

FOR PLAN YEAR COMMENCING JANUARY 1, 2021

**ANNUAL CERTIFICATION OF PLAN STATUS UNDER SECTION 432(b) OF THE
INTERNAL REVENUE CODE, (SEC. 305(b) OF THE EMPLOYEE RETIREMENT
INCOME SECURITY ACT OF 1974)**

FOR

**WAREHOUSE EMPLOYEES UNION
LOCAL NO. 730 PENSION TRUST FUND**

EIN: 52-6124754

PN: 001

Plan Year 1/1/2021

Fund Contact

Ms. Alicia Cochran

Account Executive

(410) 683-6500

March 31, 2021

Board of Trustees of the Warehouse Employees Union
Local No. 730 Pension Trust Fund
911 Ridgebrook Road
Sparks, MD 21152-9451

March 31, 2021
EIN: 52-6124754
PN: 001
Tel: (410) 683-6500

Re: Annual Certification of Plan Status under Internal Revenue Code §432(b) and Employee Retirement Income Security Act of 1974 §305(b)

Dear Board of Trustees:

CERTIFICATION

As required by Section 432(b)(3) of the Internal Revenue Code (“Code”) and Section 305(b)(3) of the Employee Retirement Income Security Act of 1974 (“ERISA”), we certify, for the plan year beginning January 1, 2021, that the Fund is classified as being in Critical and Declining status as this term is defined in Section 432(b) of the Code and Section 305(b) of ERISA as amended by the Multiemployer Pension Reform Act of 2014.

The rehabilitation period for the Rehabilitation Plan adopted by the Trustees on November 26, 2009 began on January 1, 2012 and requires all reasonable measures to forestall insolvency. As discussed in Appendix III, we certify that the Fund is making scheduled progress in meeting the requirements of its Rehabilitation Plan due to the exhaustion of all reasonable measures to forestall insolvency.

This certification is complete and has been prepared in accordance with the requirements of Section 432 of the Code, Section 305 of ERISA, and generally recognized and accepted actuarial principles and practices 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 certification. This certification does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This certification was prepared exclusively for the Trustees of the Warehouse Employees Union Local 730 Pension Trust Fund and the Secretary of Treasury. It only certifies the condition of the Fund under Code Section 432 as added by the Pension Protection Act of 2006 and should be used only for that purpose. Other users of this certification are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

In preparing this certification, we have relied on information (some oral and some written) supplied by the Fund Office staff and the Fund’s investment manager. This information includes, but is not limited to, the plan provisions, employee data, financial information, and expectations of future industry activity. 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.

Board of Trustees

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Future analyses may differ significantly from those presented in this certification letter due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and, changes in plan provisions or applicable law.

The attached appendices show the results for the statutory tests and describe the methodologies and assumptions used to perform the tests. Please contact the undersigned with any questions.

Sincerely,
Cheiron



Peter R. Hardcastle, FSA, EA (20-05197)
Principal Consulting Actuary



Matthew Deveney, FSA, EA (20-07754)
Consulting Actuary

Attachments: Appendix I: Tests of Fund Status
Appendix II: Detail for Actuarial Certification
Appendix III: Scheduled Progress
Appendix IV: Methodology and Assumptions

cc: Secretary of the Treasury

APPENDIX I – TESTS OF FUND STATUS

Critical Status – The Fund, which has a 431(d) five-year automatic extension, was certified as Critical last year and will remain Critical unless it meets the two conditions for emergence: **Condition Met?**

1 The Fund is not projected to have an accumulated funding deficiency for the current plan year or the next nine plan years.

NO

2 The Fund is not projected to become insolvent within 30 years.

NO

Critical and Declining Status – The Fund will be certified as Critical and Declining if it meets test 3.

3 The Fund is in Critical Status and is projected to become insolvent within the current or the next 19 plan years since the funding level is below 80%.

YES

The Fund is certified to be in Critical and Declining status for 2021.

APPENDIX II – DETAIL FOR ACTUARIAL CERTIFICATION

A. CREDIT BALANCE / FUNDING DEFICIENCY (Used for Test 1) (uses 431(d) five-year automatic extension)

<u>Date</u>	<u>Credit Balance</u>	adjusted with interest to end of year		
		<u>Charges</u>	<u>Credits</u>	<u>Contributions</u>
1/1/2021	(\$48,841,173)	\$21,915,366	\$9,683,999	\$5,102,094
1/1/2022	(\$59,389,329)			

Because a funding deficiency is projected at year end, there is no need to project the funding standard account credit balance any further. The projected funding standard account is based on the methods and assumptions set out in Appendix IV.

