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

CHEIRON
Classic Values, Innovative Advice

2022 Actuarial Valuation Results

December 15, 2022

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Topics for Discussion

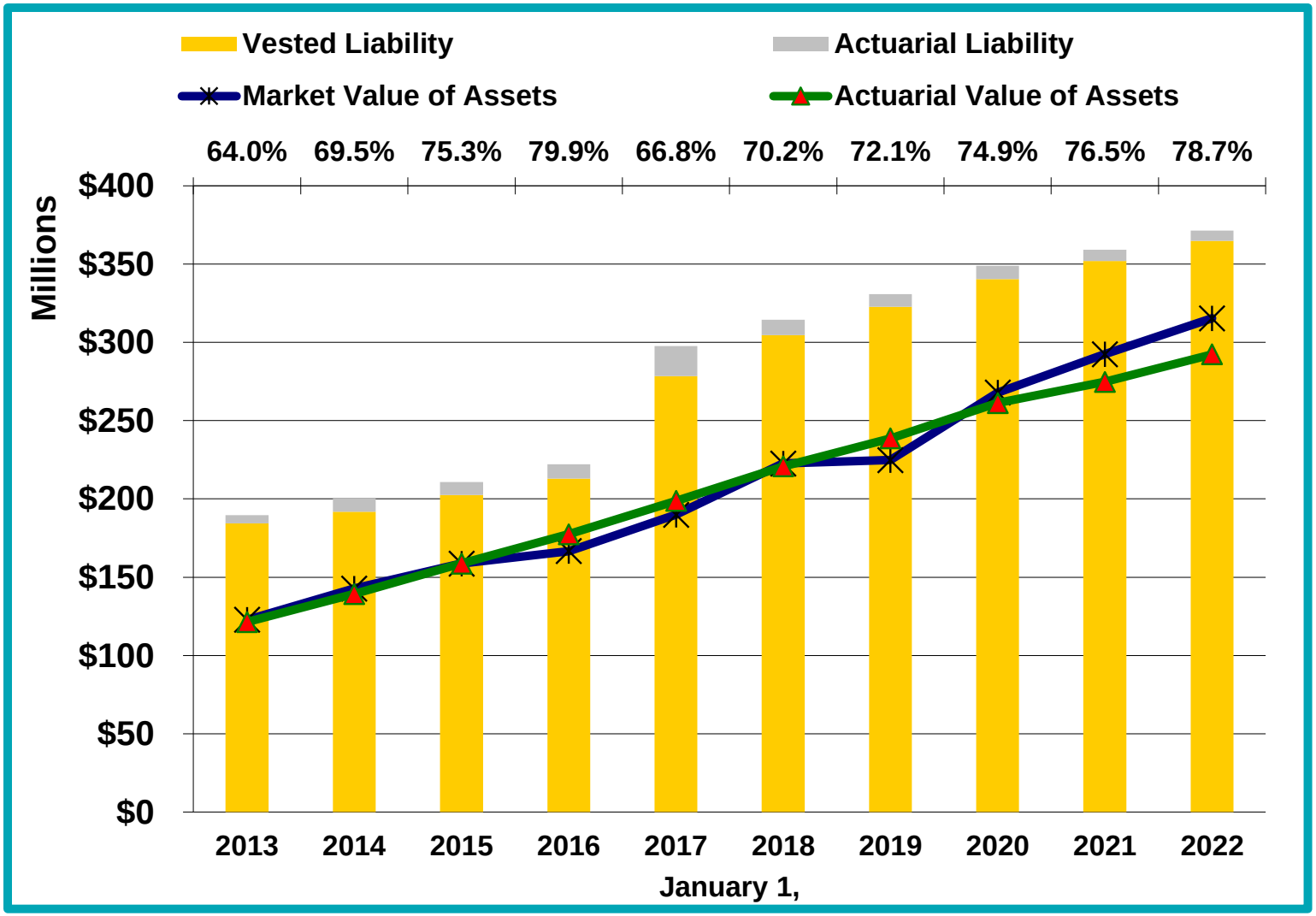
- January 1, 2022 Valuation Results
  - Historical Review
  - Key Results
  - Stress Testing the Fund

