**MEETING OF THE BOARD OF TRUSTEES OF THE HOSPITALITY INDUSTRY 401(k) PLAN**

Held at: UNITE HERE Local 25
901 K Street, N.W., Suite 200
Washington, DC 20001

On: February 27, 2020

Trustees Present:
John Boardman
Solomon Keene

Others Present:

Anne Mayerson, Bredhoff & Kaiser, PLLC, Fund Co-Counsel
Fred Singerman, Seyfarth Shaw LLP, Fund Co-Counsel
Anne-Marie Sims, Associated Administrators, LLC
Tyler Geiman, Novak Francella
Jackie Coyle, Novak Francella
Bill Stahl, Prudential Retirement
Casey Golosky, Prudential Retirement
Henry Jaung, Meketa Investment Group (for part of the meeting)

## I. Call to Order

The meeting was called to order at 12:20 p.m.

## II. Approval of Minutes of Prior Meeting

The Trustees reviewed the minutes of the Board of Trustees meeting of November 20, 2019 and approved them with no changes.

## III. Investment Consultant's Report

Henry Jaung provided the Investment Review as of December 31, 2019. He noted that every investment option outperformed its benchmark except for Large Cap U.S. Equity, which lagged the benchmark by 160 basis points. All investment options except two, Touchstone and Artisan Midcap, had net expense ratios below their respective peer averages. He said that Meketa has no concerns about the performance or fees for any investment option.

## IV. Prudential

Bill Stahl reviewed with the Trustees the Plan Summary as of December 31, 2019, including Plan demographics, distributions, and investment option statistics.

Mr. Stahl said that Capitol Skyline requested an education meeting, which is scheduled for March 12. It was noted that MGM, which has over 1,000 employees, is coming into the Plan in June 2021. Anne-Marie Sims observed that MGM has a benefits fair each October and Prudential should consider seeking to participate in the October 2021 fair.

Casey Golosky reported on the following administrative procedures developed by Prudential in consultation with Associated, and Fund counsel:

- **<u>Mandatory cash-outs ($5,000 or less):</u>** The Plan is currently set up to automatically cash out (or automatically roll over, for cashouts of $1,000 or over) small balances where the participant is reported as terminated and does not elect cash distribution. Prior to the cash-out, Prudential sends each participant identified as terminated a letter describing the participant's distribution options. Prudential is modifying the procedure in order to address the concerns that (i) an employee is reported as terminated by one employer but has moved to employment at another participating employer and therefore should not be subject to a mandatory cash-out, and (ii) an employer may fail to report an employee who has actually terminated as having done so. Accordingly, Prudential will move to a manual process in which it will prepare every March an annual report of all participants with a balance of $5,000 or less and send the report to Associated, which will identify the individuals on the list for whom contributions to the Pension Fund have ceased for at least two months. These individuals will be deemed to have terminated for purposes of the 401(k) Plan and will initiate the cash-out process. Mr. Singerman added that counsel has requested that Prudential modify the cash-out letter to note that the participant should contact Prudential if he or she has not terminated employment with all participating employers.

- **<u>RMD distributions:</u>** To determine whether a participant who has reached his or her RMD age (currently age 70-1/2) and who have not been reported as terminated has nonetheless terminated employment and is therefore due an RMD distribution, an annual list of participant who have reached their RMD age will be provided to Associated each January, which will identify the individuals on the list for whom contributions to the Pension Fund have ceased for the last three months of the calendar year. These individuals will be deemed to have terminated for purposes of the 401(k) Plan and will initiate the RMD cash-out process. Counsel discussed that, if the Plan is amended as permitted by the Secure Act to provide that benefits will commence on the April 1 following the date the participant reaches age 72 regardless of whether the participant has terminated employment, this procedure will be unnecessary.

- **<u>Distribution requests upon termination of employment:</u>** Prudential will continue to reach out to employers for termination dates. Where an employer is unresponsive or unable to provide the information needed, Prudential will reach out to Associated for assistance in determining the participant's termination status.

- **<u>Deceased participants with no designated beneficiary:</u>** Prudential will reach out to Associated (rather than to the employers, as is the current practice, but which is proving to be ineffective) to assist in determining whether a deceased participant with no designated beneficiary has a spouse, siblings, children or parents so that Prudential can determine who should be paid.

