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

CHEIRON
Classic Values, Innovative Advice

2020 Actuarial Valuation Results

September 24, 2020

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Topics for Discussion

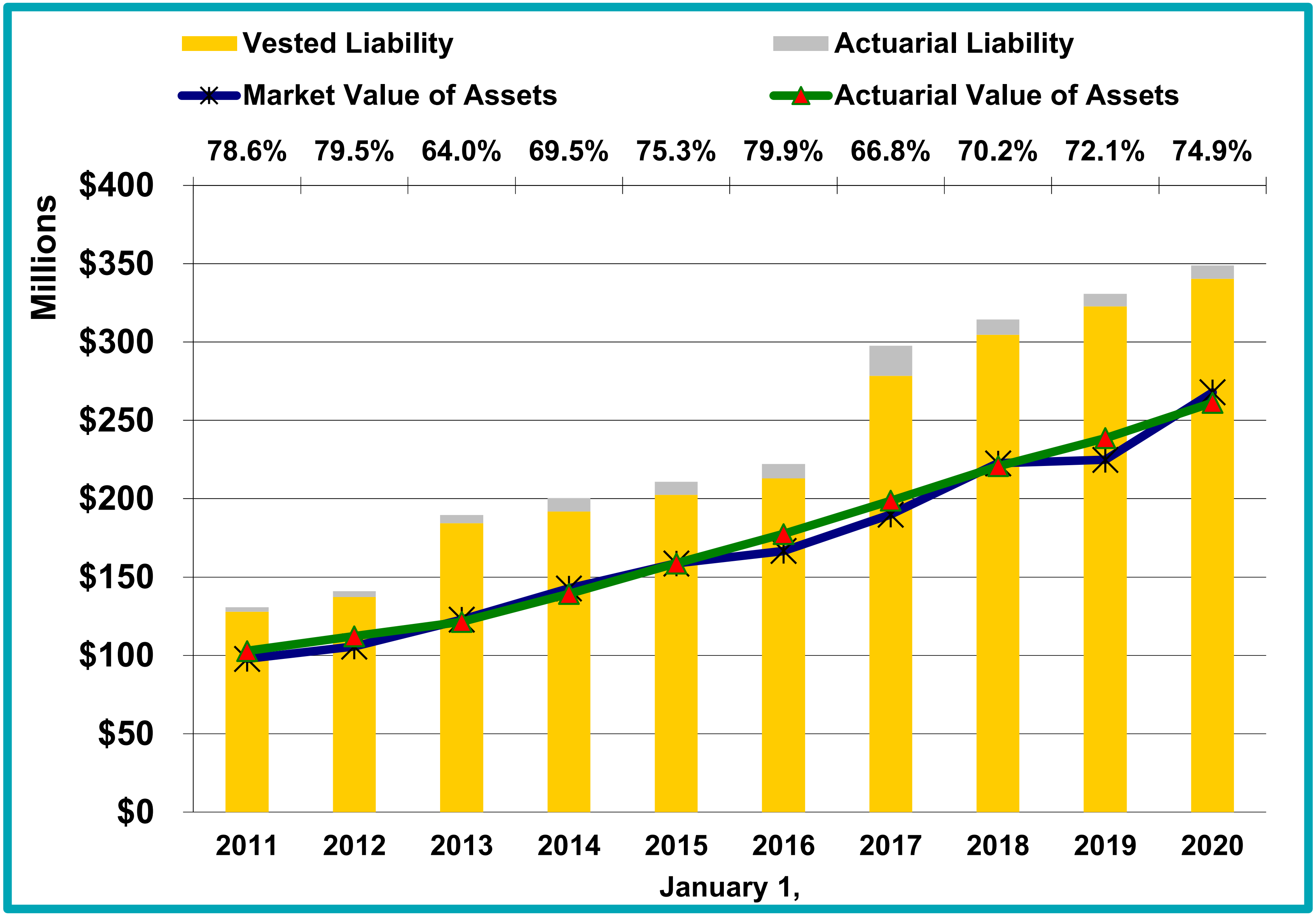
- January 1, 2020 Final Valuation Results
  – Historical Review
  – Key Results
  – Stress Testing the Fund

Overview of Results

- Market value return on assets = 15.13%
  - Actuarial value return = 5.78%
- Despite return on actuarial value being less than assumed 6.75%, funded status went from 72.1% to 74.9% on an actuarial value of asset basis; increased from 67.9% to 76.8% on a market value basis
- Current economic climate not reflected in results as of January 1, 2020

