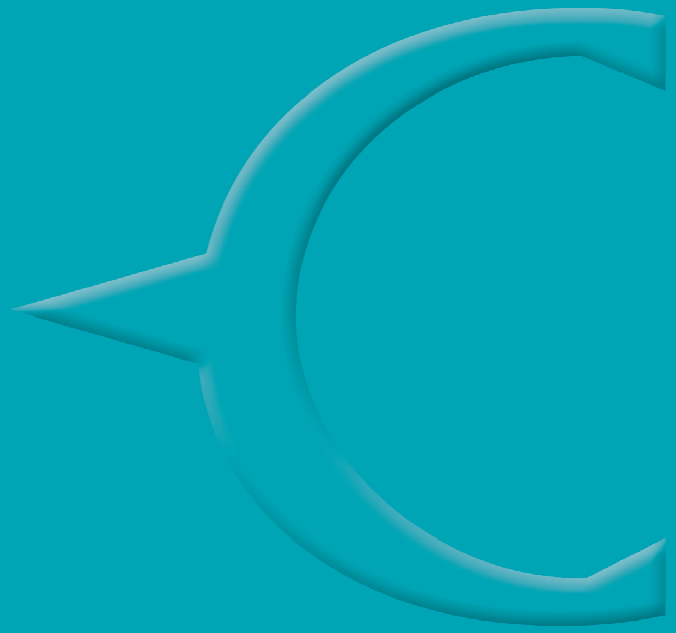

CHEIRON

Classic Values, Innovative Advice.

United Food and Commercial Workers Unions and Participating Employers Health and Welfare Fund

FASB ASC 965
Actuarial Valuation Report
as of December 31, 2022

Produced by Cheiron
October 2023

www.cheiron.us 1.877.CHEIRON (243.4766)

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Via Electronic Mail

October 5, 2023

Trustees of the UFCW Unions and
Participating Employers Health & Welfare Fund
8400 Corporate Drive, Suite 430
Landover, Maryland 20785-2361

Re: FASB ASC 965 Actuarial Valuation Report

Dear Trustees:

As requested, we have calculated the FASB ASC 965 Postretirement Benefit Obligations as of December 31, 2022 for the UFCW Unions and Participating Employers Health and Welfare Fund. This report is for the use of the Trustees and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. It is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such other party.

The following sections contain the information the auditors need to prepare the disclosure section of the annual report.

Section I contains the summary of the results for the fiscal years ending December 31, 2021 and December 31, 2022.

Section II contains the Postretirement Benefit Obligations for the fiscal years ending December 31, 2021 and December 31, 2022, including a statement of changes in the Postretirement Benefit Obligations during the year. It also includes the Statement of Benefit Obligation and Retiree Contributions. This section contains most of the information that is needed for the auditors.

Section III contains an exhibit showing the next 15 years of expected benefit payments from the Plan, net of retiree contributions.

The appendices contain a summary of the participant data, a description of assumptions and methods used in calculating the disclosure items, a summary of the substantive plan provisions, and definitions of some of the terms used in the FASB ASC 965. Our calculations assume that no assets are explicitly kept to fund the obligations.

Trustees of the UFCW Unions and
Participating Employers Health & Welfare Fund
October 5, 2023

In preparing our report, we relied without audit on information (some oral and some written) supplied by the UFCW Unions and Participating Employers Health and Welfare Fund office. 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.

Actuarial computations provided in this report are for purposes of fulfilling employee benefit plan financial accounting requirements. The calculations reported in the enclosed exhibits have been made on a basis consistent with our understanding of FASB ASC 965. Determinations for purposes other than meeting the employee benefit plan's financial accounting requirements (for example, establishing a long-term funding strategy) may be significantly different from the results in this report. Results will also vary to the extent that plan experience differs from the assumptions. This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2011, related legislation, or regulations.

This report 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. Other users of this document are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

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.

Please call if we can be of further assistance.

Sincerely,
Cheiron

John L. Colberg, FSA, EA, MAAA
Principal Consulting Actuary

Stephen Giordano, FSA, MAAA
Associate Actuary

SECTION I – SUMMARY OF RESULTS

In this section of the report, we compare key results from this valuation with those from the previous valuation.