Mr. Jaung exited the meeting.

## V. Co-counsel Report

A. <u>Secure Act</u>

Mr. Singerman reported on the following provisions of the Secure Act:

- The penalty for late Form 5500s and annual registration statements (reporting of deferred vested participants with an account balance) is increasing significantly. Ms. Sims confirmed that individuals for whom no contributions have been made to the Plan or to the Pension Fund for two years are included on the registration statement.
- The required beginning date is increasing from age 70-1/2 to age 72 for individuals who reach age 70-1/2 after December 31, 2019.
- Participants may now make an in-service withdrawal of up to $5,000 for up to one year following the birth or adoption of a child without incurring the 10% early distribution penalty. The withdrawal may be recontributed back to the plan.
- Non-bargained part-time employees who work 500 hours per year for three consecutive years beginning in 2021 may not be excluded from participation. Mr. Boardman confirmed that Local 25 does not exclude any part-time employees from participating.
- The Plan will be required to provide participants with an annual estimate of monthly income that the participant would receive if an annuity were purchased with his or her plan account balance, even though the Plan does not offer an annuity benefit. This provision will become effective 12 months after the release of DOL guidance providing assumptions to be used in converting accrued benefits into lifetime income stream illustration, which is required to be issued by end of 2020.

- Distributions of a participant's account after death must currently be made within 5 calendar years of death. Beginning with deaths on or after 2021, the account may be distributed within 10 calendar years after death if the designated beneficiary is not more than 10 years younger than the participant or is the participant's spouse or minor child, or is disabled or chronically ill. In all other cases, the 5 year rule will continue to apply.

Anne Mayerson added that the Secure Act also permits a plan to allow participants who were affected by federal disasters declared between 1/1/18 and 2/18/20 to take a hardship distribution of up to $100,000, rather than the currently permissible $50,000 through June 17, 2020.

The Trustees agreed that they were not interested in expanding in-service withdrawals at this time but that it made sense to increase the required beginning date. Mr. Stahl suggested that the Trustees consider increasing the required beginning date to age 72 even for those participants who have not terminated employment, which would eliminate the extra step of having to determine which participants have terminated employment.

B. <u>Missing Participants</u>

Mr. Singerman reported that Fund counsel was working with Prudential and Associated to confirm that appropriate procedures are in place for finding missing participants and for ensuring that distributions are made in accordance with the required minimum distribution rules.

C. <u>Collection Policy</u>

Ms. Mayerson reported on the changes to the collection policy. The Trustees agreed to adopt the revised collection policy.

C. <u>Department of Labor Audit</u>

Mr. Singerman reported that the DOL investigators sought an updated contribution report for 2019 from counsel but then advised that they had already received the requested information directly from Prudential and therefore did not need a response from counsel. The DOL has not advised of any findings.

D. <u>Minutes</u>

Co-counsel suggested that future minutes be signed upon adoption to ensure that there is no confusion about the final version. The Trustees delegated signature authority to Ms. Sims.

## VI. Administrative Manager's Report

Ms. Sims presented the Administrative Manager's Report for the third quarter 2019. The Plan had a $25,775 cash flow deficit for the fourth quarter 2019, but has recently issued an assessment for administrative contributions that will cover he deficit.

She noted that all lost earnings and penalties assessed for 2019 late contributions have been assessed, and that Madison has paid its delinquency and lost earnings in full.

## VII. Payroll Auditors' Report

Tyler Geiman and Jackie Coyle referred the Trustees to their report entitled Status of Payroll Reviews as of 2/17/2020, which had been discussed earlier at the meetings of the related Funds.

Mr. Geiman requested an increase in the fees for auditing the Plan's financial statements from $8,250 for years ending 2018 and 2017 to for $10,500 for 2019. The Board approved the requested fee increase.

## VIII. Next Meeting Date and Adjournment

The next meeting was scheduled to immediately follow the meetings of the related funds on June 4, 2020. There being no further business before the Board of Trustees, the meeting was adjourned at 1:20 p.m.

Approved by the Board of Trustees on ________________________, 2020

By: ________________________
Anne-Marie Sims