UNITE HERE Local 25 and Hotel Association of Washington, DC Pension Fund

Classic Values, Innovative Advice

2021 Preliminary Actuarial Valuation Results

September 30, 2021

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Topics for Discussion

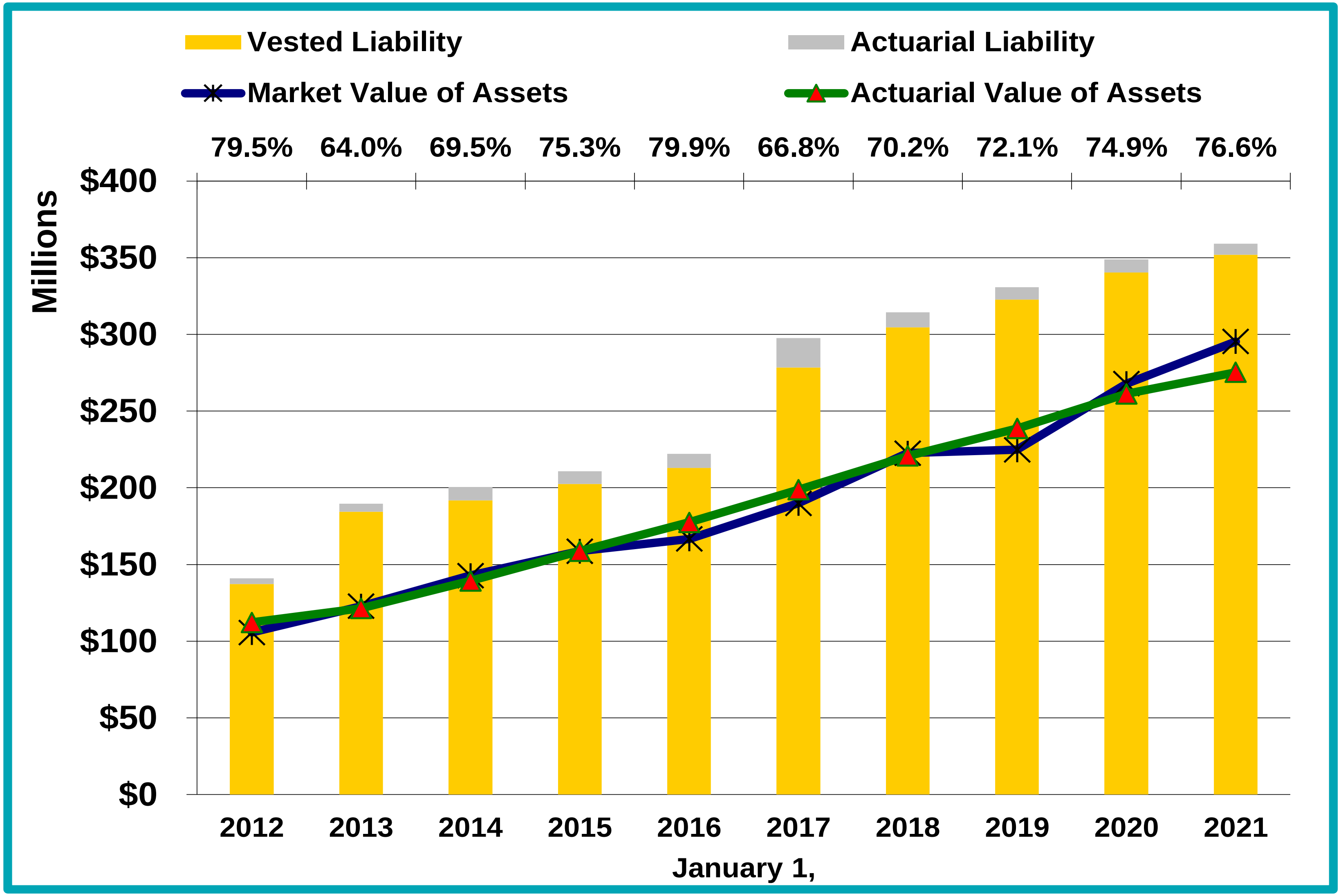
- January 1, 2021 Preliminary Valuation Results
  - Historical Review
  - Key Results
  - Stress Testing the Fund
- Valuation report will be finalized upon receipt of final audited financial statement

Overview of Results

- Market value return on assets = 13.88%
  – Actuarial value return = 9.03%
- Funded status went from 74.9% to 76.6% on an actuarial value of asset basis; increased from 76.8% to 82.2% on a market value basis