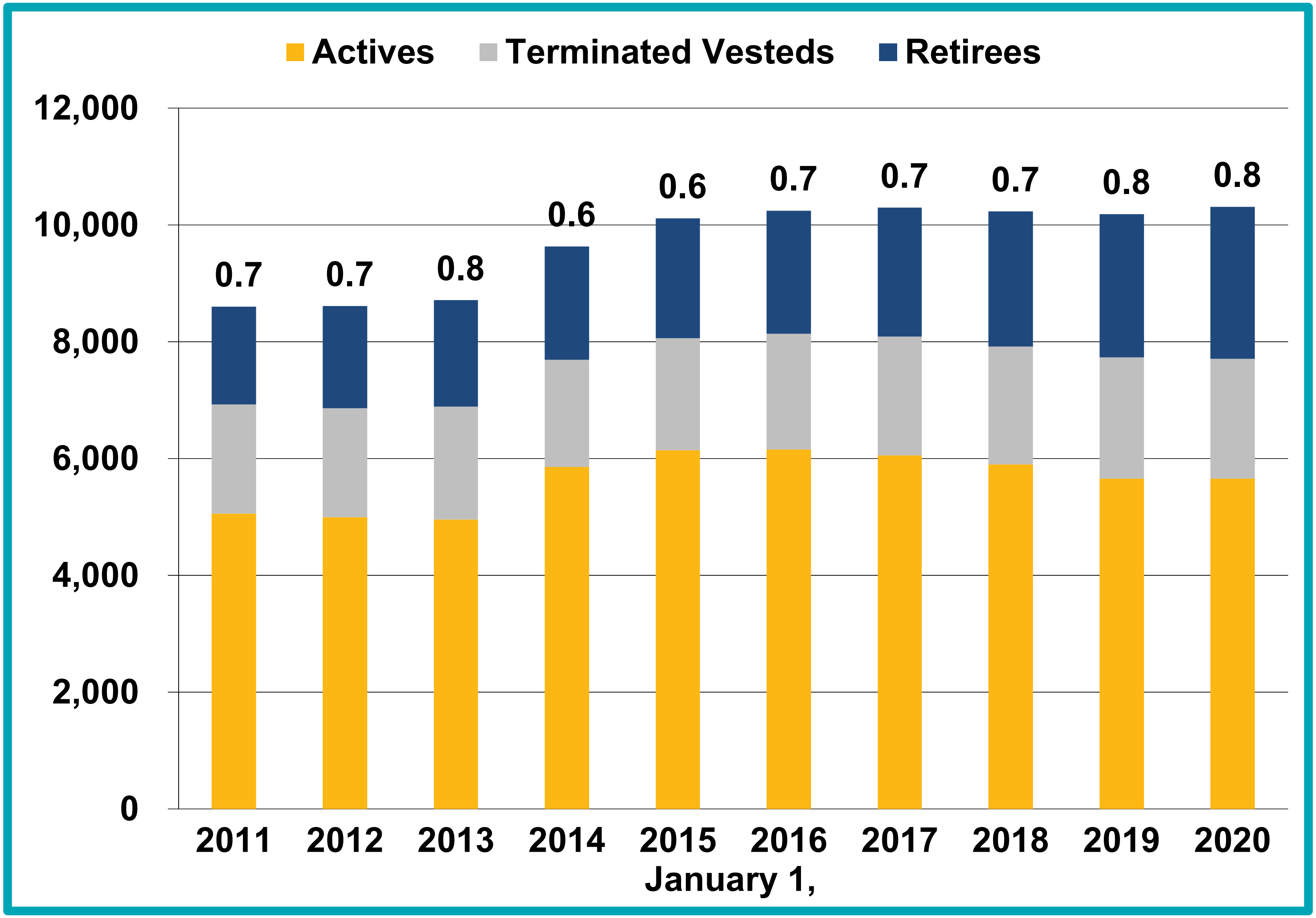
Historical Review

Key Actuarial Indicators: Assets & Liabilities



Historical Review

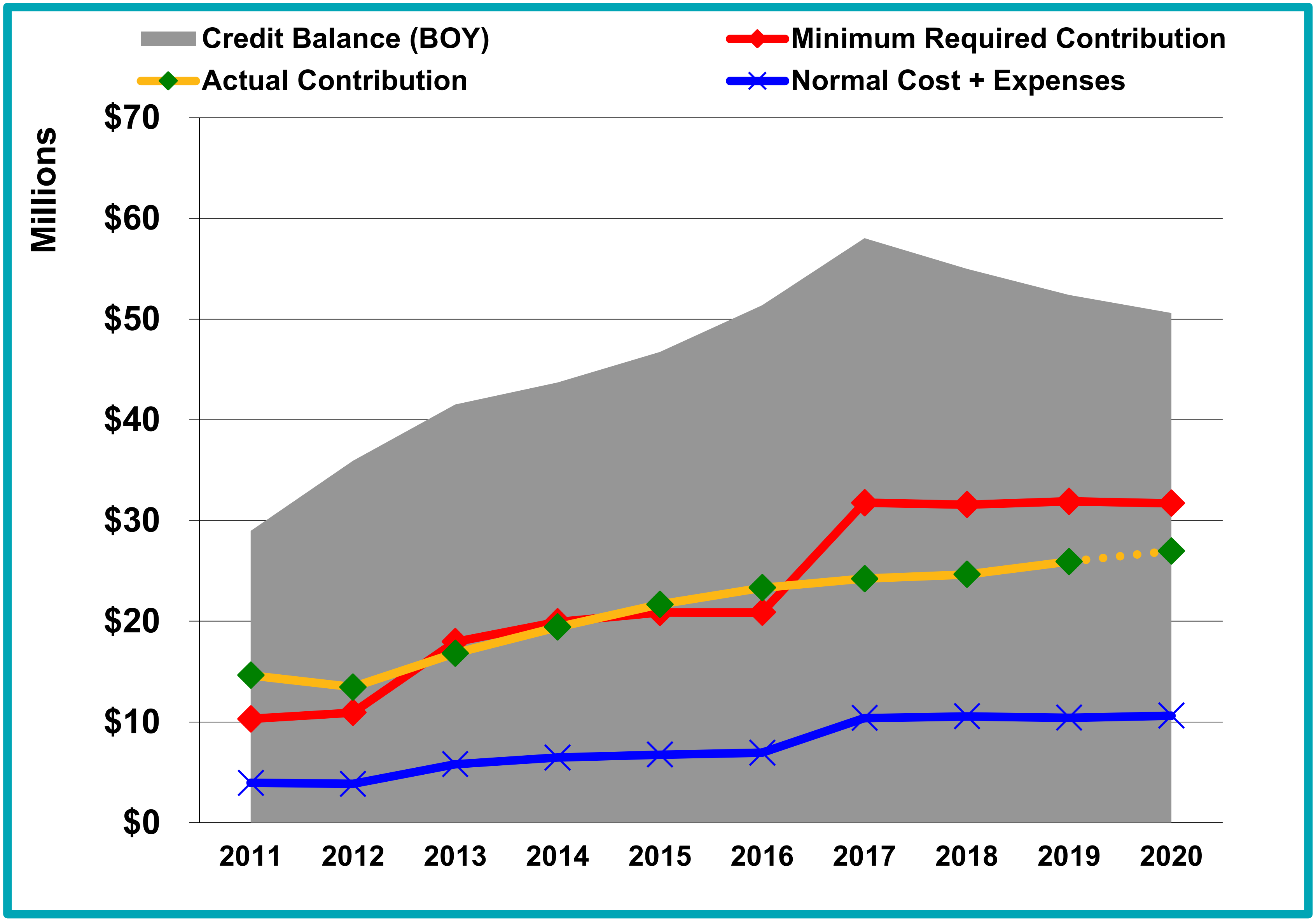
