UFCW-Giant Variable Annuity Fund

Classic Values, Innovative Advice.

# Recap of 2022 Valuation Results & Experience Study

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# Overview

- Recap of 2022 Valuation Results
- Experience Study
  - Purpose of the Study
  - Demographic Assumptions Review
  - Financial Impact

# Recap of 2022 Valuation Results

## Summary of Results

**Presented at December 2022 meeting**

| Summary of Principal Results | 1/1/2021 | 1/1/2022 | 1/1/2023 (proj) |
|---|---|---|---|
| **Liabilities** | | | |
| Funding Target Liability (FTL) | $ 0 | $ 11,988,869 | $ 23,600,000 |
| Target Normal Cost (TNC) | 12,114,212 | 12,402,790 | 12,450,000 |
| Funding Shortfall | 0 | 168,326 | 0 |
| Shortfall Amortization Charge | 0 | 15,555 | 0 |
| Effective Interest Rate | 5.83% | 5.62% | TBD |
| **Assets** | | | |
| Market Value of Assets (MVA) | $ 0 | $ 11,820,543 [1] | $ 29,000,000 [2] |
| Actuarial Value of Assets (AVA) | 0 | 11,820,543 | 29,600,000 |
| **Funded Ratios** | | | |
| Funded Percentage (AVA/FTL) | 100.00% | 98.59% | 125.42% |
| Adjusted Funding Target Attainment Percentage | 100.00% | 98.59% | 125.42% |
| Funding Target Attainment Percentage | 100.00% | 98.59% | 125.42% |
| Minimum Required Contribution (MRC) | $ 12,114,212 | $ 12,418,345 | $ 6,450,000 |
| Bargaining Contribution Obligation[3] | $ 12,114,212 | $ 12,418,345 | $ 12,450,000 |
| Quarterly Contribution | 0 | 0 | $ 3,250,000 |

[1] Reflects contribution receivables discounted to January 1, 2022.

[2] Assumes a return of 0% for 2022

[3] Based on our understanding that plan sponsor is to contribute the cost of benefits

# 2022 Plan Year Contribution

## Summary of Contributions

**If contribute on last possible day…..**

| Minimum Required Contribution (MRC) - 2022 Plan Year | | | |
|---|---|---|---|
| | Date | | Amount |
| Minimum Required Contribution | 01/01/2022 | $ | 12,418,345 |
| Contribution During 2022 Plan Year to MRC* | 08/29/2022 | $ | 33,101 |
| | | | |
| Remaining Contribution Due if Paid on | **09/15/2023** | $ | 13,596,015 |
| | | | |
| **Maximum Deductible Contribution** | | | |
| Maximum Deductible Contribution Limit | | $ | 18,672,420 |
| Stabilization Reserve Contribution | | | 6,000,000 |
| Contribution Made during 2022 towards MRC | | | 33,101 |
| Maximum Deductible Contribution Limit Remaining | | $ | 12,639,319 |
| | | | |
| Amount of Remaining Contribution that is deductible for 2022 | | $ | 12,639,319 |
| Amount of Remaining Contribution that should be allocated to 2023 | | | 956,696 |
| Total Amount of Remaining Contribution | | $ | 13,596,015 |

* Excludes $6 million made for Stabilization Reserve

# 2023 Quarterly Contributions

## Summary of Contributions

- Quarterly contributions are required in 2023 since Plan is less than 100% funded as of January 1, 2022. No quarterlies anticipated for 2024+.
- The schedule below outlines the IRS minimum approach which is based on the prior year results.