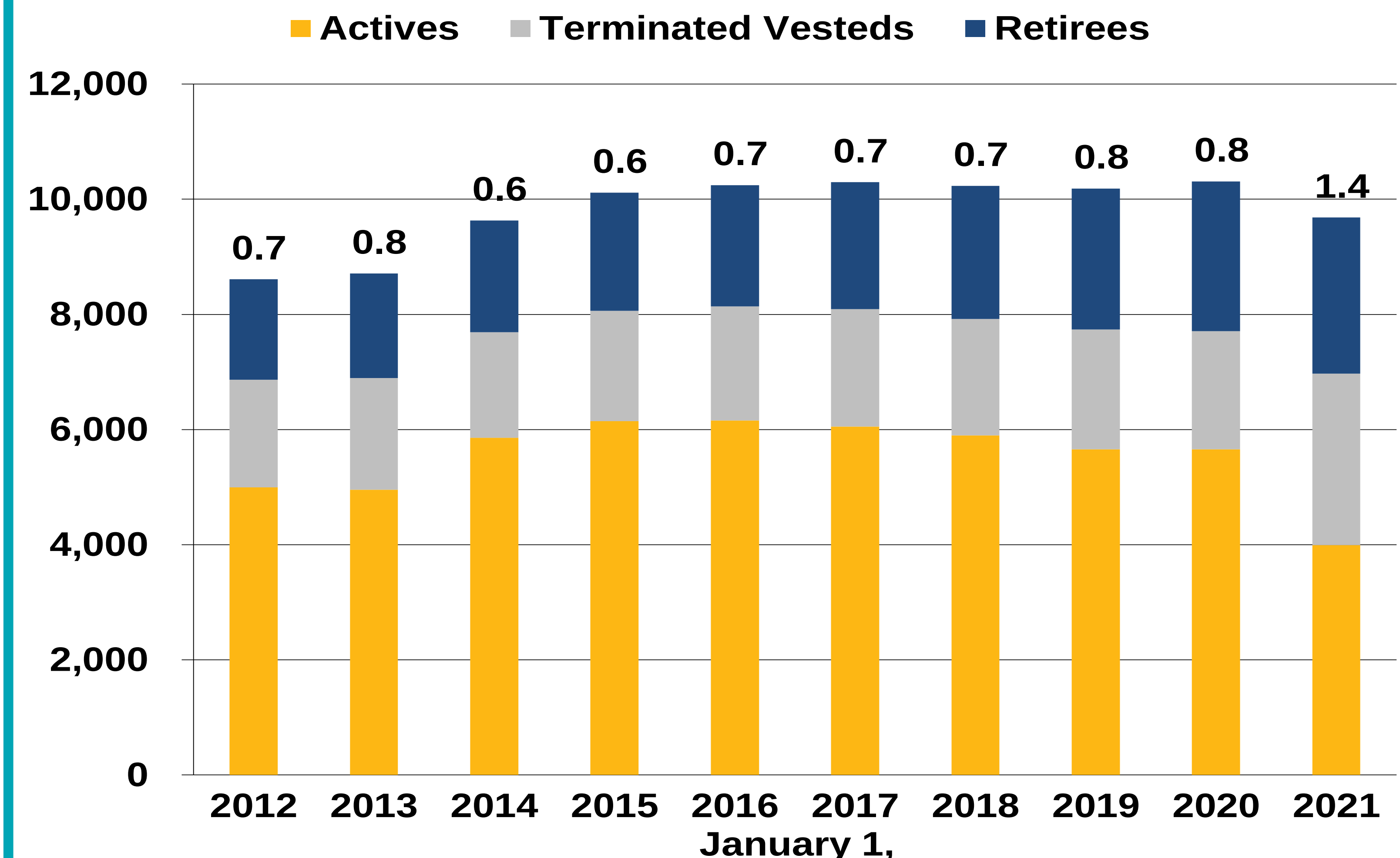
Historical Review

Key Actuarial Indicators: Assets & Liabilities



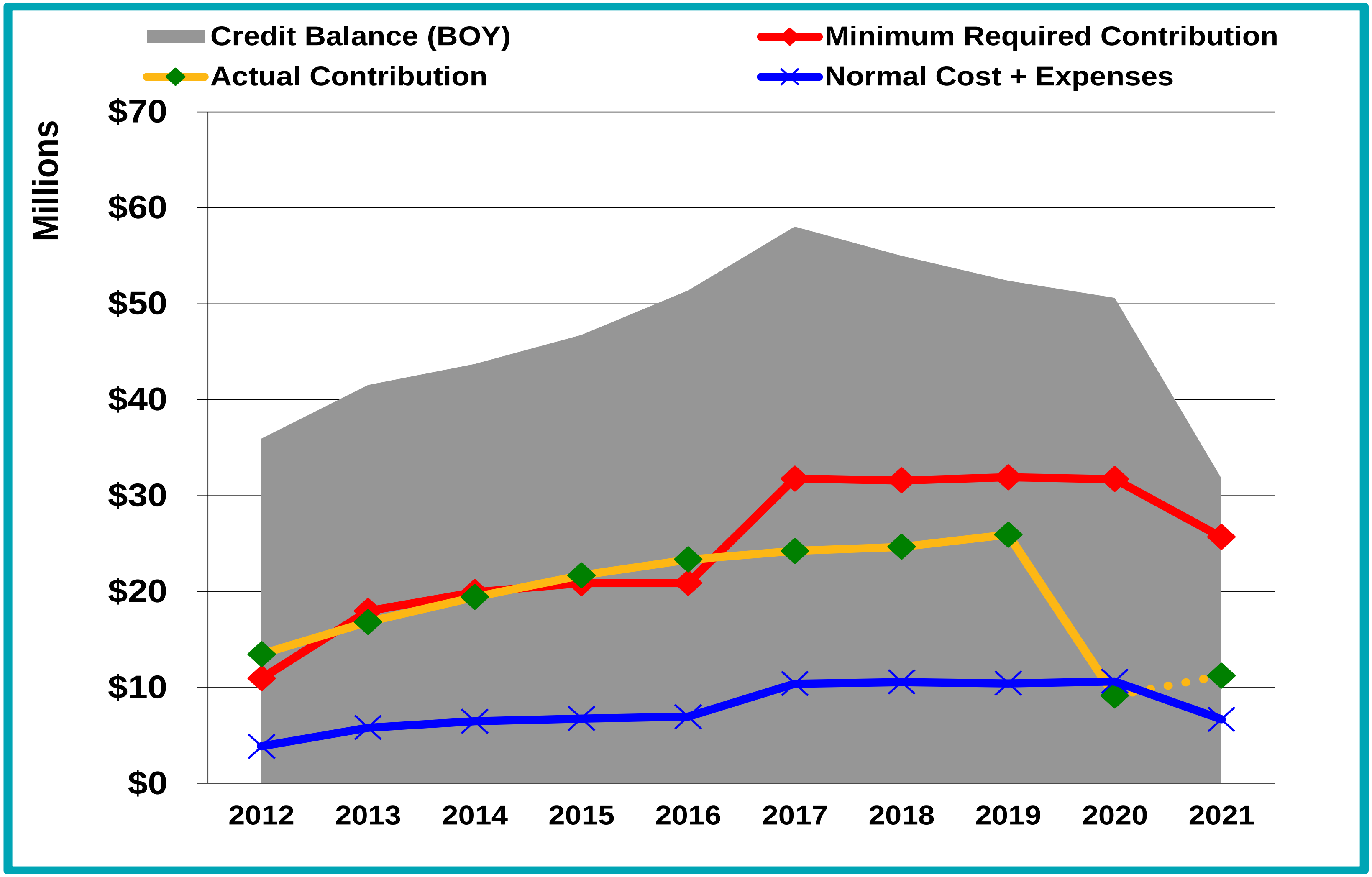
Historical Review

Plan Maturity Indicators: Participation



Ratio above the bars represents the number of inactives (both in pay participants and terminated vesteds) for every one active.