Overview of Results

- Market value return on assets = 11.03%
  - Actuarial value return = 9.78%
- Funded status went from 76.5% to 78.7% on an actuarial value of asset basis; increased from 81.4% to 84.9% on a market value basis

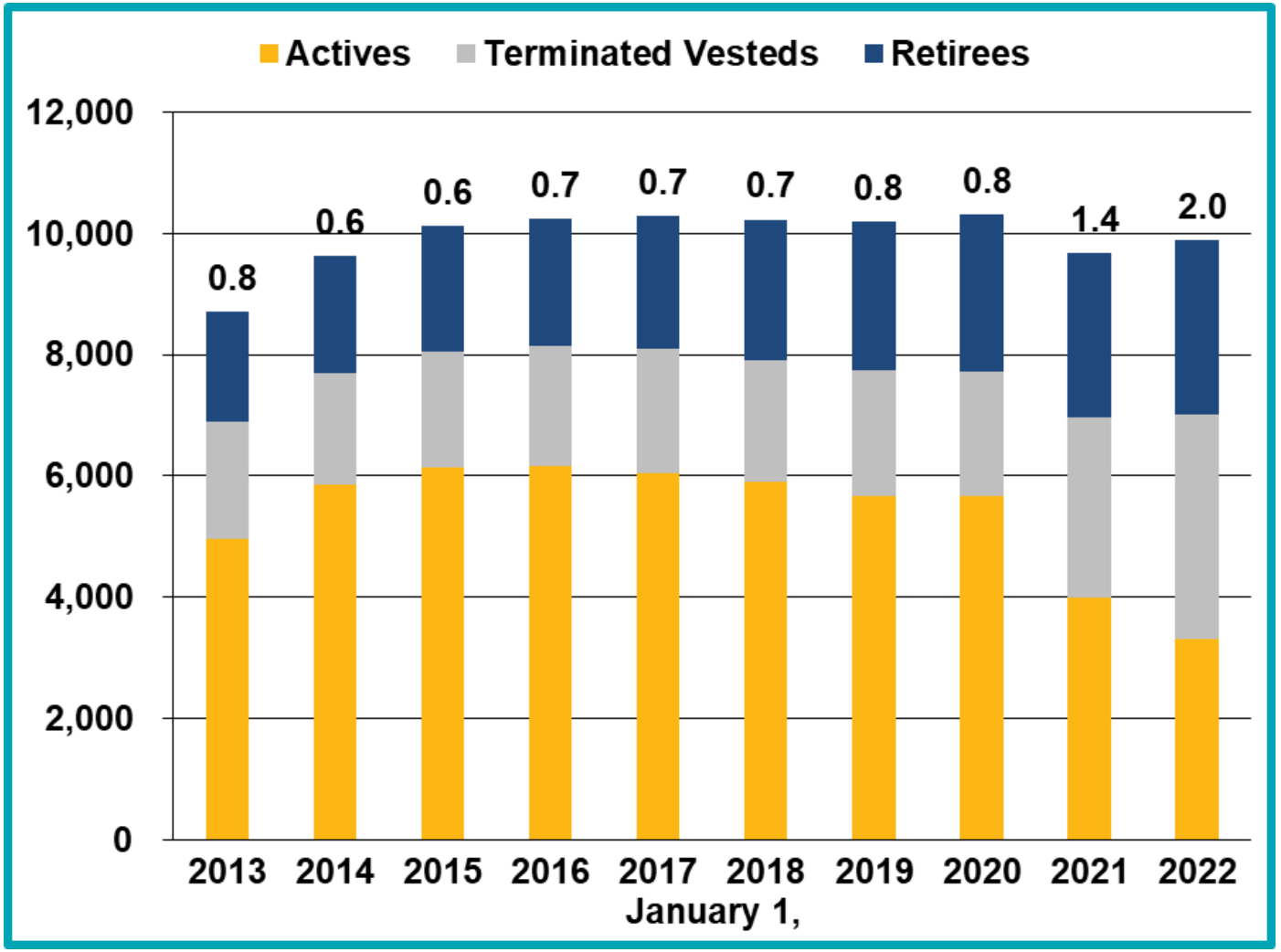
Historical Review

Key Actuarial Indicators: Assets & Liabilities



Historical Review

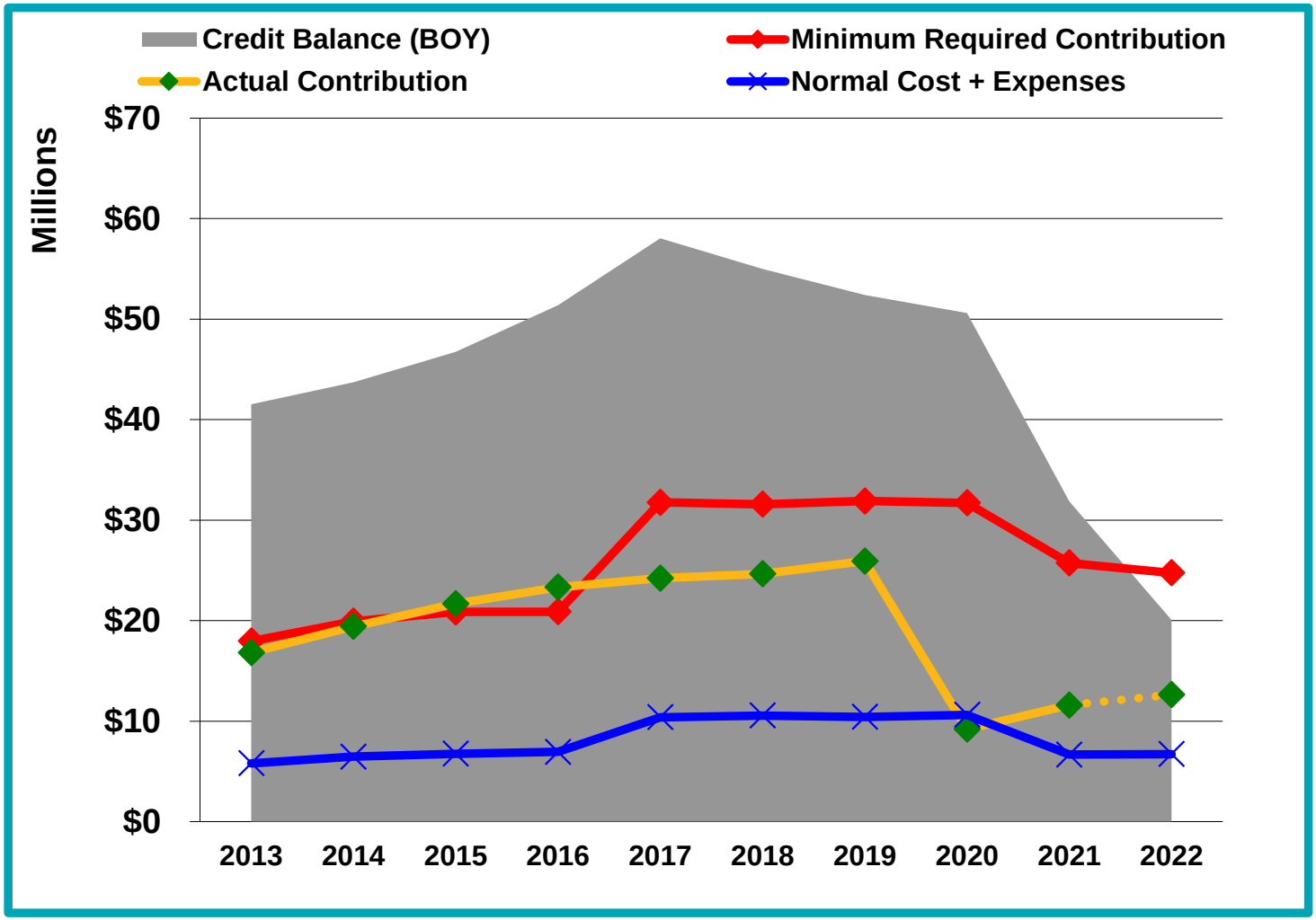
Plan Maturity Indicators: Participation



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