| IRS Minimum Approach - 4 Quarterlies Plus True-up by 9/15/2024 | | | | | |
|---|---|---|---|---|---|
| | Date | Contribution Amount | | | Amount Discounted to Valuation Date |
| Minimum Required Contribution (estimated) | 01/01/2023 | | | $ | 12,450,000 |
| 1st Quarterly Contribution | 04/15/2023 | 3,104,586 | | $ | 3,058,079 |
| 2nd Quarterly Contribution | 07/15/2023 | 3,104,586 | | $ | 3,017,958 |
| 3rd Quarterly Contribution | 10/15/2023 | 3,104,586 | * | $ | 2,977,930 |
| 4th Quarterly Contribution | 01/15/2024 | 3,104,586 | * | $ | 2,938,434 |
| Remaining Amount Payable for the 2023 Plan Year after Quarterly Contributions | | | | $ | 457,599 |
| Remaining Contribution Due if Paid on | **09/15/2024** | $ 500,901 | * | $ | 457,599 |

* Will be adjusted based on actual 2023 MRC.

# Summary of Contributions

| Table V-5<br>Schedule of Required Contributions | | | |
|---|---|---|---|
| Payment Due Date | Plan Year Ending | | |
| | December 31, 2021 | December 31, 2022 | December 31, 2023 |
| 2/28/2022 | | $ 6,000,000 [1] | |
| 8/29/2022 | $ 13,309,217 | $ 33,101 | |
| 1/15/2023 | | | |
| 4/15/2023 | | | $ 3,104,586 [2] |
| 7/15/2023 | | | $ 3,104,586 [2] |
| 9/15/2023 | | $ 13,596,015 | |
| 10/15/2023 | | | $ 3,104,586 [2] |
| 1/15/2024 | | | $ 3,104,586 [2] |
| 9/15/2024 | | | TBD |
| Discount to BOY | $ (1,195,005) | $ (1,262,676) | N/A |
| Total | $ 12,114,212 | $ 18,366,440 | TBD |

[1] Stabilization Reserve contribution; ignored for funding policy contribution determination.

[2] The final contribution for the 2023 plan year, due no later than September 15, 2024, has not yet been determined.

# Purpose of the Experience Study

- An experience study is performed to compare actual plan experience against the assumptions used to value the plan. Such studies are generally performed every five years.
  - Last experience study performed on this population was in 2007
  - Meet requirements of Actuarial Standards of Practice No. 35 (selection of demographic assumptions)
- Actuarial assumptions are intended to be long-term in nature and should be reasonable both individually and in the aggregate.
- Frequent or significant changes in the actuarial assumptions are not normally recommended or desirable.

# Data Used for the Experience Study

- Participants with Giant-only employer codes, as reported by AA, were included in the experience study from the following sources:
  - MAP (2017-2020)
  - FELRA (2021) – combined for PBGC Solvency Val
  - Giant VAP (2022)
- Members with both Giant and Safeway codes during the experience period were allocated to one or the other by most recent plan allocation
  - Avoids overstating termination experience
- Payment form assumptions determined by reviewing new retirees during each one-year experience period
  - Saw similar patterns when reviewing full retiree population