Plan Maturity Indicators: Participation



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

Historical Review

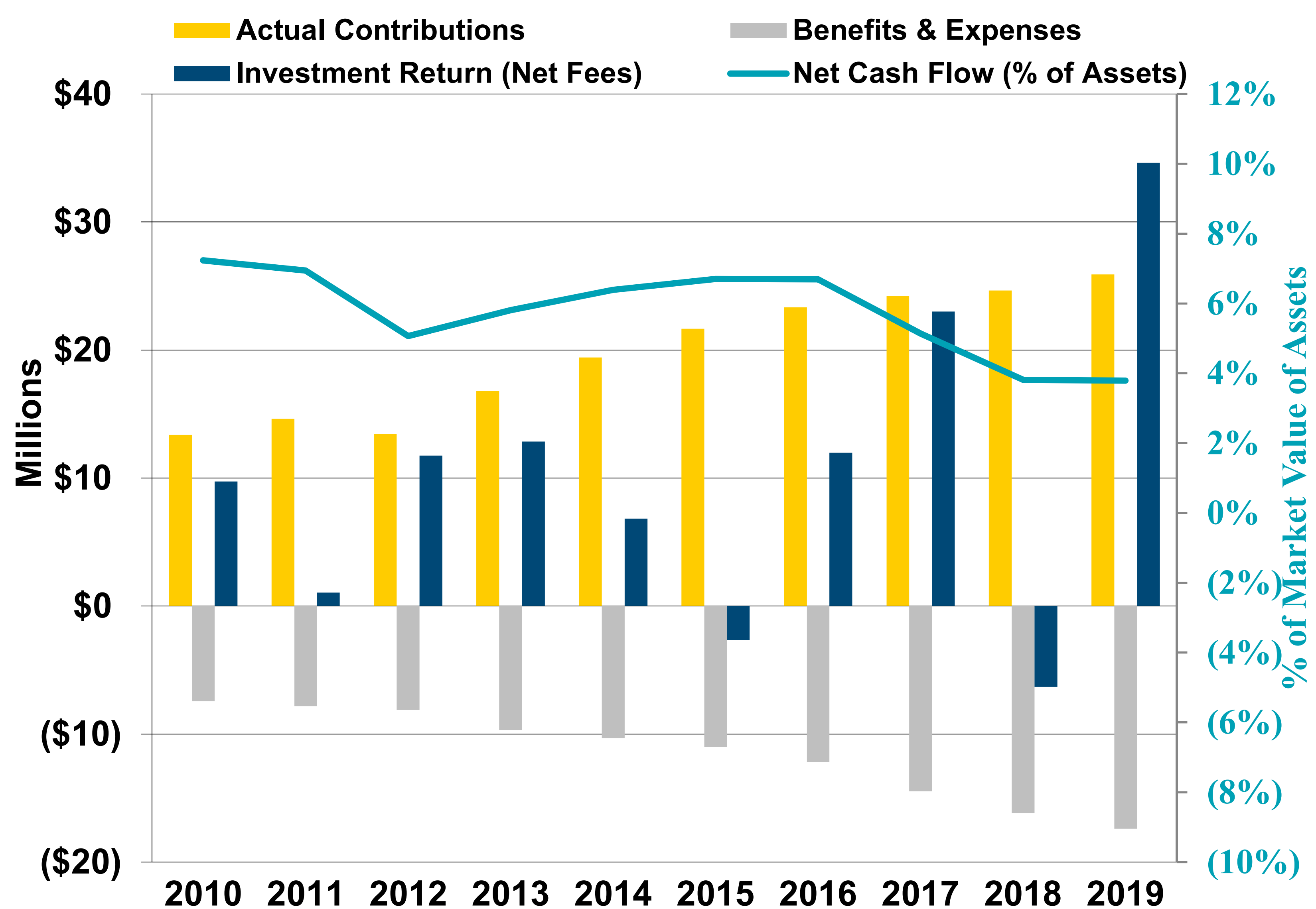
Key Actuarial Indicators: Minimum Funding