The projection of future contributions is based on the Trustees' estimate of future industry activity multiplied by the contribution rates contained in the current collective bargaining agreements under which the Fund is maintained. Additionally, future Withdrawal Liability payments by McKesson Drug Corporation are included.

B. SOLVENCY PROJECTION (Used for Tests 2 and 3) (assumes contribution increases continue at 4.9% per year through FYE 2027, and 2.0% per year through FYE 2032)

The chart below shows a projection of the assets of the Fund over the next 14 years. The projection indicates that the Fund is expected to run out of assets during the 2034 Plan Year.

<u>Date</u>	<u>Market Value Assets</u>	<u>Projected Contributions</u>	<u>Projected Benefits and Expenses</u>	<u>Projected Investment Earnings</u>
1/1/2021	\$ 161,493,965	\$ 4,932,380	\$ 22,138,095	\$ 10,712,563
1/1/2022	155,000,813	5,140,834	22,054,966	10,268,075
1/1/2023	148,354,756	5,360,386	22,711,544	9,787,813
1/1/2024	140,791,411	5,591,035	23,331,497	9,244,984
1/1/2025	132,295,933	5,832,386	23,912,367	8,638,619
1/1/2026	122,854,571	6,085,379	24,585,132	7,963,280
1/1/2027	112,318,097	6,350,015	25,019,256	7,219,895
1/1/2028	100,868,751	6,472,888	25,346,703	6,411,402
1/1/2029	88,406,338	6,590,765	25,468,579	5,538,895
1/1/2030	75,067,419	6,709,198	25,686,532	4,601,746
1/1/2031	60,691,832	6,828,089	25,781,497	3,596,279
1/1/2032	45,334,704	6,951,551	25,649,096	2,530,083
1/1/2033	29,167,243	6,453,796	25,327,684	1,392,293
1/1/2034	11,685,648	6,287,877	25,000,685	174,124
1/1/2035	0			

APPENDIX III – SCHEDULED PROGRESS

Pursuant to ERISA Section 305(e)(3)(A)(ii), the Board of Trustees has adopted a Rehabilitation Plan to forestall insolvency as defined in ERISA Section 4245. The Rehabilitation Plan removes some adjustable benefits and requires contribution increases from all employers to match those affordable to the largest employer. The current required increases are 4.9% per year. Currently, all active employers are increasing contribution rates by 4.9% annually. On this basis and also considering lack of guidance from the Internal Revenue Service, we are certifying that the Fund is making the scheduled progress in meeting the requirements of its Rehabilitation Plan as discussed in ERISA Section 305(b)(3)(A)(ii).

APPENDIX IV – METHODOLOGY AND ASSUMPTIONS

A. Actuarial Assumptions

1. Rates of Investment Return

7.00% net of investment expenses.

2. Administrative Expenses

\$652,000 for 2021 as of the middle of the year, dropping to \$390,000 for 2022 and increasing 2.0% per year thereafter.

3. Rates of Mortality

SOA RP-2014 Blue Collar Mortality Table using base year 2006 with generational improvements using scale MP-2019

4. Rates of Retirement

For individuals commencing from Active status:

Age	Less than 30 Years of Service		30 Years of Service	Over 30 Years of Service
	NRA = 60	NRA = 62		
<60	0%	0%	35%	15%
60	25%	0%	100%	100%
61	15%	0%	100%	100%
62	15%	25%	100%	100%
63 – 64	15%	15%	100%	100%
65+	100%	100%	100%	100%

For Individuals commencing from Inactive status:

Age	NRA of 60	NRA of 62
<60	0%	0%
60	50%	0%
61	25%	0%
62	25%	50%
63-64	25%	25%
65+	100%	100%

APPENDIX IV – METHODOLOGY AND ASSUMPTIONS

5. Rates of Turnover

Double the combination of Sarason's Advanced Pension Tables. Sample rates:

Age	Rate
20	24.77%
22	22.62
24	20.47
25	19.40
26	18.02
28	15.25
30	12.49
35	8.21
40	5.24
45	2.57
50	0.00

6. Rates of Disability

None assumed.

7. Marriage Rates

- 61% of participants are assumed to be married.
- Males are assumed to be three years older than spouse.

8. Payment Form Elections

Level Income Option – 65%

Single Life or Certain Annuity – 15%

Joint & Survivor Annuity – 20%

9. Active Participants

All non-retired participants who have hours worked during the plan year ending December 31, 2019.

10. Future Hours Worked By Active Participants

Each active participant will work average annual hours worked in the past three years, excluding the year of entry. No participant is assumed to work less than 870 hours per year.