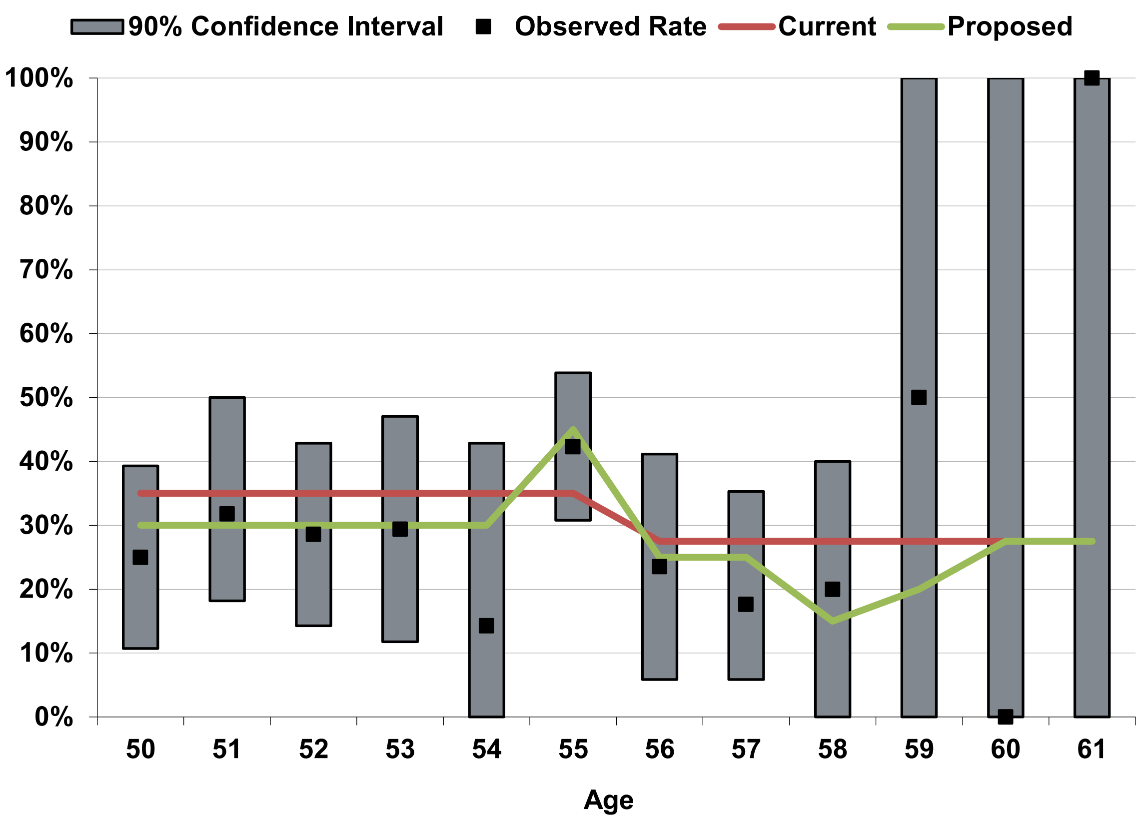

# Demographic Assumptions

Retirement Rates
Termination Rates
Disability Rates
Marital Status
Payment Form Election

# Demographic Assumptions

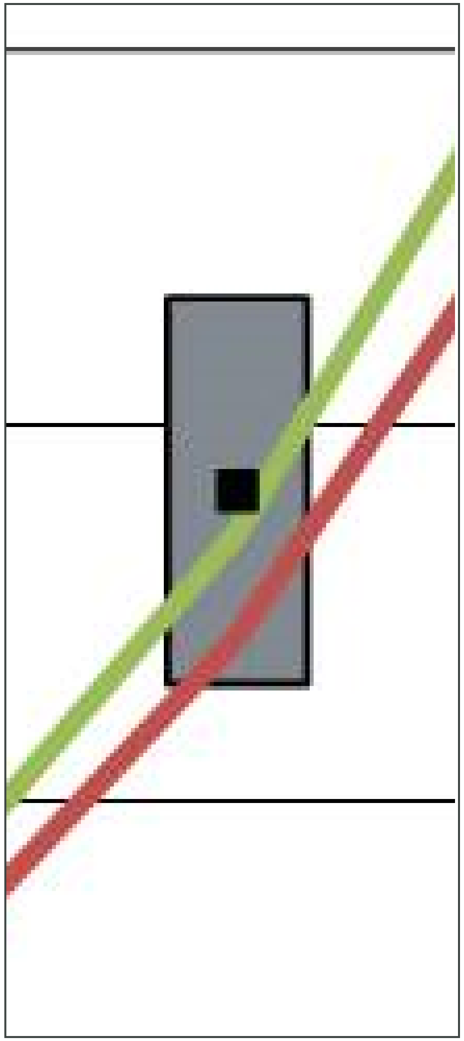
- Compare actual occurrences of each decrement (i.e., retirement, termination, disability) to what the assumption predicted would happen
- Examine any external influences on each assumption (pandemic, short or long-term impact)
- Consider potential future trends
- Recommend adjustments to each of the demographic assumptions

# Demographic Assumptions




In looking at the actual versus expected experience, we use charts that compare actual to expected rates and then graph the proposed or revised assumed rates

# Demographic Assumptions



- Square marker represents actual rate
- Box represents 90% confidence interval; smaller box means we had a lot of data (more credible); larger box means we only had a few data points (less credible)
- Red line represents current assumption
- Green line represents proposed assumption

# Demographic Assumptions

- Instead of asking when a particular person will retire, we ask: out of 1,000 participants that are 55 years old, how many will retire next year?
- Instead of asking when a particular person will die, we ask: out of 1,000 males that are 80 years old, how many are expected to be around next year?