Historical Review

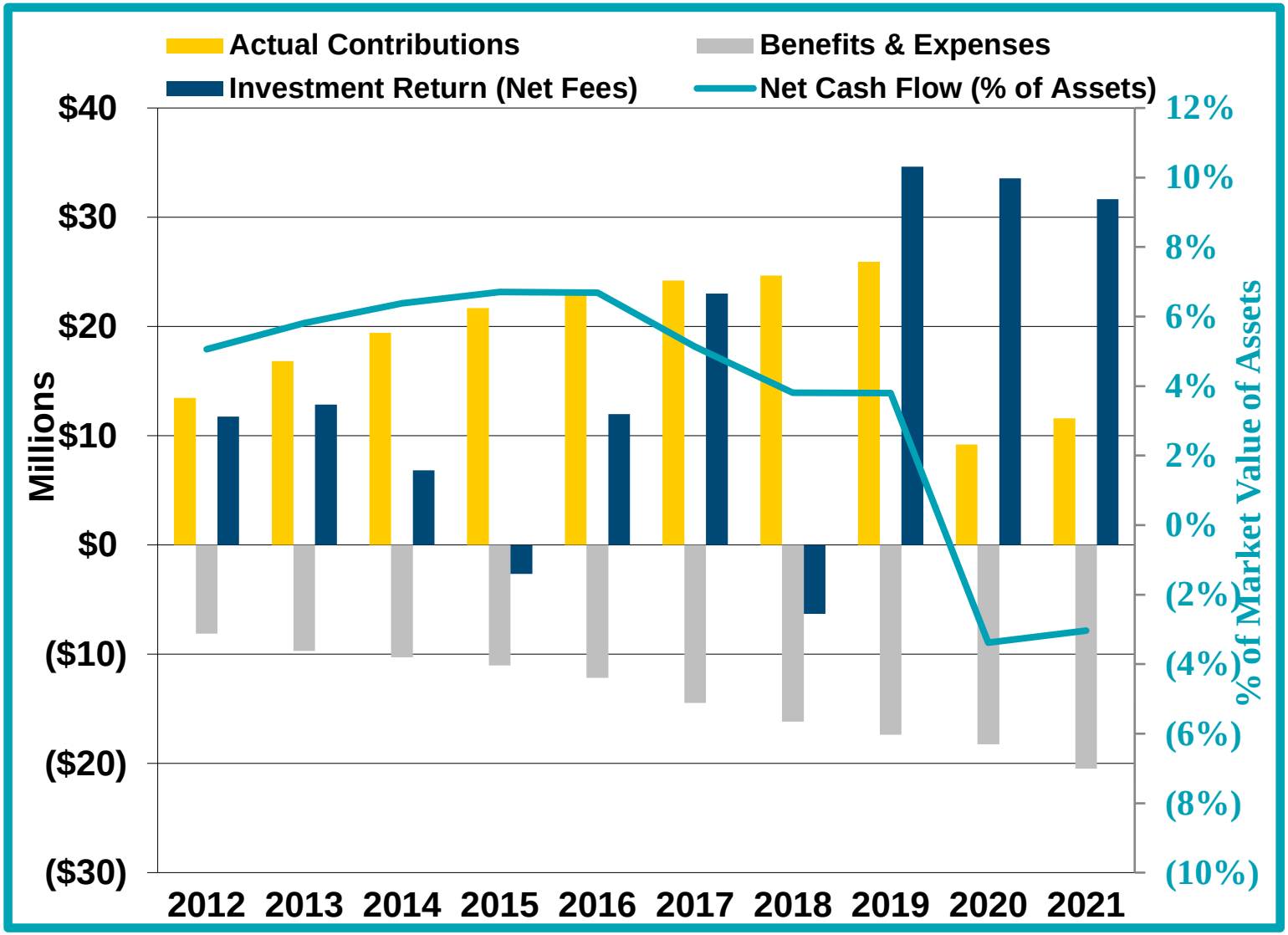
Key Actuarial Indicators: Minimum Funding



Per Trustees expectation for industry activity, expected contribution for 2022 assumes hours are at 45% of 2020 census hours.