Expected contribution for 2020 assumes hours remain at 2019 level.

Historical Review

Key Actuarial Indicators: Cash Flow



Key Results

	2019	2020	% Change
Number of Actives	5,659	5,657	0.0%
Total Hours	10,363,458	10,665,274	2.9%
Average Hours per Person	1,831	1,885	2.9%
Number of Term Vesteds	2,077	2,052	(1.2%)
Number of Ret/Dis/Ben	2,452	2,603	6.2%
Total Annual Benefits	$14,424,456	$ 15,863,412	10.0%
Average Annual Benefit	$ 5,883	$ 6,094	3.6%

Key Results

Valuation Date	1/1/2019	1/1/2020
	$ in millions	
1. Actuarial Accrued Liability	$ 330.8	$ 348.9
2. Actuarial Value of Assets (AVA)	$ 238.6	$ 261.2
3. Unfunded Actuarial Liability [1. – 2.]	$ 92.2	$ 87.7
4. Funded Ratio (on AVA basis) [2. ÷ 1.]	72.1%	74.9%
5. Market Value of Assets (MVA)	$ 224.7	$ 267.9
6. Funded Ratio (on MVA basis) [5. ÷ 1.]	67.9%	76.8%

Minimum Required Contribution	$ 0.0	$ 0.0
Minimum to Preserve Credit Balance	$ 30.9	$ 30.7
Actual ‘19 / *Expected* ‘20 Contribution	$ 25.9	$ *27.0*

Expected contribution for 2020 assumes hours remain at 2019 level.

Key Results

	($ in Millions)			
	Liability	Actuarial Assets	UAL	% Funded
1/1/2019	$ 330.8	$ 238.6	$ 92.2	72.1%
Expected Change*	15.6	24.7	(9.1)	
Plan Changes	0.0	0.0	0.0	
Assumption Changes	0.0	0.0	0.0	
Expected at 1/1/2020	$ 346.4	$ 263.3	$ 83.1	76.0%
Actual at 1/1/2020	$ 348.9	$ 261.2	$ 87.7	74.9%
(Gain) / Loss	$ 2.5	$ 2.1	$ 4.6	

[1] For Liabilities, includes normal cost, benefit payments, and interest
For Assets, includes contributions, benefit payments, and interest

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MFD	None
Insolvent PYB	None
Emergence	N/A
1966 Fully Funded	2026