# Retirement

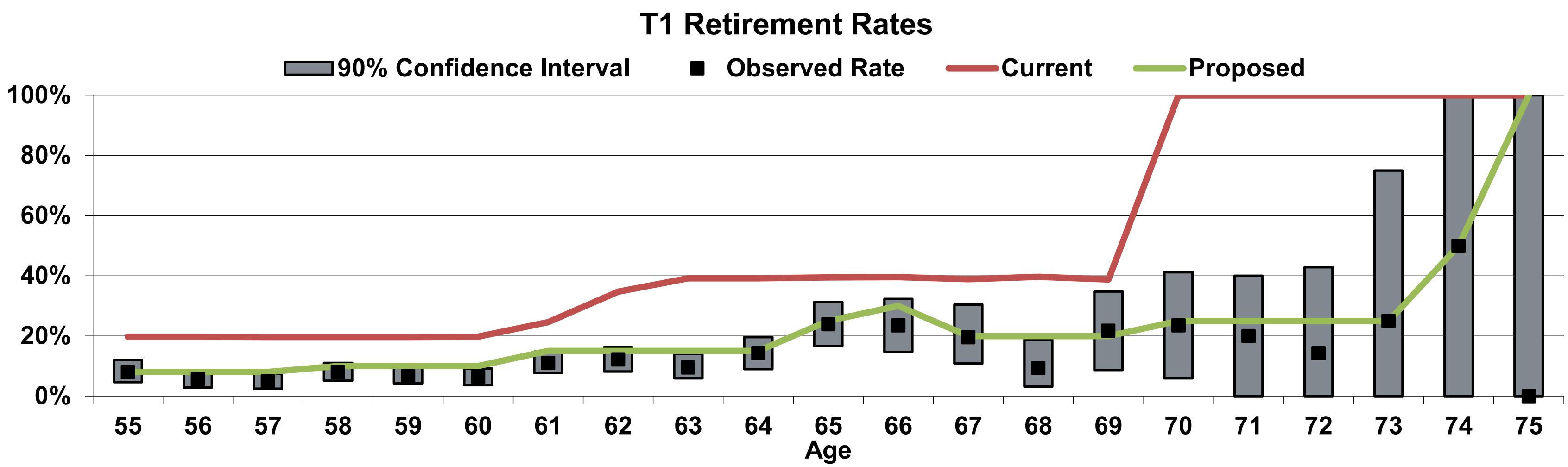
- When will active participants retire?
- **Current assumption:**
  - Age-based rates
  - Higher probability for those who are eligible for unreduced benefits
    - Tier 1 with 30 or more years of service
    - Normal Retirement
  - 100% retirement at age 70