APPENDIX IV – METHODOLOGY AND ASSUMPTIONS

11. Contribution Rate Used for Determination of Minimum Flat Benefit

The contribution rate in effect on January 1, 2020.

12. Contribution Rate Used for Determination of Percentage of Contributions Benefit

The contribution rate in effect on January 1, 2020.

13. Participant Data

This report is based upon employee data furnished by the Fund Administrator. All non-retired participants who have hours worked during the plan year ending December 31, 2019 are assumed to be active participants as of January 1, 2020 unless identified as having been terminated.

14. Rehabilitation Plan Benefit Schedule

In preparing our report and valuation results, all participating employers were valued under the Preferred Schedule as of January 1, 2020.

15. Projected Industry Activity

As required by Section 432 of the Code, assumptions with respect to projected industry activity are based on information provided by the Trustees. It is the Trustees' expectation that the contribution base units will remain level during the projection period. Further, each employer's current contribution rate is expected to increase by 4.9% annually through 2027, then 2% annually for the next five years, and remain flat thereafter. These contribution rate increases are not benefit bearing.

16. Justification for Assumptions

Economic: The expected investment return was chosen by modeling the Fund's current asset allocation with the Horizon Investment Survey. The expected 10-year return is 6.53% and the expected 20-year return is 7.34%. Historically the Fund has averaged 9.6% annual return over the past 10 years. Taking into account the historical returns and forward looking expectations, a long-term rate return of 7% is reasonable.

Demographic: The demographic assumptions were reviewed and updated to better reflect actual experience.

APPENDIX IV – METHODOLOGY AND ASSUMPTIONS

B. Actuarial Methods

1. Funding Method: Entry Age Normal Cost Method

Under the entry age normal actuarial cost method the individual entry age normal cost is determined for each participant by calculating the level annual contribution required to fund that individual's expected benefits based on the current plan provisions over the participant's expected active working lifetime with the Fund at entry.

At the valuation date the present value of future normal cost is calculated for each individual participant by multiplying the entry age normal cost by the present value of the participant's expected future active working lifetime with the Fund. The cost for each participant is then summed to yield the present value of future normal costs.

The excess of the present value of future benefits for all individuals at the valuation date over the present value of future normal costs is called the Actuarial Liability, or past service liability.

The excess, if any, of the Actuarial Liability over the Actuarial Value of Assets is known as the unfunded accrued liability. If the Actuarial Value of Assets exceeds the Actuarial Liability, the Fund may have a surplus.

2. Asset Valuation Method

The Actuarial Value of Assets is determined in accordance with Section 3.16 of Revenue Procedure 2000-40 using a five-year smoothing period. Specifically, the Actuarial Value of Assets as of January 1, 2006 is set equal to the Market Value of Assets. For each subsequent plan year, the actuarial value shall be the market value minus a decreasing fraction ($4/5$, $3/5$, $2/5$, $1/5$) of each gain or loss for each of the preceding four plan years (with the exception of the 2008 loss which is recognized at a rate of $1/10$ per plan year due to funding relief). Gains or losses prior to January 1, 2006 are ignored.

3. Disclosures Regarding Models Used

In accordance with Actuarial Standard of Practice No. 56 (Modeling), the following disclosures are made:

a. Valuation Software

Cheiron utilizes and relies upon ProVal, an actuarial valuation software leased from Winklevoss Technologies for the intended purpose of calculating liabilities and projected benefit payments. Projected expected results of future valuations in this report were developed using P-scan, our proprietary tool for the intended purpose of developing projections. As part of the review process for this certification, we have performed a number of tests to verify that the results are reasonable and appropriate. We are not aware

APPENDIX IV – METHODOLOGY AND ASSUMPTIONS

of any material inconsistencies, unreasonable output resulting from the aggregation of assumptions, material limitations or known weaknesses that would affect this certification.

b. Projections

This certification includes projections of future cash flows and funded status for the purpose of determining a zone status for the Fund.

The projections are based on the January 1, 2020 actuarial valuation projected to December 31, 2020 using expected liabilities and preliminary, unaudited December 31, 2020 assets. These projections also assume the continuation of the plan provisions and actuarial assumptions in effect as of January 1, 2020.

The projections assume that all future assumptions are met except where indicated with respect to future investment returns. The future outcomes become increasingly uncertain over time, and therefore the general trends and not the absolute values should be considered in the review of these projections.

4. PRA 2010 Funding Relief

The Fund's Board of Trustees elected funding relief under § 431(b)(8) of the Code and § 304(b)(8) of ERISA. This included the "special amortization rule," which allows the Fund's investment losses for the plan year ended December 31, 2008 to be separately amortized over 29 years.