Table 1
United Food and Commercial Workers Unions and Participating Employers Health & Welfare Fund
FASB ASC 965 Postretirement Health & Welfare Benefit Obligations

	December 31, 2021	December 31, 2022	Percent Change
Number of Participants			
• Eligible Actives	212	204	-3.8%
• Retirees and Dependents	740	675	-8.8%
• Total	952	879	-7.7%
Postretirement Benefit Obligations (in millions)	**$ 86.3**	**$ 56.6**	-34.4%
Actual Claims and Expenses Paid	**$ 2.1**	**$ 1.7**	-19.0%
Estimated Net Benefits Paid for next year	**$ 2.9**	**$ 2.4**	-17.2%
Incurred but not Paid Claims	**$ 2.4**	**$ 1.1**	-54.2%
Selected Assumptions			
- Discount Rate	2.50%	5.00%	
- Initial Trends:			
Medical Non-Medicare			
Medical Medicare	See Appendix B	See Appendix B	
Drug			
- Ultimate Trend	3.50%	3.70%	

Changes in Participation

There was a slight decrease to the active population and a larger decrease to the retiree population from 2021 to 2022. The net impact of these changes in participation is shown on the following page as “Other Changes.”

Benefit Changes

None

Changes in Actuarial Assumptions

The discount rate, claim curves, and trend assumptions were updated to reflect the recent experience and our expectations of future experience. Note that the change in the economic environment (higher inflation & higher discount rates) reduced the liability by $20.6 million. Changes in future claims costs reduced the liability by $7.8 million.

SECTION II – FINANCIAL STATEMENT INFORMATION

Table 2A
United Food and Commercial Workers Unions and Participating Employers Health & Welfare Fund
FASB ASC 965 Postretirement Health & Welfare Benefit Obligations
($ Millions)

	December 31, 2021	December 31, 2022	Percent Change
Accumulated Postretirement Benefit Obligations (Assumed Medical Trend)			
Current Retirees	$ 54.6	$ 34.0	-37.7%
Other Participants fully eligible for benefits	18.6	16.1	-13.4%
Other Participants not yet fully eligible for benefits	13.1	6.5	-50.4%
Total	**$ 86.3**	**$ 56.6**	-34.4%
Benefit Obligations (1% Increase in Medical Trend)	**$ 101.5**	**$ 64.2**	-36.7%
Benefit Obligations (1% Decrease in Medical Trend)	**$ 74.1**	**$ 50.3**	-32.1%
Statement of Changes in Postretirement Benefit Obligations:			
Balance at Beginning of Year		**$ 86.3**	
Increase/Decrease due to :			
• Estimated Benefits Paid (Net of Participant Contributions)		**$ (2.9)**	
• Changes in Actuarial Assumptions		**(28.4)**	
• Passage of Time		**2.1**	
• Benefits Earned		**0.5**	
• Plan Amendments		**0.0**	
• Other Changes		**(1.0)**	
Net Increase/Decrease:		**$ (29.7)**	
Balance at End of Year		**$ 56.6**	

SECTION II – FINANCIAL STATEMENT INFORMATION

Table 2B
United Food and Commercial Workers Unions and Participating Employers Health & Welfare Fund
FASB ASC 965 Postretirement Benefit Obligations
Calculation of Accumulated Postretirement Health & Welfare Benefit Obligation (APBO)
($ Millions)

	Projected Cost of Benefits	*less* Projected Participant Contributions	APBO
As of December 31, 2022			
Current Retirees	$ 35.7	$ 1.7	$ 34.0
Other Participants fully eligible for benefits	16.5	0.4	16.1
Other Participants not yet fully eligible for benefits	6.5	-	6.5
Total	**$ 58.7**	**$ 2.1**	**$ 56.6**
As of December 31, 2021			
Current Retirees	$ 57.1	$ 2.5	$ 54.6
Other Participants fully eligible for benefits	18.8	0.2	18.6
Other Participants not yet fully eligible for benefits	13.3	0.2	13.1
Total	**$ 89.2**	**$ 2.9**	**$ 86.3**

SECTION III – BENEFIT PAYMENTS

Below are the projected benefit payments that we anticipate for the current retirees and current active participants after they retire for the next 15 years. Our actual postretirement benefit obligation is based on the next 75 years of benefit payments for participants currently employed or retired.