Discount Rate	6.75%
2020 Return	#N/A

		Contrib	Membership	
PYB	Return	Rate*	Ben	Level
2020	6.75%	$2.55	0.0%	100.0%
2021	6.75%	$2.65	0.0%	100.0%
2022	6.75%	$2.75	0.0%	100.0%
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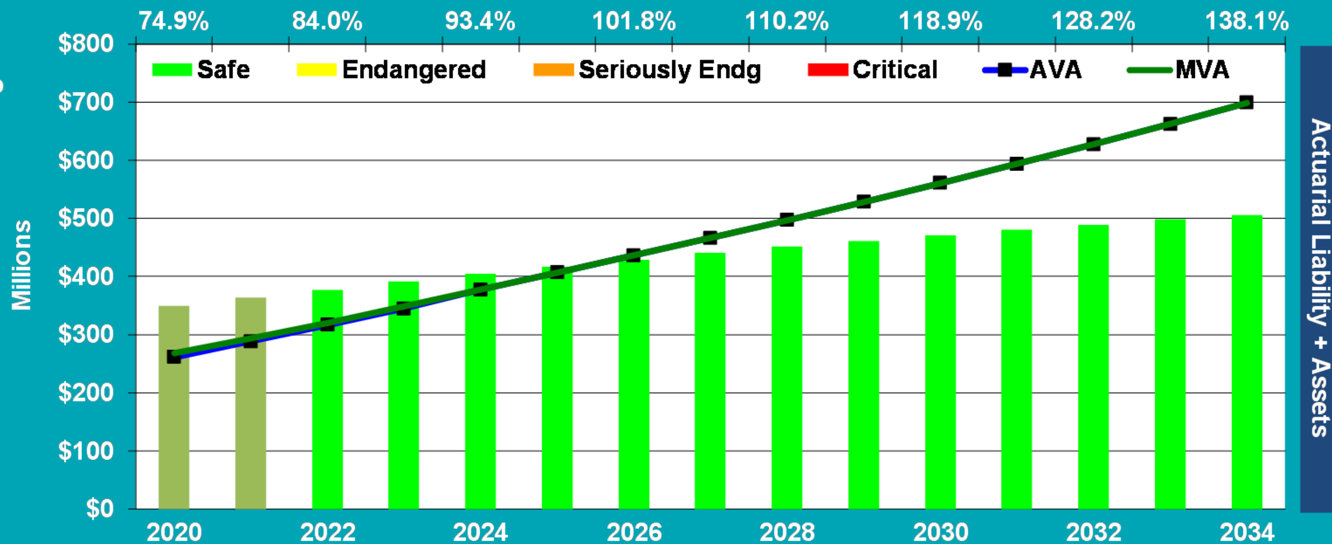
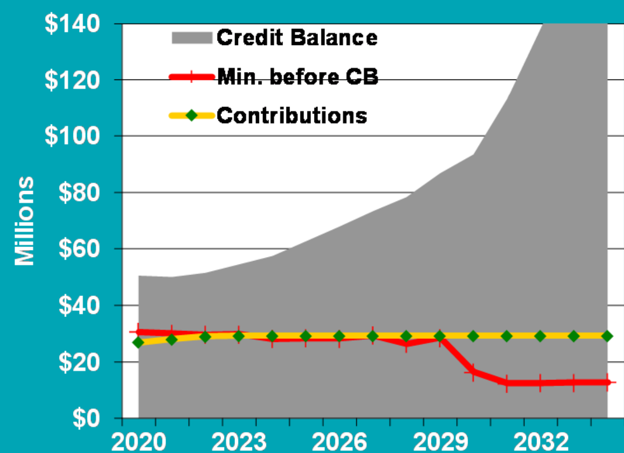
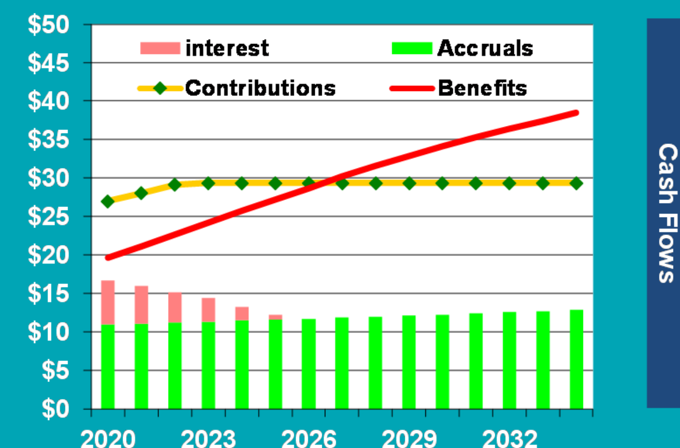
2025	6.75%	$2.75	0.0%	100.0%
2026	6.75%	$2.75	0.0%	100.0%
2027	6.75%	$2.75	0.0%	100.0%
2028	6.75%	$2.75	0.0%	100.0%
2029	6.75%	$2.75	0.0%	100.0%
2030	6.75%	$2.75	0.0%	100.0%
2031	6.75%	$2.75	0.0%	100.0%
2032	6.75%	$2.75	0.0%	100.0%
2033	6.75%	$2.75	0.0%	100.0%
2034	6.75%	$2.75	0.0%	100.0%
AVE	6.75%			

