

MAY 2020

TO: NON-RETIRED PLAN PARTICIPANTS
Hotel Union & Hotel Industry of Hawaii Pension Plan

FROM: Board of Trustees

SUBJECT: PLAN AMENDMENTS

The Board of Trustees of the Hotel Union & Hotel Industry of Hawaii Pension Plan adopted the following Plan changes:

I. BENEFIT RATE INCREASE

Effective August 1, 2020, the Active benefit rate changed from \$34.92 to \$35.92 (\$1.00 increase) for each full year of credited service. As a result, the maximum monthly Normal Retirement (age 65) pension benefit under the plan is \$1,257.20. Example: 35 years x \$35.92 = \$1,257.20/month.

This benefit increase will be effective for participants retiring on or after August 1, 2020. If you are considering retiring before August 1, 2020, please contact the Trust Fund Office (BRMS) as this will have an impact on your benefit rate.

II. CHANGE TO CASH LUMP SUM SETTLEMENT OPTION

Effective on or after August 1, 2020, the Cash Lump Settlement Option will be limited to benefits accrued as of July 31, 2020. Benefits earned on and after August 1, 2020 will be paid in the form of a monthly annuity, subject to qualified election requirements.

This benefit change will be effective for participants retiring on or after August 1, 2020. If you elect the Cash Lump Sum Settlement Option (and you satisfy requirements); you will receive a lump sum payout for benefit accrued through July 31, 2020. Any benefits accrued thereafter will be paid to you in the form of a monthly benefit.

III. REQUIRED MINIMUM DISTRIBUTION (RMD) / 70 ½ MANDATORY

Participants (Active or Inactive) who attained age 70 ½ before January 1, 2020 were required to begin receiving their monthly pension benefit no later than April 1st of the following calendar year. On January 1, 2020, the Required Minimum Distribution changed to April 1st following the calendar year in which the later occurs: 1) attains the age of 72; or 2) terminates employment with Contributing Employer.

IV. DISTRIBUTION OPTION FOR WORKING EMPLOYEES AGE 70 AND OLDER

Vested participants age 70 or older, who accrued benefits and continues to work for a contributing employer now have the option to commence their pension benefit without any suspension of benefits while working.

Enclosed is detailed explanation for each Plan adoption. After review, if you have any questions, do not hesitate to contact the Trust Fund Office at (808) 523 -0199 during normal business hours 8:00 am – 4:30 pm Monday – Friday, or email inquiries to hiaflinfo@brmsonline.com

Summary of Material Modifications

In accordance with ERISA reporting requirements, this document serves as your Summary of Material Modifications to the Plan. Please keep this important notice with your Plan Document/Summary Plan Description (SPD) for easy reference to all Plan provisions.

**SUMMARY OF MATERIAL MODIFICATIONS TO THE
HOTEL UNION & HOTEL INDUSTRY OF HAWAII PENSION PLAN**

NOTICE TO NON-RETIRED PLAN PARTICIPANTS

In accordance with ERISA reporting requirements, this document serves as your Summary of Material Modifications to the Plan. Please keep this important notice with your Summary Plan Description (SPD) for easy reference to all Plan provisions.

The Board of Trustees of the Hotel Union & Hotel Industry of Hawaii Pension Plan recently adopted an amendment to improve Plan benefits for Active Employees and for Retirees who retired from Active Employee status. The benefit improvement and other Plan changes are summarized below:

Benefit Rate Increase

Effective August 1, 2020, the Active Employee's benefit rate will be increased by \$1.00 from \$34.92 to \$35.92 for each full year of Credited Service. As a result of this benefit improvement, effective August 1, 2020, the maximum monthly Normal Retirement pension benefit payable under the Plan is \$1,257.20.

NOTE: If you suffered a One-Year Break in Service prior to August 1, 2020, the increased benefit rate may not apply to Credited Service earned prior to the One-Year Break in Service.

If you are in the process of applying for pension benefits under the Plan with an effective date that is prior to August 1, 2020 or you are considering retirement in the near future, you should consider contacting the Trust Fund Office to find out if delaying your retirement date to August 1, 2020 might be beneficial to you under your circumstances. Based on the information you receive from the Trust Fund Office, you can decide if you wish to change your retirement date. Each individual's circumstances are different so only you can make this decision.

Change to the Cash Lump-Sum Settlement Option for Retirees Permanently Residing in a Foreign Country

A Participant who elects to retire under a Normal, Early, or Postponed Retirement and who leaves the United States for permanent residence in a foreign country (other than Canada), may currently request a cash lump-sum settlement which is the actuarial equivalent of the entire monthly pension benefit the Participant would have otherwise been entitled to. To qualify for a cash lump-sum settlement, the Participant must make proper application and satisfy the requirements for proof of residency in a foreign country and medical evidence of good health.