SECTION III – BENEFIT PAYMENTS

Table 3

United Food and Commercial Workers Unions and Participating Employers Health & Welfare Fund
FASB ASC 965 Postretirement Health & Welfare Benefit Obligations

Expected Benefit Payments

Fiscal Year Ending December 31st	Gross Benefits	Participant Contributions	Net Benefits
2023	$2,654,000	$213,000	$2,441,000
2024	$2,815,000	$210,000	$2,605,000
2025	$2,963,000	$202,000	$2,761,000
2026	$3,148,000	$195,000	$2,953,000
2027	$3,329,000	$189,000	$3,140,000
2028	$3,481,000	$182,000	$3,299,000
2029	$3,619,000	$175,000	$3,444,000
2030	$3,745,000	$167,000	$3,578,000
2031	$3,853,000	$159,000	$3,694,000
2032	$3,937,000	$151,000	$3,786,000
2033	$3,979,000	$143,000	$3,836,000
2034	$4,007,000	$134,000	$3,873,000
2035	$4,030,000	$126,000	$3,904,000
2036	$4,043,000	$118,000	$3,925,000
2037	$4,035,000	$110,000	$3,925,000

APPENDIX A – SUMMARY OF PARTICIPANT DATA

Participant Data

Actives	Total
Fully Eligible Actives	116
Not Yet Eligible Actives	88
Total Eligible Actives Members	204
Average Age	58.9
Average Years of Service	23.5

Counts and averages include 0 Non-Shoppers participants.

Data Reconciliation

	Active	Retirees	Retiree Dependents	Total
Members on December 31, 2021	**212**	**535**	**205**	**952**
Active				
To Retiree	(3)	3		
Retiree				
To Active	0	0		
Additions or Data Corrections	1	4	5	**10**
No Longer Covered	(6)	(43)	(34)	**(83)**
Net Change	**(8)**	**(36)**	**(29)**	**(73)**
Members on December 31, 2022	**204**	**499**	**176**	**879**

Retirees & Dependents	Total
Non-Medicare Retirees	
Count	117
Average Age	65.5
Medicare Retirees	
Count	382
Average Age	77.0
Total Retirees	499
Average Age	74.3
Non-Medicare Dependents	
Count	101
Average Age	55.4
Medicare Dependents	
Count	75
Average Age	74.9
Total Dependents	176
Average Age	63.7

Counts and averages include 52 Non-Shoppers participants.

APPENDIX B – ASSUMPTIONS AND METHODS

Economic Assumptions

1. *Measurement Date:* December 31, 2022

2. *Discount Rate:* 5.00%

3. *Per Person Cost Trends:*

To Calendar Year	Medical	Rx	Capitated
2024	6.4%	6.4%	3.7%
2025	6.3%	6.3%	3.7%
2026	6.2%	6.2%	3.7%
2027	5.6%	5.6%	3.7%
2028	5.4%	5.4%	3.7%
2029	5.3%	5.3%	3.7%
2030	5.1%	5.1%	3.7%
2031	4.9%	4.9%	3.7%
2032	4.7%	4.7%	3.7%
2033	4.6%	4.6%	3.7%
2034	4.4%	4.4%	3.7%
2035	4.2%	4.2%	3.7%
2036	4.1%	4.1%	3.7%
2037	4.0%	4.0%	3.7%
2038	3.9%	3.9%	3.7%
2039	3.9%	3.9%	3.7%
2040	3.9%	3.9%	3.7%
2041	3.9%	3.9%	3.7%
2042	3.9%	3.9%	3.7%
2043	3.8%	3.8%	3.7%
2043+	3.7%	3.7%	3.7%

Deductibles, Co-payments, Out-of-Pocket Maximums, and Lifetime maximum are assumed to increase periodically at the above trend rates.

4. *Participant Contribution Trend:*

   We valued the current retiree contributions as provided. No trend is applied to the retiree contributions for retirees.

5. *Rationale for Economic Assumptions:*

   The discount rate is based on the yields for long-term, high-quality bonds as required by the applicable accounting standards. We evaluated the discount rate based upon the Above Median FTSE Double-A Index bond yield curve (formerly known as the Citigroup Liability Index) as of December 31, 2022. The trend assumptions were set based on the 2023 Getzen model published by the Society of Actuaries and adjusted for recent Fund-specific experience. Further details on the Getzen model assumptions are included in the Methodology section.