* Effective March 15,







Alternative Hours[1] / 6.75% Annual Return for ALL Years

CHEIRON

MFD	None
Insolvent PYB	None
Emergence	N/A
Fully Funded	2029

Discount Rate	6.75%
2020 Return	#N/A

1966

PYB	Return	Contrib Rate*	Ben	Membership Level
2020	6.75%	$2.55	0.0%	30.0%
2021	6.75%	$2.65	0.0%	40.0%
2022	6.75%	$2.75	0.0%	70.0%
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%
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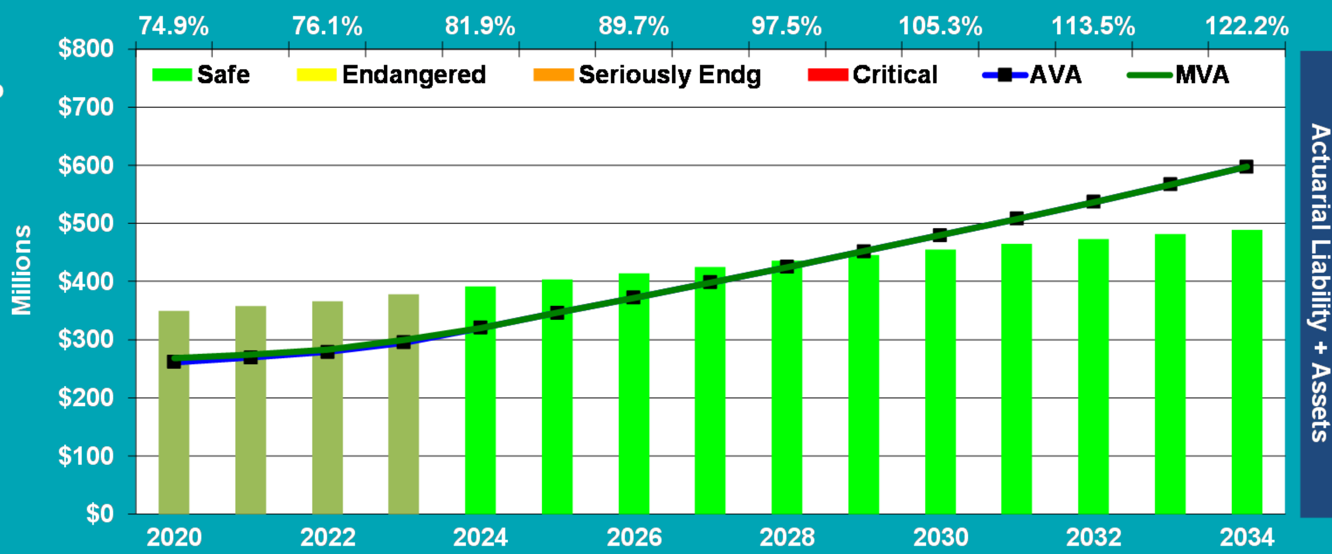
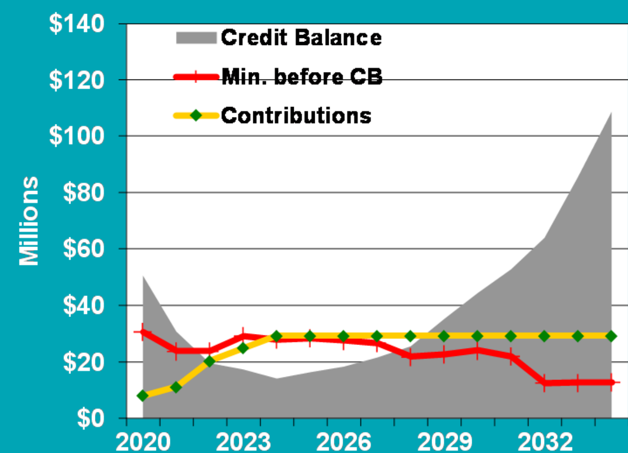
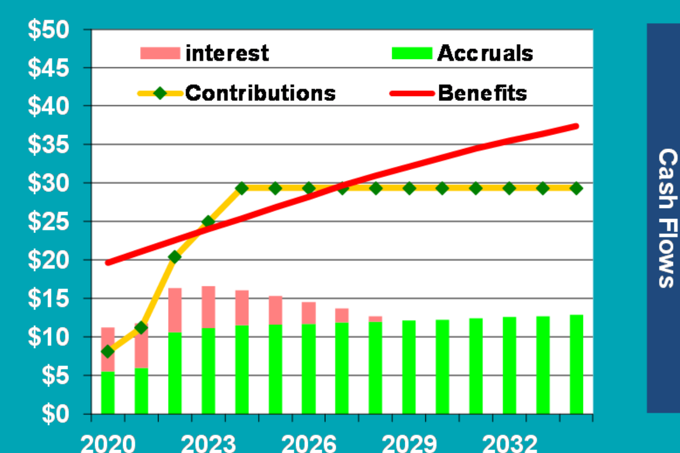
2032	6.75%	$2.75	0.0%	100.0%
2033	6.75%	$2.75	0.0%	100.0%
2034	6.75%	$2.75	0.0%	100.0%
AVE	6.75%			

* Effective March 15,







[1] Based on hour expectations communicated to us on June 15, 2020 phone call

Alternative Hours[1] with recovery/ 2020 Return that results in Projected Minimum Funding Deficiency

