

**AFL HOTEL AND RESTAURANT WORKERS TRUST FUNDS**

Southwest Service Administrators, Inc.  
1221 Kapiolani Blvd., Suite 6C  
Honolulu, Hawaii 96814-3513

www.southwestservicetpa.com



**Annual Funding Notice for the Hotel Union & Hotel Industry  
Of Hawaii Pension Plan**

**Introduction**

This notice, which federal law requires all multiemployer plans to send annually, includes important information about the funding level of the **Hotel Union & Hotel Industry of Hawaii Pension Plan**; Plan Number: 001; Employer Identification Number: 99-6024339. This notice also includes information about rules governing insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning August 1, 2006 and ending July 31, 2007 (Plan Year).

**Plan's Funding Level**

The Plan's "funded current liability percentage" for the Plan Year was 92.1%. In general, the higher the percentage, the better funded the plan. The funded current liability percentage, however, is not indicative of how well a plan will be funded in the future or if it terminates. Whether this percentage will increase or decrease over time depends on a number of factors, including how the plan's investments perform, what assumptions the plan makes about rates of return, whether employer contributions to the fund increase or decline, and whether benefits payments from the fund increase or decline.

**Plan's Financial Information**

The market value of the Plan's assets as of July 31, 2007 was \$346,386,868. The total amount of benefit payments for the Plan Year was \$ 16,991,159. The ratio of assets to benefit payments is 20.4. This ratio suggests that the Plan's assets could provide for approximately 20.4 years of benefit payments in annual amounts equal to what was paid out in the Plan Year. However, the ratio does not take into account future changes in total benefit payments or Plan assets.

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## Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so called "plan reorganization rules," a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notification of the insolvency to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

### Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

**Example 1:** If a participant with 10 years of credited service has an accrued monthly benefit of \$500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ( $\$500/10$ ), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus \$24.75 ( $.75 \times \$33$ ), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ( $\$35.75 \times 10$ ).

**Example 2:** If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or  $\$200/10$ ). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus \$6.75 ( $.75 \times \$9$ ), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ( $\$17.75 \times 10$ ).

In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency. Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

#### **Where to Get More Information**

For more information about this notice, you may contact Southwest Service Administrators, Inc., at 1221 Kapiolani Boulevard, Suite 6C, Honolulu, HI 96813-3513; telephone number (808) 523-0199. For more information about the PBGC and multiemployer benefit guarantees, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).

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This is a summary of the annual report for the HOTEL UNION & HOTEL INDUSTRY OF HAWAII PENSION PLAN; Employer Identification Number: 99-6024339, for the plan year beginning on August 01, 2006 and ending on July 31, 2007. The annual report has been filed with the Employee Benefits Security Administration, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

### BASIC FINANCIAL STATEMENT

Benefits under the plan are provided by a Trust. Plan expenses were \$19,272,041. These expenses included \$2,280,882 in administrative expenses and \$16,991,159 in benefits paid to participants and beneficiaries. A total of 13,441 persons were participants in or beneficiaries of the Plan at the end of the plan year, although not all of these persons had yet earned the right to receive benefits.

The value of Plan assets, after subtracting liabilities of the Plan, was \$346,386,868 as of July 31, 2007, compared to \$315,972,674 as of August 1, 2006. During the Plan year, the Plan experienced an increase in its net assets of \$30,414,194. This increase includes unrealized appreciation or depreciation in the value of the Plan's assets; that is, the difference between the value of the Plan's assets at the end of the year and the value of the assets at the beginning of the year or the cost of assets acquired during the year. The Plan had total income of \$49,686,235, including employer contributions of \$13,765,419, gains of \$12,982,291 from the sale of assets and earnings from investments of \$22,938,525.

### MINIMUM FUNDING STANDARDS

An Actuary's statement shows that enough money was contributed to the Plan to keep it funded in accordance with the Minimum Funding Standards of ERISA.

### YOUR RIGHTS TO ADDITIONAL INFORMATION

You have the right to receive a copy of the full annual report, or any part thereof, on request. The items listed below are included in that report.

1. An accountant's report;
2. Financial information and information on payments to service providers;
3. Assets held for investment;
4. Transactions in excess of 5% of the Plan assets; and
5. Actuarial information regarding the funding of the Plan.

To obtain a copy of the full report, or any part thereof, write or call the office of Southwest Service Administrators, Inc., who is the Contract Administrator, 1221 Kapiolani Boulevard, Suite 6C, Honolulu, Hawaii 96814-3513, (808) 523-0199. The charge to cover the copying will be \$46.75 for the full annual report, or \$0.25 per page for any part thereof.

You also have the right to receive from the Plan Administrator on request at no charge, a statement of assets and liabilities of the Plan and accompanying notes, or a statement of income and expenses of the Plan and accompanying notes, or both.

If you request a copy of the full annual report from the Plan Administrator, these two statements and accompanying notes will be included as part of that report. The charge to cover copying costs given above does not include a charge for the copying of these portions of the report because these portions are furnished without charge.

You also have the legally protected right to examine these documents at the main office of the Plan located at 1221 Kapiolani Boulevard, Suite 6C, Honolulu, Hawaii 96814-3513, and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs. Requests to the Department of Labor should be addressed to: Public Disclosure Room, Room N-1513, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, Washington, D.C. 20210.

#### ADDITIONAL EXPLANATION

The total income of the Plan of **\$49,686,235**, as shown in the section under the heading **Basic Financial Statement**, includes "other income" of **\$51,456**, which is in addition to the income from Employer contributions, gains (losses) from the sale of assets and earnings from investments during the Plan year.

#### FUND ADDRESS & TELEPHONE NUMBER

1221 Kapiolani Boulevard, Suite 6C  
Honolulu, Hawaii 96814-3513  
(808) 523-0199 / Neighbor Islands (866) 528-9677

**NOTE: THE FINANCIAL FIGURES IN THIS SUMMARY ANNUAL REPORT WERE EXTRACTED FROM REPORTS PREPARED BY THE FUND'S CERTIFIED ACCOUNTANT, LEMKE, CHINEN & TANAKA, CPA, INC.**

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