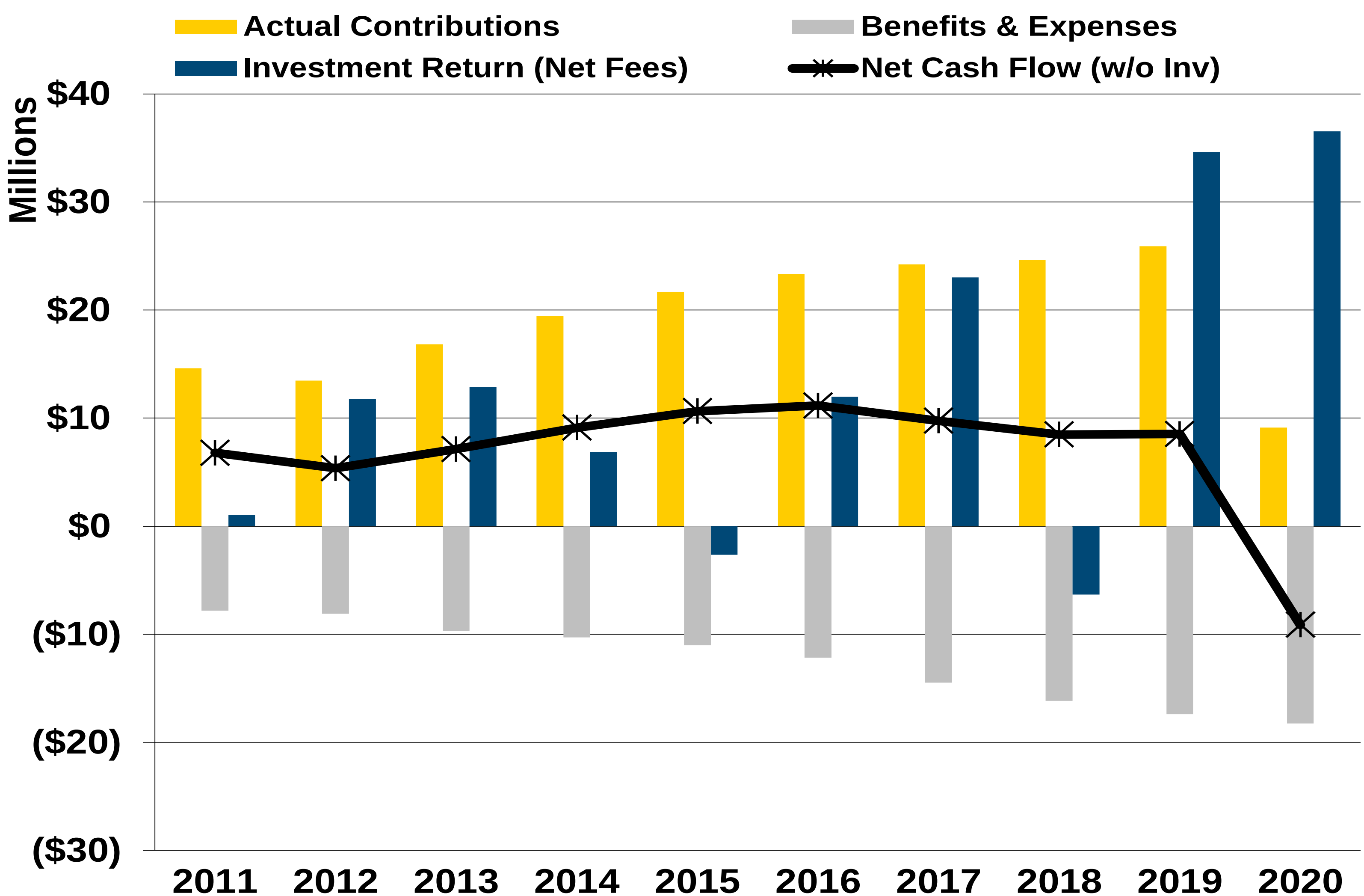
Key Actuarial Indicators: Minimum Funding



Per Trustees expectation for industry activity, expected contribution for 2021 assumes hours are at 40% of 2019 levels.

Historical Review

Key Actuarial Indicators: Cash Flow



Key Results

	2020	2021	% Change
Number of Actives	5,657	3,993	(29.4%)
Total Hours	10,665,274	2,571,919	(75.9%)
Average Hours per Person	1,885	644	(65.8%)

Number of Term Vesteds	2,052	2,977	45.1%

Number of Ret/Dis/Ben	2,603	2,712	4.2%
Total Annual Benefits	$ 15,863,412	$ 16,944,420	6.8%
Average Annual Benefit	$ 6,094	$ 6,248	2.5%

Key Results

Valuation Date	1/1/2020	1/1/2021
	$ in millions	
1. Actuarial Accrued Liability	$ 348.9	$ 359.2
2. Actuarial Value of Assets (AVA)	$ 261.2	$ 275.2
3. Unfunded Actuarial Liability [1. – 2.]	$ 87.7	$ 84.0
4. Funded Ratio (on AVA basis) [2. ÷ 1.]	74.9%	76.6%
5. Market Value of Assets (MVA)	$ 267.9	$ 295.5
6. Funded Ratio (on MVA basis) [5. ÷ 1.]	76.8%	82.2%

Minimum Required Contribution	$ 0.0	$ 0.0
Minimum to Preserve Credit Balance	$ 30.7	$ 24.8
Actual '20 / *Expected* '21 Contribution	$ 9.1	$ *11.2*

Per Trustees expectation for industry activity, expected contribution for 2021 assumes hours are at 40% of 2019 levels.