CHEIRON

MFD	2027
Insolvent PYB	None
Emergence	N/A
Fully Funded	2033

Discount Rate	6.75%
2020 Return	-7.00%

1966

PYB	Return	Contrib Rate*	Ben	Membership Level
2020	-7.00%	$2.55	0.0%	30.0%
2021	6.75%	$2.65	0.0%	40.0%
2022	6.75%	$2.75	0.0%	70.0%
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%
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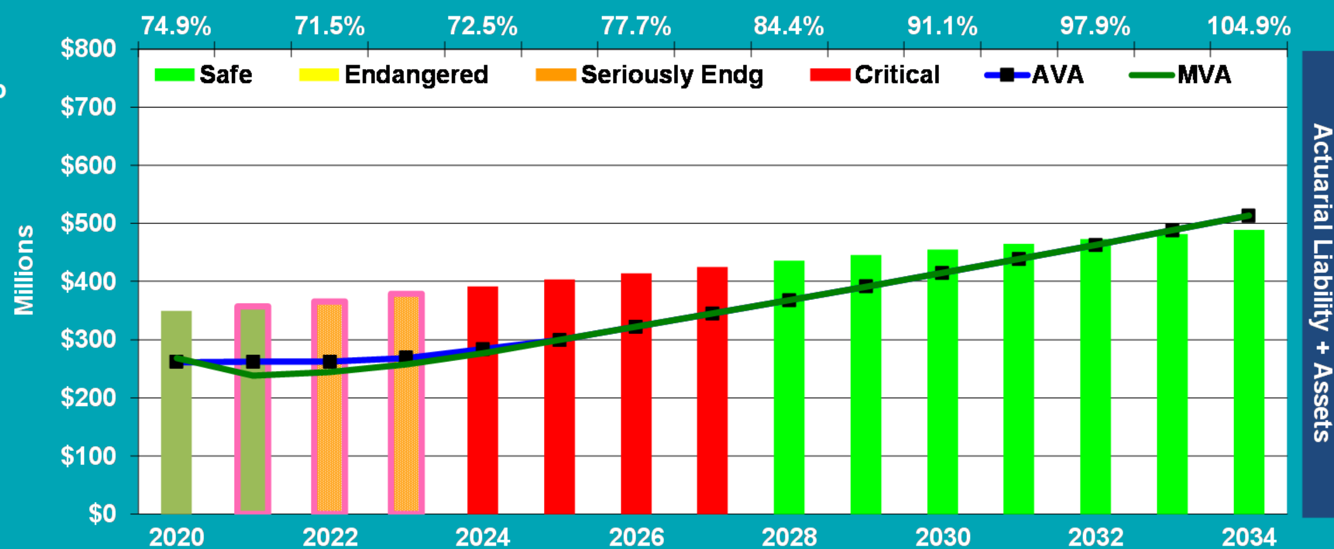
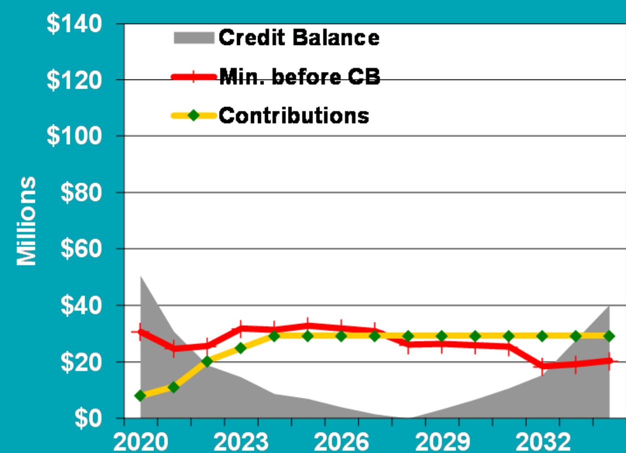
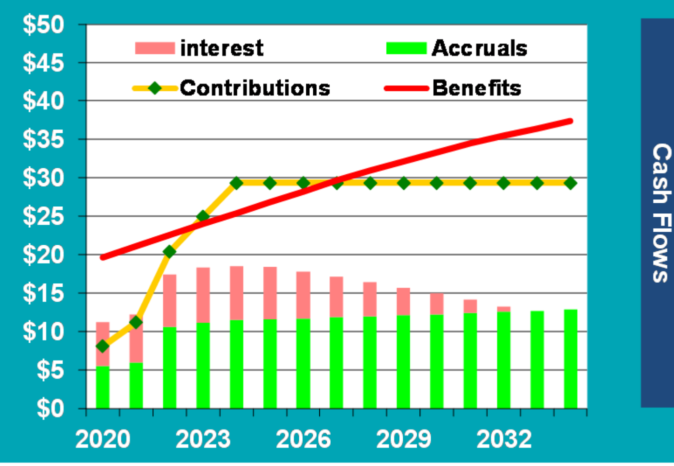
2030	6.75%	$2.75	0.0%	100.0%
2031	6.75%	$2.75	0.0%	100.0%
2032	6.75%	$2.75	0.0%	100.0%
2033	6.75%	$2.75	0.0%	100.0%
2034	6.75%	$2.75	0.0%	100.0%
AVE	5.77%			

* Effective March 15,







[1] Based on hour expectations communicated to us on June 15, 2020 phone call

Alternative Hours[1] with partial recovery / 2020 Return that results in Projected Minimum Funding Deficiency

