March 24, 2016

Board of Trustees
Industry and Local 338 Pension Fund

Re: Administrative Services Contract Renewal

Trustees and Counsel:

The contract between Associated Administrators, LLC ("Associated") and the Industry and Local 338 Pension Fund ("Fund") expires March 31, 2016. We hope the Trustees will consider favorably our request for a three-year agreement.

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. The Pension Protection Act and Multiemployer Pension Reform Act of 2014 contain requirements for reporting which must be provided to participants, beneficiaries, unions, and contributing employers. The Acts also require coordination with the Fund's actuary, auditor and counsel for the actuarial certification and to prepare and distribute the Annual Funding Notice and Multiemployer Plan Summary Report. Associated has consistently exercised its responsibilities to administer timely production and mailing of those notices with the appropriate reporting entities, including the Department of Labor, EBSA, PBGC, the Union, and the participating Employers.

Below is a brief a recap of some of the services provided by Associated over the last three years:

- Assisted with the Request For Proposal for Actuarial and Consulting services.
- Assisted with the orientation of the new Actuary.
- Implemented a new administrative procedure for the reconciliation of invoices on a monthly basis.
- Updated the Summary Plan Description.

- Began providing separate reporting for the Pension and Welfare Funds as a result of separate Boards of Trustees, including two sets of minutes, financial reporting, and other meeting materials.

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

- **Employee Benefits**

Associated's bargaining unit employees are in a UFCW-related Health and Welfare Fund, so we have experienced the same rate increases as other participating employers. Our unit employees are covered in a UFCW Pension Fund. Those contribution rates will increase every year for the next 11 years in accord with its Rehabilitation Plan.

Our non-union (management and other exempt) medical benefits through UHC increased by 5.6% in September 2014 and by 5% in September 2015 due in part to PPACA.

- **Unemployment Tax**

Associated's Unemployment Tax Rate has been increased by the State of Maryland from 1.8% to 3.3% for 2015, an 83% increase in our rate. The State of Maryland is implementing new and increased taxes across the board.

- **Information Technology Developments**

Associated's highest cost increases and deliberate reinvestment have been in IT--over $520,000 in 2012, $416,000 in 2013, and $1,100,000 for 2014 and 2015. System enhancements allow us to better serve our clients and participants and maintain computer security.

We created a secure Trustee Web portal on our internet site to enable remote access for Trustees to Fund files. We upgraded our phone system and call center software to ensure better monitoring and distribution of call volume. We upgraded imaging servers to allow our call center representatives faster access to forms and correspondence. We installed a new virtual firewall system to enhance security and added new layers of software to deter hackers.

- **Postage**

Associated pays all regular postage on behalf of the Fund, excluding mass mailings. The Postal Service increased rates in 2014 by 6.5% for first class mail.

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Other Services:

- **Data Resource for Fund Professionals**
  Associated works with the Fund's actuary, consulting and accounting firms, supplying data as requested.

- **Other Compliance**
  Associated drafts and mails the Plan's numerous compliance notices, such as the Annual Funding Notice, Multiemployer Plan Summary Report and Annual Benefit Statements.

Associated has assigned an Account Executive and an Account Manager to the Industry and Local 338 Pension Fund team, along with a staff of 14 employees, including Accounting, Appeals, Communications, Pension, Participant Services, and IT. We are dedicated to superior service.

We are proposing new rates effective April 1, 2016 for ongoing work. We propose a change in our administrative fees from a per member per month basis to a flat fee. Over the last three year period, our revenue on the Pension Fund has decreased by approximately 20% as a result of the decrease in the Fund's participant count. Please see Attachment A for a full outline of the proposed rates through March 31, 2019.

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

Sincerely,

AHCochran

Alicia Cochran
Account Executive
Associated Administrators, LLC

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Industry and Local 338 Pension Fund

ATTACHMENT A

Current Fee PPPM	4/1/16 to 3/31/17 Flat fee	4/1/17 to 3/31/18 Flat fee	4/1/18 to 3/31/19 Flat fee
Actives – $7.30 Inactive Vested – $4.33 Retirees – $7.30 Monthly Amount – $8,390	$8,809 Annual increase – $5,028	$9,250 Annual increase – $5,292	$9,712 Annual increase – $5,544

<u>4/1/16 to 3/31/19 – Regulatory changes and Implementation of New Vendors</u>

$100/Hour - IT/Management

$ 60/Hour - Supervisor

$ 30/Hour - Regular Employees

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