Key Results

	($ in Millions)			
	Liability	Actuarial Assets	UAL	% Funded
1/1/2020	$ 348.9	$ 261.2	$ 87.7	74.9%
Expected Change*	16.0	8.2	7.8	
Plan Changes	0.0	0.0	0.0	
Assumption Changes	0.0	0.0	0.0	
Expected at 1/1/2021	$ 364.9	$ 269.4	$ 95.5	73.8%
Actual at 1/1/2021	$ 359.2	$ 275.2	$ 84.0	76.6%
(Gain) / Loss	$ (5.7)	$ (5.8)	$ (11.5)	

* For Liabilities, includes normal cost, benefit payments, and interest
For Assets, includes contributions, benefit payments, and interest

6.75% Annual Return for ALL Years

CHEIRON

MFD	None
Insolvent PYB	None
Emergence	N/A
Fully Funded	2028

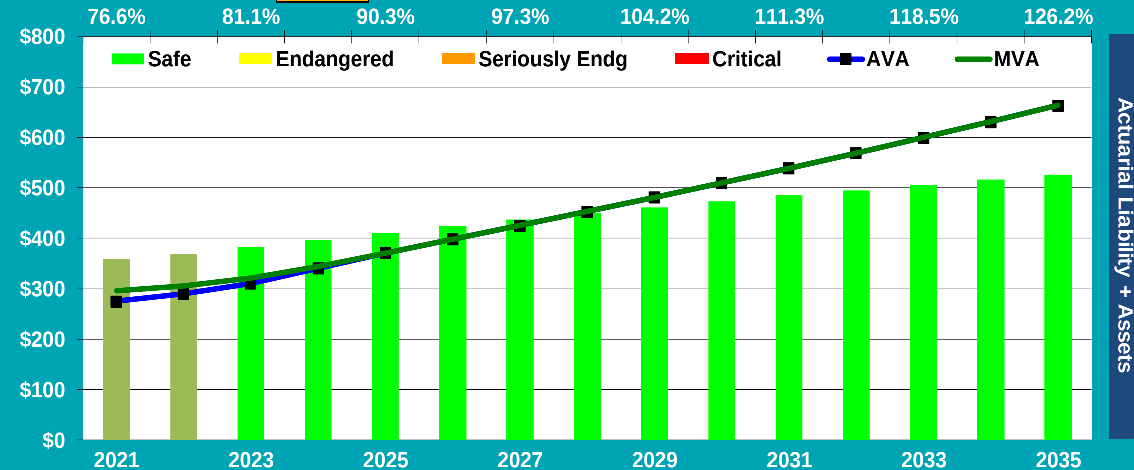
2017

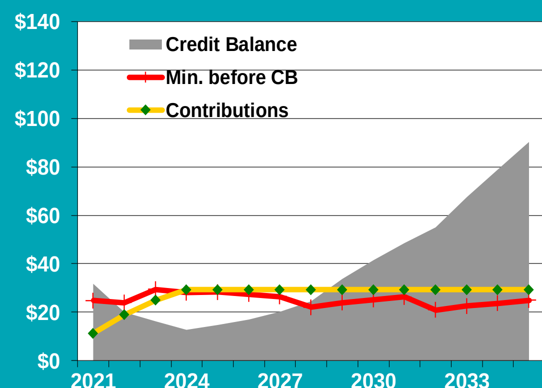
Discount Rate	6.75%
2021 Return	#N/A
Fresh start to Market Value	N

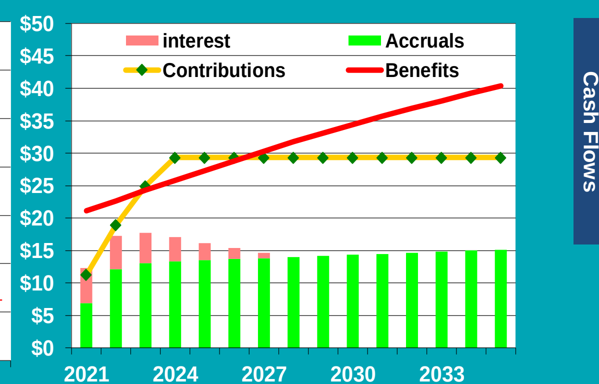
Projected January 1, 2022 Funded Status (AVA Basis)	78.7%
Projected January 1, 2022 Funded Status (MVA Basis)	82.7%

PYB	Return	Contrib Rate*	Ben	Membership Level
2021	6.75%	$2.65	0.0%	40.0%
2022	6.75%	$2.75	0.0%	65.0%
2023	6.75%	$2.75	0.0%	85.0%
2024	6.75%	$2.75	0.0%	100.0%
2025	6.75%	$2.75	0.0%	100.0%
2026	6.75%	$2.75	0.0%	100.0%
2027	6.75%	$2.75	0.0%	100.0%
2028	6.75%	$2.75	0.0%	100.0%
2029	6.75%	$2.75	0.0%	100.0%
2030	6.75%	$2.75	0.0%	100.0%
2031	6.75%	$2.75	0.0%	100.0%
2032	6.75%	$2.75	0.0%	100.0%
2033	6.75%	$2.75	0.0%	100.0%
2034	6.75%	$2.75	0.0%	100.0%
2035	6.75%	$2.75	0.0%	100.0%
AVE	6.75%			