CHEIRON

MFD	2027
Insolvent PYB	None
Emergence	N/A
Fully Funded	2033

1966

Discount Rate	6.75%
2020 Return	3.00%

PYB	Return	Contrib Rate*	Ben	Membership Level
2020	3.00%	$2.55	0.0%	30.0%
2021	6.75%	$2.65	0.0%	40.0%
2022	6.75%	$2.75	0.0%	70.0%
2023	6.75%	$2.75	0.0%	85.0%
2024	6.75%	$2.75	0.0%	85.0%
2025	6.75%	$2.75	0.0%	85.0%
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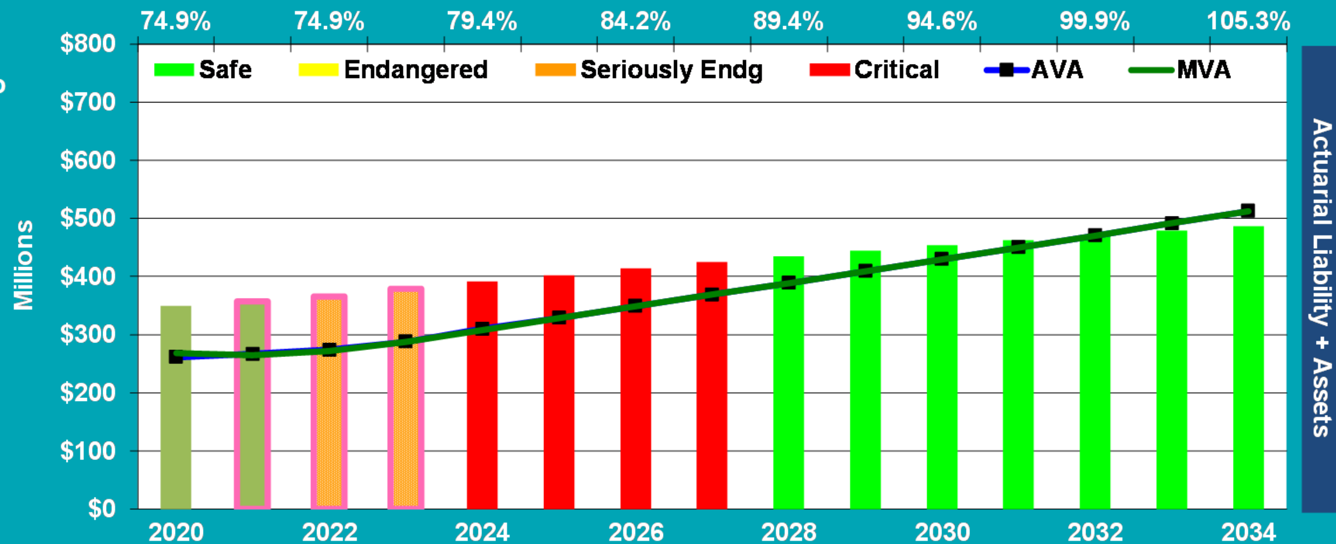
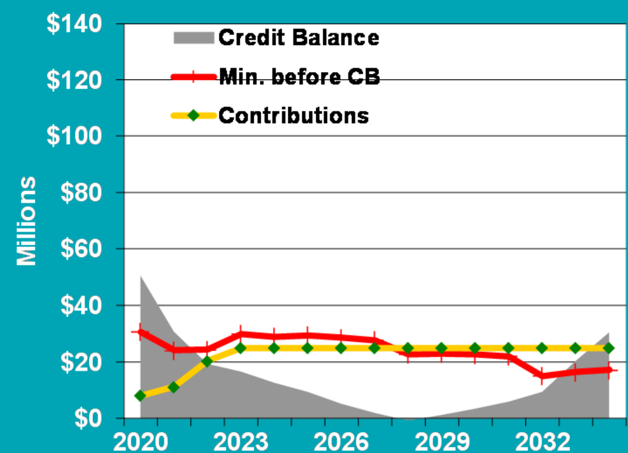
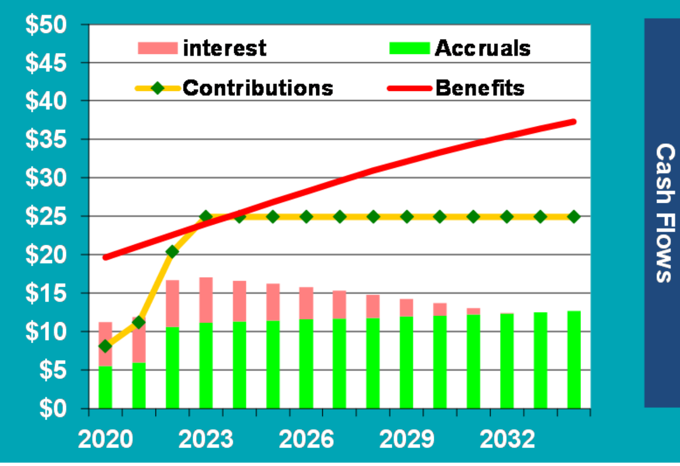
2028	6.75%	$2.75	0.0%	85.0%
2029	6.75%	$2.75	0.0%	85.0%
2030	6.75%	$2.75	0.0%	85.0%
2031	6.75%	$2.75	0.0%	85.0%
2032	6.75%	$2.75	0.0%	85.0%
2033	6.75%	$2.75	0.0%	85.0%
2034	6.75%	$2.75	0.0%	85.0%
AVE	6.50%			

* Effective March 15,







[1] Based on hour expectations communicated to us on June 15, 2020 phone call

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, 2019, and the January 1, 2020 valuation results. Assumptions, methods, and participant valuation data are outlined in the 2019 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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