# Retirement

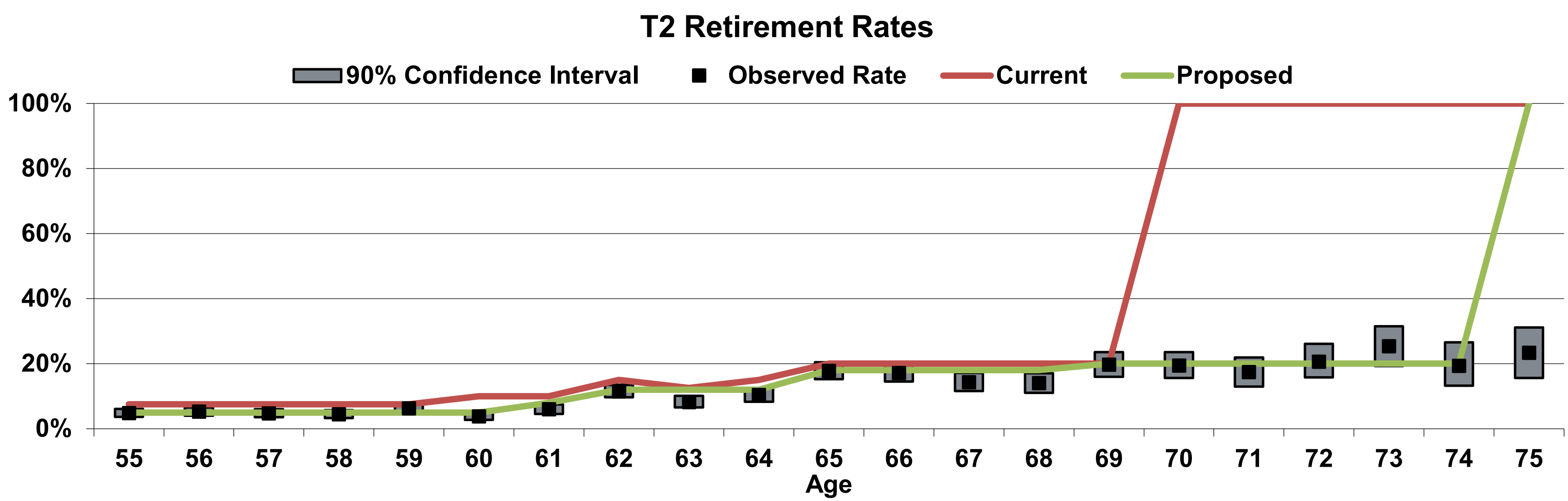
- Fewer actives retired than expected for both Tier 1 and Tier 2 participants
- More actives are working past age 70

| | Tier 1 | | | Tier 2 | | |
|---|---|---|---|---|---|---|
| Year | Actual | Expected | A/E Ratio | Actual | Expected | A/E Ratio |
| 2017 | 38 | 137 | 0.28 | 166 | 390 | 0.43 |
| 2018 | 75 | 138 | 0.54 | 168 | 442 | 0.38 |
| 2019 | 38 | 125 | 0.30 | 170 | 481 | 0.35 |
| 2020 | 27 | 120 | 0.23 | 271 | 523 | 0.52 |
| 2021 | 55 | 125 | 0.44 | 318 | 515 | 0.62 |
| Total | 233 | 645 | 0.36 | 1,093 | 2,351 | 0.46 |

# Retirement



T1 Retirement Rates
90% Confidence Interval
Observed Rate
Current
Proposed
100%
80%
60%
40%
20%
0%
55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75
Age