* Effective March 15,







Based on hour expectations communicated to us for 2021 PPA certification

2021 Return that results in Projected Minimum Funding Deficiency

CHEIRON

MFD	2027
Insolvent PYB	None
Emergence	N/A
Fully Funded	2034

2017

Discount Rate	6.75%
2021 Return	-9.00%
Fresh start to Market Value	N

Projected January 1, 2022 Funded Status (AVA Basis)	76.3%
Projected January 1, 2022 Funded Status (MVA Basis)	70.3%

PYB	Return	Contrib Rate*	Ben	Membership Level
2021	-9.00%	$2.65	0.0%	40.0%
2022	6.75%	$2.75	0.0%	65.0%
2023	6.75%	$2.75	0.0%	85.0%
2024	6.75%	$2.75	0.0%	100.0%
2025	6.75%	$2.75	0.0%	100.0%
2026	6.75%	$2.75	0.0%	100.0%
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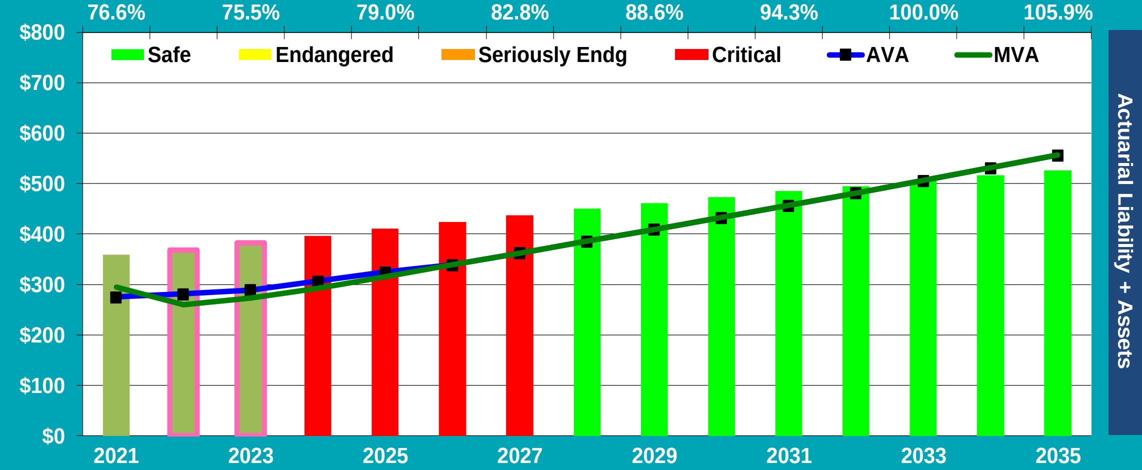
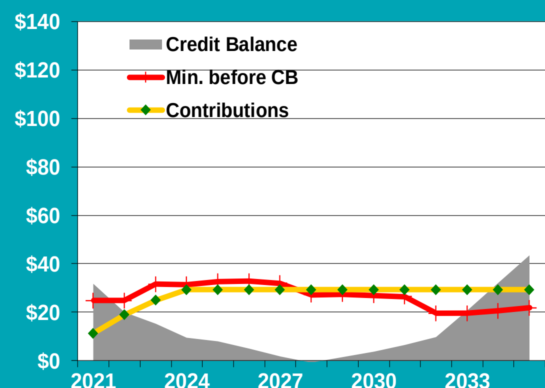
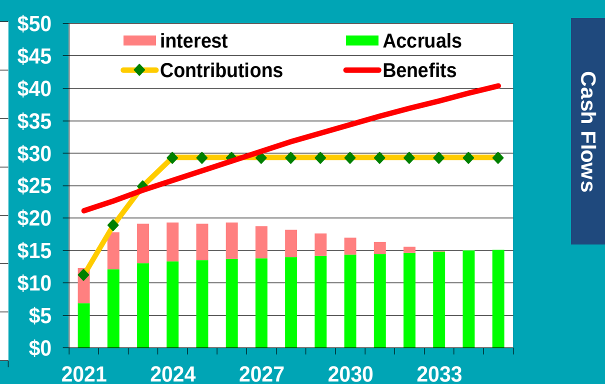
2032	6.75%	$2.75	0.0%	100.0%
2033	6.75%	$2.75	0.0%	100.0%
2034	6.75%	$2.75	0.0%	100.0%
2035	6.75%	$2.75	0.0%	100.0%
AVE	5.90%			

* Effective March 15,







Based on hour expectations communicated to us for 2021 PPA certification.

