order to assist the Auditor in preparation of the Form 5500. Schedule C requires new extensive recordkeeping of individual vendor and Trustee expenses, including allocating such expenses for each Trustee meeting. Additionally, the most comprehensive changes to the Form 990 in over 20 years now require the Fund to collect information from each Trustee annually. The changes to the Form 990 resulted in the adoption of the following policies: Conflict of Interest, Whistleblower, and Record Retention.

- **Increased Costs for Employee Benefits**
  Associated's costs of doing business have increased. The most recent health & welfare benefit increases ranged from 5.69% to 12.23% for our unit employees. Pension contribution rates increased by 10% in January 2011 and by another 5% in January 2012. Future significant pension contribution increases are likely.

  Our non-unit medical benefits through UHC increased by 13% as of September 1, 2011, and due in part to the Patient Protection and Affordable Care Act and despite reductions in coverage and increased co-pays to our employees. Facing a similar increase in 2012, Associated paid an addition 2% and our employees pay the balance.

- **Compliance Monitoring**
  Associated continues to provide a compliance monitoring program to help each of our client funds track regulatory reporting requirements, vendor contracts, and required documentation. Failure to comply can result in fines and fees to the Fund. We have placed outside Counsel on retainer to advise us of new regulations applicable to benefits.

- **Information Technology Developments**
  Associated invested over $416,000 in technology upgrades in 2011, and $520,000 in 2012. These include computers, thin clients, servers, switches, firewalls, and software necessary to keep us compliant, and to provide the required services.

  Associated purchased an iCore phone system in February 2011. This system enables us to make real time adjustments to staffing to improve phone answering speed. We upgraded to Exchange-Server 2010 and Kaspersky Anti-Virus Software recently to enhance our services and security.

  Associated routinely invests in computer infrastructure to remain state-of-the-art. System enhancements are not charged to the customer except to the extent that our earnings from client fees are the basis for our reinvestment.

- **Postage**
  Associated pays all regular postage on behalf of the Fund, excluding mass mailings. This is not typical of most TPAs. The Postal Accountability and Enhancement Act now provides for annual increases in postage rates. As such, we anticipate future annual increases during the course of our contract. The United States Postal Service recently implemented a rate hike of 2.2% for first class mail, along with service cuts. While we encourage use of email, the number of items sent via United States Postal Service continues to increase.

Associated has assigned to the Fund an Account Executive and an Account Manager with over ten years of benefits fund administrative experience. We use that experience to continuously look for cost efficiencies. Supporting the account team is a staff of nine employees, which includes staff from our accounting, eligibility, communications, appeals, and IT departments. They are dedicated to providing superior services.

The cumulative effect of new regulations has required overall increase in our workforce. We understand the difficulty of the economy on the Fund, the employers, the Trustees and participants. We ask that you recognize the inordinate amount of new work created by new regulations which Associated performs on behalf of the Plan Sponsor in order to keep the Fund compliant. We realize that as fiduciaries, the Trustees must be certain that the Fund receives services proportionate in quality and quantity to the fees charged. Associated prides itself on providing excellent service to the Fund and its participants, and we do so at a competitive price.

Associated Administrators, LLC appreciates the opportunity to serve this Fund and welcomes all questions concerning our proposal.

Sincerely,

Anne-Marie Sims
Account Executive
Associated Administrators, LLC

UNITE HERE Local 25 and Hotel Association of Washington, D.C. Health and Welfare Fund, Group Legal Services Fund and Pension Fund.

EXHIBIT A

Fund		Current Fee	01/01/13 Through 12/31/13	01/01/14 Through 12/31/14	01/01/15 Through 12/31/15
Health and Welfare	Per Participant Per Month	$2.27	$2.36	$2.45	$2.55
Pension	Per Participant Per Month	$3.49	$3.63	$3.78	$3.93
Group Legal Services	Per Participant Per Month	$0.60	$0.62	$0.64	$0.67
Percentage Increase			4%	4%	4%

01/01/2013 through 12/31/2015 Hourly Rates for Healthcare Reform Work, New Regulatory Changes and Implementation of New Vendors:

$100/Hour – IT/Management
$ 60/Hour – Supervisor
$ 30/Hour – Regular Employee

cc: Anne Mayerson Esq.
Frederic Singerman Esq.