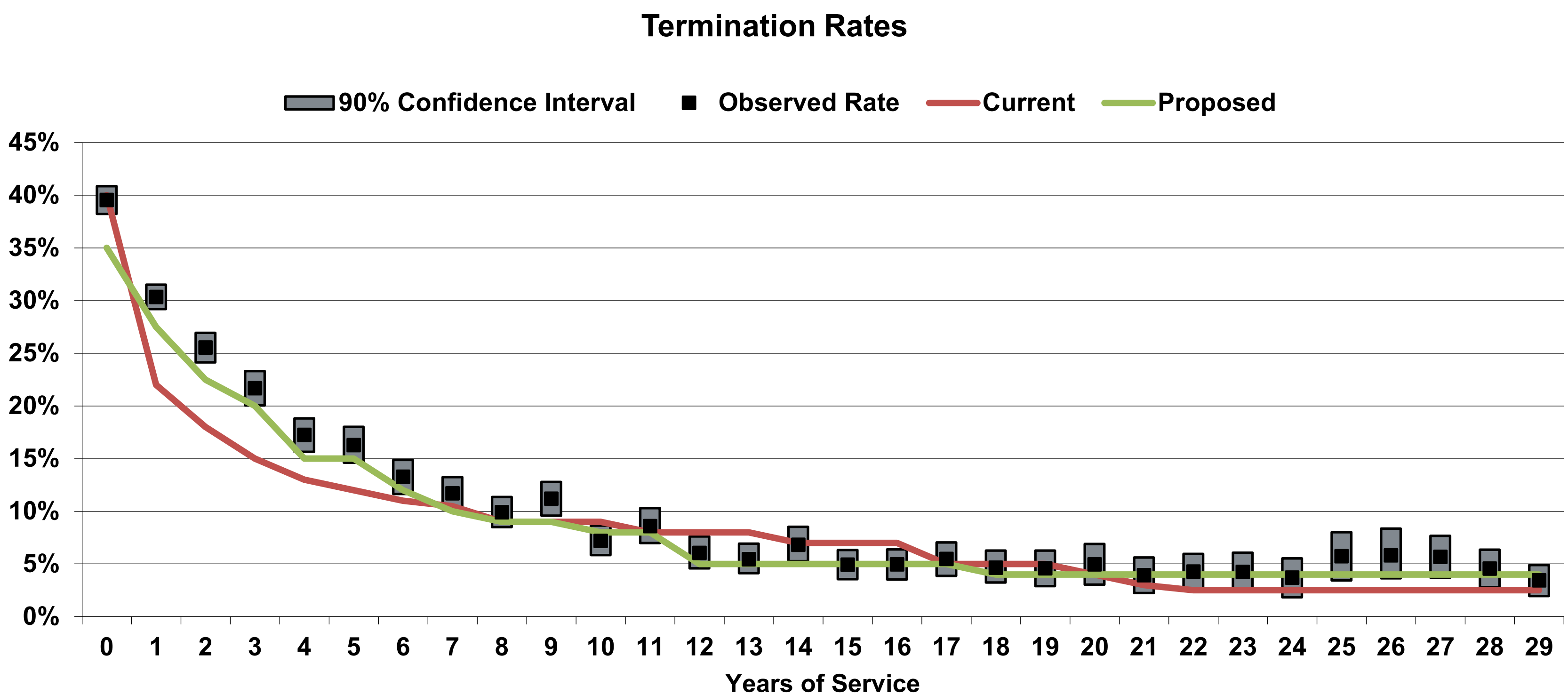
T2 Retirement Rates
90% Confidence Interval
Observed Rate
Current
Proposed
100%
80%
60%
40%
20%
0%
55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75
Age

# Termination

- Current assumption based on service with higher rates at early years of service
- 2021 experience seems to be an outlier and excluded it when identifying the proposed assumption

| Year | Exposures | Actual | Expected | A/E Ratio |
|---|---|---|---|---|
| 2017 | 8,111 | 1,476 | 1,146 | 1.29 |
| 2018 | 7,723 | 1,301 | 1,138 | 1.14 |
| 2019 | 7,606 | 1,337 | 1,140 | 1.17 |
| 2020 | 7,405 | 1,288 | 1,120 | 1.15 |
| 2021 | 7,488 | 1,880 | 1,167 | 1.61 |
| Total | 38,333 | 7,282 | 5,711 | 1.28 |
| 2017-2020 | 30,845 | 5,402 | 4,544 | 1.19 |