Reset AVA to MVA for 2021

- Actuarial Value is $20.1 million less than Market Value of Assets
  - Net stored investment gain will continue to be reflected over the next 4 years
  - Mitigates impact on funded status of unfavorable returns
- Some funds electing to reset AVA to MVA to recognize all of the investment gains now
  - Automatic approval under Rev Proc. 2000-40
  - Higher funded status and bolsters Credit Balance
  - Smooth investment performance for future years over 5 years

6.75% Annual Return for ALL Years / Reset AVA

MFD	None
Insolvent PYB	None
Emergence	N/A
Fully Funded	2028

2017

Discount Rate	6.75%
2021 Return	#N/A
Fresh start to Market Value	Y

Projected January 1, 2022 Funded Status (AVA Basis)	82.7%
Projected January 1, 2022 Funded Status (MVA Basis)	82.7%

PYB	Return	Contrib Rate*	Ben	Membership Level
2021	6.75%	$2.65	0.0%	40.0%
2022	6.75%	$2.75	0.0%	65.0%
2023	6.75%	$2.75	0.0%	85.0%
2024	6.75%	$2.75	0.0%	100.0%
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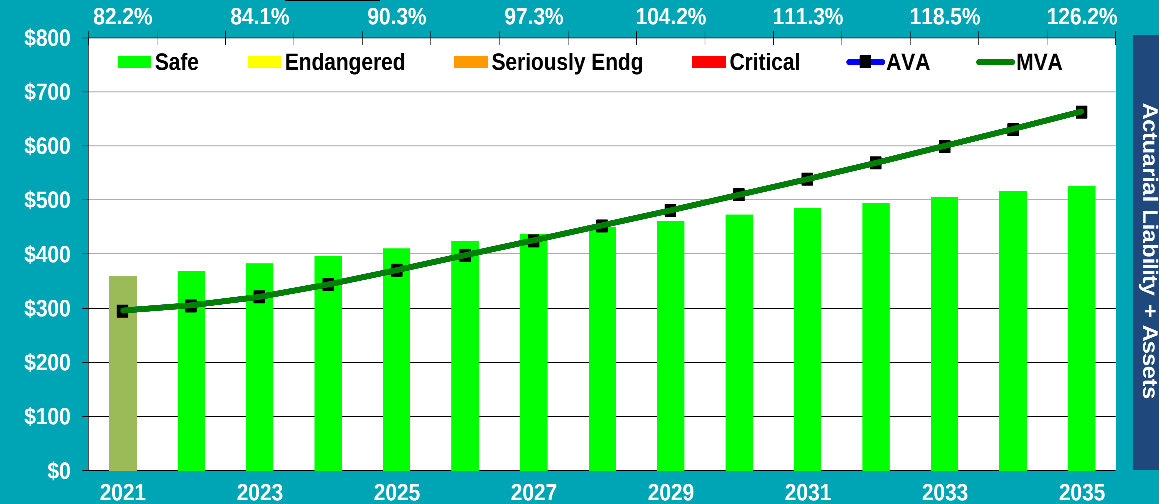
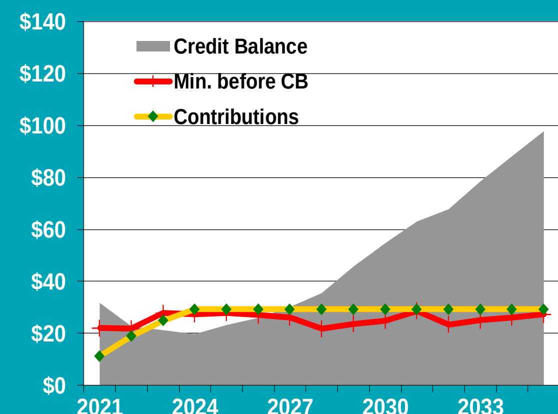
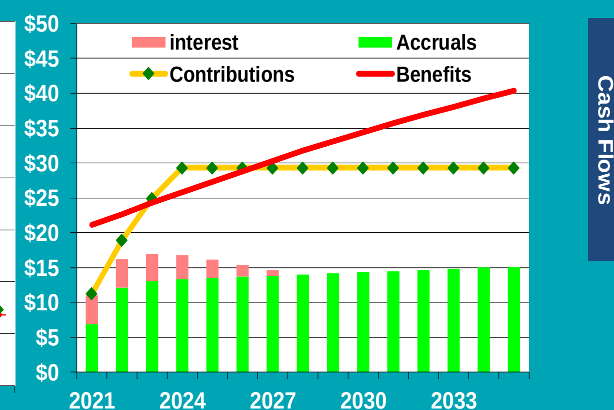
2034	6.75%	$2.75	0.0%	100.0%
2035	6.75%	$2.75	0.0%	100.0%
AVE	6.75%			