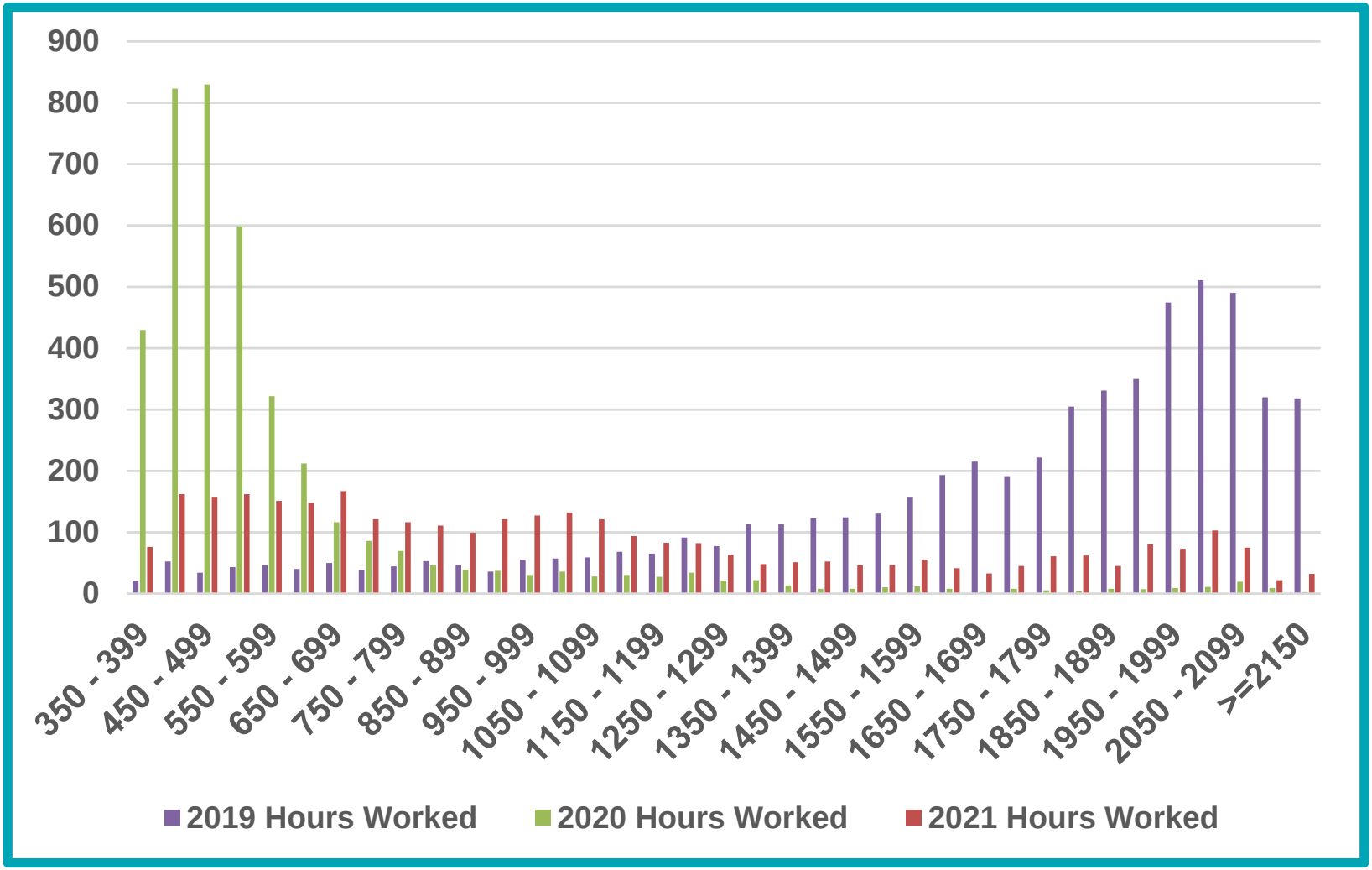
Historical Review

Key Actuarial Indicators: Cash Flow



Historical Review

Key Actuarial Indicators: Participant Hours



Key Results

	2021	2022	% Change
Number of Actives	3,993	3,302	(17.3%)
Total Hours in Prior Year[1]	3,864,495	4,158,074	7.6%
Number of Term Vesteds	2,977	3,704	24.4%
Number of Ret/Dis/Ben	2,712	2,893	6.7%
Total Annual Benefits	$16,944,420	$18,845,136	11.2%
Average Annual Benefit	$ 6,248	$ 6,514	4.3%

[1] Based on employer contributions on financial statement divided by average contribution rate for the year.

