Board of Trustees of the Hospitality Industry 401(k) Plan

**Re: Administrative Services Contract Renewal**

Trustees and Counsel:

The contract between Associated and the Hospitality Industry 401(k) Plan is set to expire December 31, 2018. We hope the Trustees will consider favorably our request for a three-year agreement.

## Proposal

We propose a three-year contract term. Associated has not received a rate increase on this Plan since 2007. Please see Exhibit A.

**Justification for Fee Increases**

- **Implementation of new service provider, Prudential.** This transition resulted in extensive additional work for Associated and is ongoing.

- **404(a) Regulations –** Coordination between the Fund's actuary, auditor and counsel with distribution of the 404(a) Notice.

- **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.

- **Lost Earnings** - Coordination between the Fund's auditor, Principal Financial Group and Prudential and counsel to determine the employee lost earnings and bill the employers.

- **Principal Financial Group Audit** – Assisted plan professionals in the audit of Principal Financial Group.

- **Employer electronic submission of contribution reports** – assisted Principal Financial Group in facilitating employers to submit all contribution reports in electronic versions and reducing administrative fees for the plan.

- **Bi-Annual Administrative Expenses Assessments –** process bi-annually the calculation to determine the administrative expenses for the plan and bill the employers accordingly.

- **Fiduciary and Cyber Liability Insurance -** competed and submitted application to renew Fiduciary Liability and Cyber Liability Insurance.

- **Fidelity Bond Insurance -** completed and submitted application for Fidelity Bond.

- **Payroll Audits -** Tracked employer audits.

- **Employer Benefit Fairs** – attended employer benefits fair to increase participant awareness on the benefits available to them.

Associated works hard to control its operating costs, but some are increasing.

- **Regulatory Changes**

Over the last several years, regulations continue to affect benefits administration. Associated has increased its workforce, training, and systems overtime to abide by these regulations.

- **Compliance Monitoring**

Associated continues to provide a compliance monitoring program to help each of our client plans track regulatory reporting requirements, vendor contracts, and required documentation.

- **Information Technology Developments**

Associated's highest cost increases and deliberate reinvestment have been in Information Technology. We paid over $767,000 in 2017. System enhancements allow us to better serve our clients and participants and to maintain proper computer security.

- **Postage**

Associated pays all regular postage on behalf of the Plans, excluding mass mailings. The United States Postal Service implemented a rate hike in 2017 of 4.25% for first class mail and on January 1, 2018 an increase of 2.12% in the cost of first class mail.

**Proposed Fee Increases**

We propose a three-year contract term. Please see Exhibit A for a full outline of the proposed rates through December 31, 2021.

Associated has assigned to the Fund an Account Executive and an Account Manager with over twenty 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.

We realize that as fiduciaries, the Committee must be certain that the Plan receives services proportionate in quality and quantity to the fees charged. Associated prides itself on providing excellent service to the Plan and its participants, and we do so at a competitive price. Please see the attached chart for our requested rate adjustment and three year contract rates. We desire to be flexible in whatever way the Trustees feel is appropriate. We would also offer a different three year structure allowing us to achieve the same adjustment over a longer period of time. We look forward to discussing our renewal with you.

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

cc: Anne-Mayerson, Esq.
Fred Singerman, Esq.

**Hospitality Industry 401(k) Plan**

**EXHIBIT A**

| | Current Fee | 01/01/19 Through 12/31/19 | 01/01/20 Through 12/31/20 | 01/01/21 Through 12/31/21 |
|---|---|---|---|---|
| Flat Fee | $1,000 | $5,000 | $5,500 | $6,000 |

01/01/2019 through 12/31/2021 Hourly Rates for Healthcare Reform Work, New Regulatory Changes and Implementation of New Vendors:

**<u>Hourly Rates for services outside our contract 01/01/19– 12/31/21</u>**
$100/Hour - IT/Management
$ 60/Hour - Supervisor
$ 30/Hour - Regular Employees