Effective on and after August 1, 2020, such a cash lump-sum settlement will be limited to the Participant's accrued monthly pension benefit as of July 31, 2020. A Participant retiring on or after August 1, 2020 under a Normal, Early, or Postponed Retirement and who, after proper application and satisfaction of the requirements for proof of residency in a foreign country and medical evidence of good health, elects the cash lump-sum settlement option, will receive a cash lump-sum settlement of that portion of his or her pension benefit that was accrued as of July 31, 2020. The remaining portion, if any, of his or her pension benefit earned on and after August 1, 2020 will be paid in the form of a monthly annuity, subject to the qualified election requirements.

NOTE: The accrued pension benefit as of July 31, 2020 is based on the Plan provisions and Benefit Rate in effect on that date. It does not include any Plan changes effective on or after August 1, 2020.

Example: You apply for a Normal Retirement Benefit effective August 1, 2020 at age 65. As of July 31, 2020, your accrued monthly pension benefit is \$873.00. As of August 1, 2020, after adjustment for the benefit rate increase (discussed on page one of this Notice), your monthly pension benefit is equal to \$923.00. If you qualify for and elect the cash lump-sum settlement option, you will receive a lump-sum payment that is based on the \$873.00 monthly pension benefit accrued as of July 31, 2020. The remainder of your monthly pension benefit as of your retirement date, August 1, 2020, equal to \$50.00 (\$923.00 minus \$873.00) will be paid to you in the form of a monthly annuity selected by you (you and your spouse if you are married).

New Required Distribution Date Rule

Effective January 1, 2020, the Plan's Required Distribution Date rule was changed for participants who attain age 70-1/2 on or after January 1, 2020 (i.e., date of birth is July 1, 1949 or later).

Participants who attained age 70-1/2 before January 1, 2020 are required to begin receiving their monthly pension by no later than April 1 following the calendar year in which the Participant attained age 70-1/2 even if they are still working for a Contributing Employer. The April 1 date following the calendar year in which the Participant attained age 70-1/2 is referred to as the Required Distribution Date under this Plan. Participants who fail to receive their benefits by the Required Distribution Date may be subject to stiff penalties by the IRS. Participants who reached age 70-1/2 before January 1, 2020 continue to be subject to this Required Distribution Date rule after January 1, 2020 and must collect a monthly pension under this rule even if they are working for a Contributing Employer.

Effective January 1, 2020, the Required Distribution Date under this Plan has been changed to the April 1 following the calendar year in which the later of the following occurs: (1) the Participant attains age 72 or (2) the Participant terminates employment with a Contributing Employer. This new Required Distribution Date rule applies only to Participants who attain age 70-1/2 on or after January 1, 2020. Under the new rule, as long as the Participant is working for a Contributing Employer, the Participant is not required to receive his or her monthly pension until after he or she terminates employment and retires, even if he or she does not actually retire until, for example, age 75.

Example: Your birthday is July 1, 1949 and you are vested in your accrued benefit under the Plan. You attain age 70-1/2 on January 1, 2020 so are subject to the new Required Distribution Date rule. You are still working for a Contributing Employer when you attain age 72 on July 1, 2021. You finally terminate employment on December 31, 2022, therefore, under the new rule, you must begin receiving your monthly pension by no later than April 1, 2023.

Example: Your birthday is May 31, 1950 and you are vested in your accrued benefit under the Plan. You last worked for a Contributing Employer 10 years ago but wanted to delay the payment of your Plan benefit until as late as possible. You attain age 72 on May 31, 2022, therefore, your monthly pension is required to commence by no later than April 1, 2023.

For Participants who reach age 70-1/2 on or after January 1, 2020 and continue to work, the new rule has the effect of delaying the payment of a monthly pension until after the Participant stops working and retires. The Trustees recognize that many Participants have been planning to work beyond age 70-1/2 and collect a monthly pension at the same time. For this reason, the Trustees have adopted a new in-service distribution option which will allow Participants to start drawing their monthly pension from as early as age 70 while continuing to work for a Contributing Employer (see following section).

New In-service Distribution Option for Working Employees Age 70 and Older

Effective January 1, 2020, Vested Participants who are age 70 or older, still working for a Contributing Employer and not receiving a monthly pension under this Plan will have the option to begin receiving their monthly pension while working for a Contributing Employer. This means that if you are vested in your accrued benefit and have attained age 70 or older, or will be age 70 soon, and you wish to start collecting your monthly pension while you continue to work, you may do so by submitting a benefit application with the Trust Fund Office.

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If you have any questions on the Plan changes, please feel free to contact the Trust Fund Office. You can write to the Trust Fund Office at 560 North Nimitz Highway, Suite 209, Honolulu, Hawaii 96817-5315 or call (808) 523-0199 between the hours of 8:00 a.m. to 4:30 p.m., Monday through Friday except holidays.

BOARD OF TRUSTEES OF THE
HOTEL UNION & HOTEL INDUSTRY
OF HAWAII PENSION PLAN