Key Results

Valuation Date	1/1/2021	1/1/2022
	$ in millions	
1. Actuarial Accrued Liability	$ 359.2	$ 371.5
2. Actuarial Value of Assets (AVA)	$ 274.7	$ 292.3
3. Unfunded Actuarial Liability [1. – 2.]	$ 84.5	$ 79.2
4. Funded Ratio (on AVA basis) [2. ÷ 1.]	76.5%	78.7%
5. Market Value of Assets (MVA)	$ 292.4	$ 315.3
6. Funded Ratio (on MVA basis) [5. ÷ 1.]	81.4%	84.9%

Minimum Required Contribution	$ 0.0	$ 1.2
Minimum to Preserve Credit Balance	$ 22.8	$ 22.6
Actual '21 / *Expected* '22 Contribution	$ 11.6	$ *12.6*

Per Trustees expectation for industry activity, expected contribution for 2022 assumes hours are at 45% of 2020 levels.

Key Results

	($ in Millions)			
	Liability	Actuarial Assets	UAL	% Funded
1/1/2021	$ 359.2	$ 274.7	$ 84.5	76.5%
Expected Change*	10.1	9.1	1.0	
Plan Changes	0.0	0.0	0.0	
Assumption Changes	0.0	0.0	0.0	
Expected at 1/1/2022	$ 369.3	$ 283.8	$ 85.5	76.8%
Actual at 1/1/2022	$ 371.5	$ 292.3	$ 79.2	78.7%
(Gain) / Loss	$ 2.2	$ (8.5)	$ (6.3)	

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

6.75% Annual Return for ALL Years

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

1934

PYB	Return	Contrib Rate*	Ben	Membership Level
2022	6.75%	$2.75	0.0%	45.0%
2023	6.75%	$2.85	0.0%	75.0%
2024	6.75%	$2.85	0.0%	100.0%
2025	6.75%	$2.85	0.0%	100.0%
2026	6.75%	$2.85	0.0%	100.0%
2027	6.75%	$2.85	0.0%	100.0%
2028	6.75%	$2.85	0.0%	100.0%
2029	6.75%	$2.85	0.0%	100.0%
2030	6.75%	$2.85	0.0%	100.0%
2031	6.75%	$2.85	0.0%	100.0%
2032	6.75%	$2.85	0.0%	100.0%
2033	6.75%	$2.85	0.0%	100.0%
2034	6.75%	$2.85	0.0%	100.0%
2035	6.75%	$2.85	0.0%	100.0%
2036	6.75%	$2.85	0.0%	100.0%
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2041	6.75%	$2.85	0.0%	100.0%
2042	6.75%	$2.85	0.0%	100.0%
2043	6.75%	$2.85	0.0%	100.0%
2044	6.75%	$2.85	0.0%	100.0%
2045	6.75%	$2.85	0.0%	100.0%
2046	6.75%	$2.85	0.0%	100.0%

Return 6.75% 20-Year Geometric Average

* Effective March 15,

Discount Rate	6.75%
2022 Return	#N/A

Estimated December 31, 2022 Market Value of Assets	$ 325.3 million
Estimated Jan 1, 2023 Funded Status (AVA Basis)	81.1%
Estimated Jan 1, 2023 Funded Status (MVA Basis)	85.7%

Based on hour expectations communicated to us for 2022 PPA certification.