# Termination

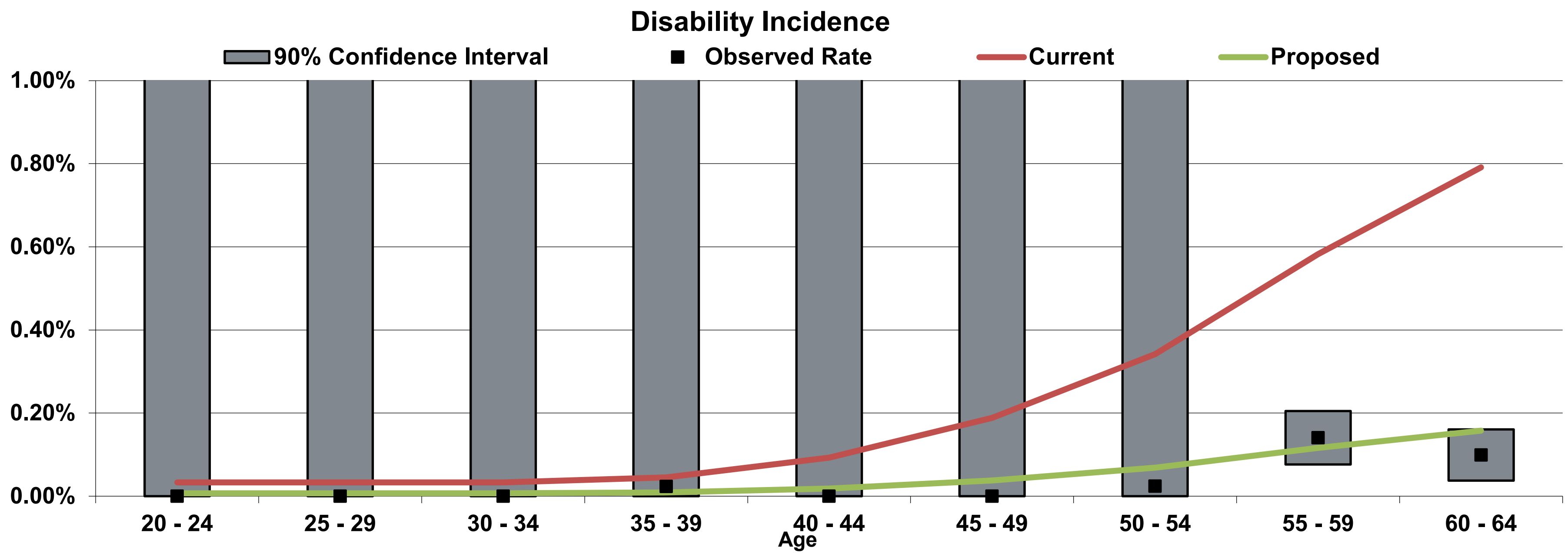



- Proposed assumption slightly lowers rates in the middle years with slightly higher rates elsewhere

# Disability

- What are the chances that an active participant becomes disabled?
- Current assumption is based on age with higher rates at later ages
- Very few new disabilities reported in past five years; low credibility

# Disability




- Propose reducing rates to better reflect experience

# Marital Status

- Marital assumptions determine the form of payment elected at retirement as well as the demographic information for the spouse
- Current assumptions:
  - 80% are assumed to be married
  - 56% are assumed to elect a joint & survivor benefit upon retirement
  - Husbands are assumed to be three years older than their wives

# Marital Status

- Experience has shown much lower J&S election rates, with condensed spousal age differences
- Proposed assumptions:
  - 70% are assumed to be married
  - 20% are assumed to elect a joint & survivor benefit upon retirement
  - Husbands are assumed to be two years older than their wives

# Financial Impact – Estimates for 2023 Valuation

- Funding Target Liability
  - Estimated to decrease liability approximately $800,000
  - All proposed assumption changes lowered liability

- Funding Target Normal Cost
  - Estimated to decrease normal cost by approximately $150,000
  - Proposed retirement rates increased normal cost
  - Other proposed assumption changes decreased normal cost

# Reliance

The presentation was prepared solely for the Trustees of the UFCW-Giant Variable Annuity Fund for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty to or liability any such other user.

This analysis was based on the current assumptions and methods and membership data used in performing the preliminary January 1, 2022 actuarial valuation and estimated financial data through December 31, 2022, except as otherwise noted. Assumptions, methods, and participant valuation data will be outlined in the January 1, 2022 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 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 presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

The results of this presentation rely on future Plan experience conforming to the underlying assumptions and methods outlined in this presentation. To the extent that the actual Plan experience deviates from the underlying assumptions and methods, or there are any changes in Plan provisions or applicable laws, the results would vary accordingly.

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