* Effective March 15,







Based on hour expectations communicated to us for 2021 PPA certification

2021 Return that results in Projected Minimum Funding Deficiency / Reset AVA

CHEIRON

MFD	2027
Insolvent PYB	None
Emergence	N/A
Fully Funded	2036

2017

Discount Rate	6.75%
2021 Return	-15.00%
Fresh start to Market Value	Y

Projected January 1, 2022 Funded Status (AVA Basis)	78.7%
Projected January 1, 2022 Funded Status (MVA Basis)	65.6%

PYB	Return	Contrib Rate*	Ben	Membership Level
2021	-15.00%	$2.65	0.0%	40.0%
2022	6.75%	$2.75	0.0%	65.0%
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2034	6.75%	$2.75	0.0%	100.0%
2035	6.75%	$2.75	0.0%	100.0%
AVE	5.54%			

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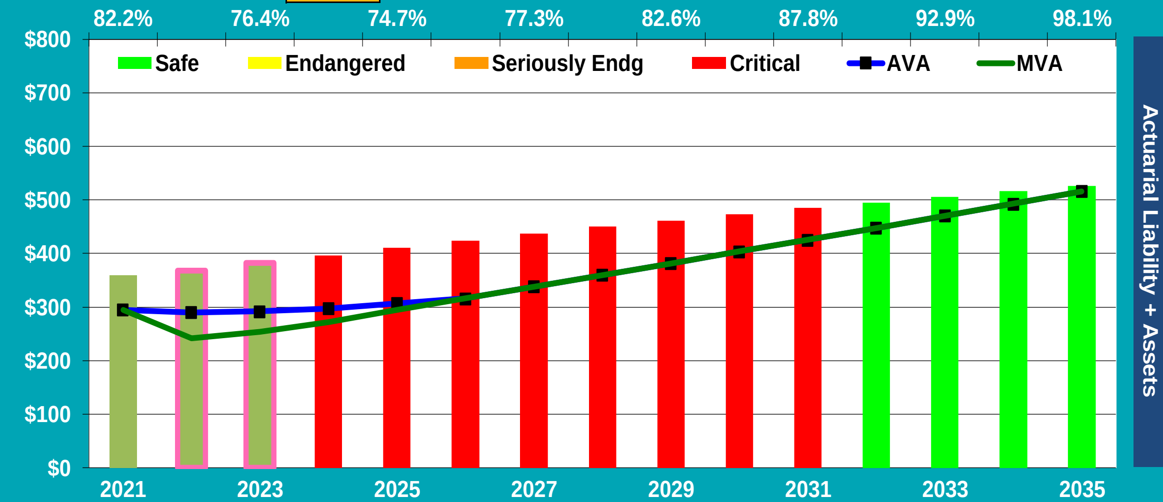

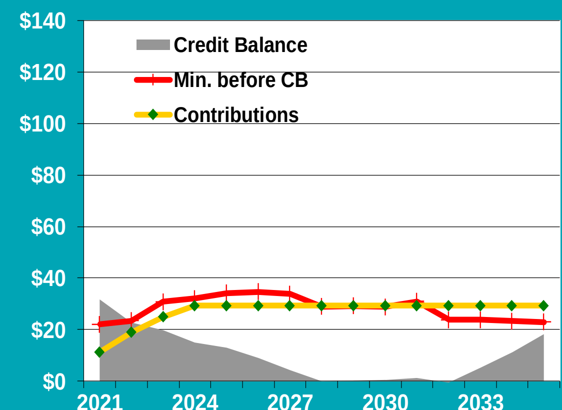

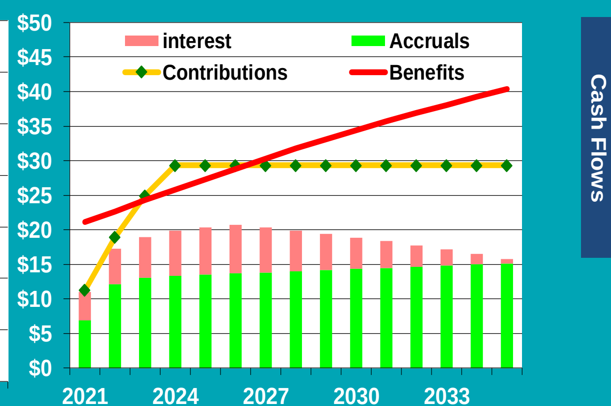

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Disclaimer

In preparing this presentation, we relied on information (some oral and some written) supplied by Associated Administrators LLC and Novak Francella LLC. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. This analysis was based on the current assumptions and methods, financial data through December 31, 2020, and the January 1, 2021 valuation results. Assumptions, methods, and participant valuation data are outlined in the 2020 Actuarial Valuation Report. Actual results can be expected to differ to the extent that future experience differs from the actuarial assumptions used.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

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