2022 Return that results in Projected Minimum Funding Deficiency

MFD	2027
Insolvent PYB	None
Emergence	N/A
Fully Funded	2035

1934

PYB	Return	Contrib Rate*	Ben	Membership Level
2022	-14.00%	$2.75	0.0%	45.0%
2023	6.75%	$2.85	0.0%	75.0%
2024	6.75%	$2.85	0.0%	100.0%
2025	6.75%	$2.85	0.0%	100.0%
2026	6.75%	$2.85	0.0%	100.0%
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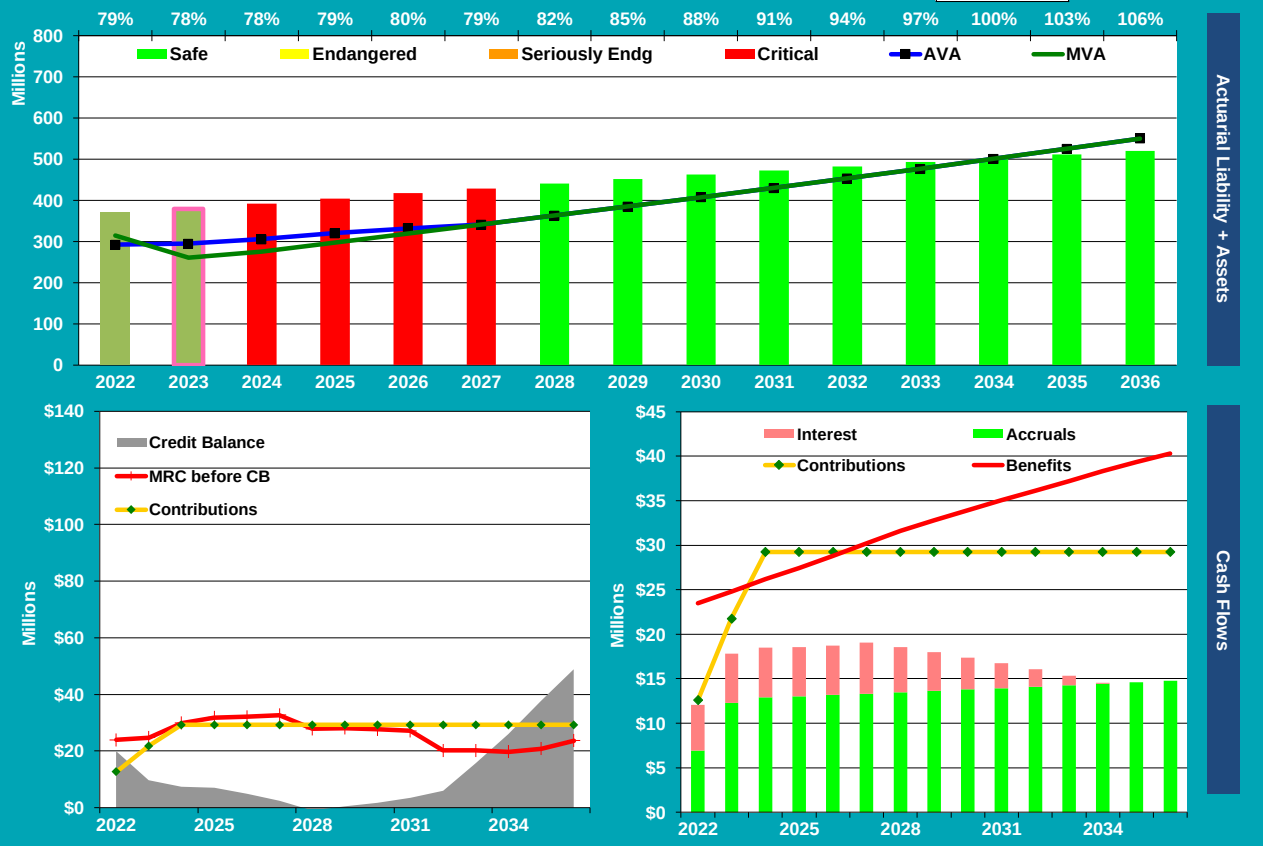
2045	6.75%	$2.85	0.0%	100.0%
2046	6.75%	$2.85	0.0%	100.0%

Return: 5.60% 20-Year Geometric Average

* Effective March 15,

Discount Rate	6.75%
2022 Return	-14.00%

Estimated December 31, 2022 Market Value of Assets	$ 261.1 million
Estimated Jan 1, 2023 Funded Status (AVA Basis)	77.7%
Estimated Jan 1, 2023 Funded Status (MVA Basis)	68.8%



Based on hour expectations communicated to us for 2022 PPA certification.

Next Steps

- Finalize 2022 valuation report
- PPA Certification due March 2023
  - Collect estimated financials as of December 31, 2022
  - Industry activity (a Trustee Assumption)
    - Can discuss with Board at next board meeting provided it is before March 31, 2023
  - Cheiron to certify by March 31, 2023

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, 2021, and the January 1, 2022 valuation results. Assumptions, methods, and participant valuation data are outlined in the 2021 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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