APPENDIX B – ASSUMPTIONS AND METHODS

Demographic Assumptions

1. *Rates of Turnover:*

   Termination of employment for reasons other than death, disability, or retirement is assumed to be in accordance with annual rates as shown in the following table for illustrative ages.

Number Expected to Terminate Annually Per 1,000			
Service	Number	Service	Number
0	500	15	70
1	330	16	70
2	250	17	70
3	200	18	70
4	150	19	70
5	125	20	70
6	120	21	70
7	110	22	70
8	100	23	70
9	80	24	60
10	80	25	50
11	80	26	40
12	70	27	30
13	70	28	20
14	70	29	10

2. *Rates of Retirement:*

Number Expected to Retire Annually Per 1,000			
Age	Number	Age	Number
55	50	62	100
56	50	63	100
57	50	64	100
58	50	65	500
59	50	66	500
60	100	67+	1,000
61	100		

3. *Rates of Disability:*

   Disability incidence rates are assumed to be equal to 150 percent of the Group Long-Term Disability Insurance Crude Rates of Disablement (Male Experience Only) published in the Transactions of Actuaries, 1979 Reports. Illustrative rates of disablement are shown below.

Age	Disablements Per 1,000 Participants
25	0.4
30	0.6
35	1.0
40	1.6
45	2.6
50	4.5
55	8.5

APPENDIX B – ASSUMPTIONS AND METHODS

4. *Rates of Mortality:*

   Healthy Inactives: RP-2000 Healthy Annuitant mortality table (2014 base year – fully generational with Scale AA).

   Actives: Same as Healthy Inactives

   Disableds: RP-2000 Disabled Annuitant for ages prior to 65. The same mortality as Healthy Inactives for ages 65 and older.

5. *Percent of Future Retirees Electing Coverage:* 95%

6. *Retiree Contributions:*

   Medicare-eligible retirees from Shoppers were valued at $20 per retiree/spouse per month beginning January 1, 2016. Current non-Shoppers retirees were valued at an average contribution of $95 per month. Future non-Shoppers retirees were valued with no contributions.

7. *Dependents Age:*

   For future retirees, it was assumed that husbands are three years older than their wives. Actual ages are used for dependents of current retirees.

8. *Family Composition:*

   80% of future participating retirees are assumed to be married and cover their spouses. Actual data is used for spouses of current participating retirees. The cost for dependent children is assumed to remain similar to current levels.

Claims and Expense Assumptions

1. *Claims Costs:*

   The claims cost development was based on actual retiree experience. Self-insured medical claims costs were based on calendar years 2021 and 2022 and ignored 2020 experience due to the impact of the COVID-19 pandemic. Self-insured prescription drug claims costs were based on calendar years 2021 and 2022. The percentage of retirees in each plan does not materially change. Actual fully insured Kaiser rates for 2023 are used. For Medicare retirees, 62.8% of Shoppers retirees and 17.6% of other retirees are assumed to be in Kaiser.

APPENDIX B – ASSUMPTIONS AND METHODS

Average Monthly Medical Claims and Expense Assumptions
for the calendar year 2023 per adult person per month.

For Shoppers Retirees

Age	Medical Retiree[1]	Medical Sp-NM[2]	Medical Sp-ME[3]	Pharmacy Retiree[1]	Capitated Retiree[1]
40	$102	$10	$232	$207	$43
45	$146	$15	$261	$298	$43
50	$186	$19	$315	$378	$43
55	$203	$20	$394	$415	$43
60	$192	$19	$478	$391	$43
64	$161	$16	$521	$329	$43
65	$99	$99	$99	$201	$43
70	$115	$115	$115	$218	$43
75	$139	$139	$138	$213	$43
80	$164	$164	$163	$197	$43
85	$186	$187	$185	$178	$43

For All Other Retirees

Age	Medical Retiree	Medical Spouse	Pharmacy Retiree	Capitated Retiree[1]
40	$262	$232	$192	$43
45	$281	$261	$232	$43
50	$331	$315	$279	$43
55	$409	$394	$331	$43
60	$489	$478	$389	$43
64	$514	$521	$439	$43
65	$100	$99	$322	$43
70	$116	$115	$348	$43
75	$140	$138	$341	$43
80	$165	$163	$316	$43
85	$188	$185	$285	$43

[1]Values under 65 are applicable only to disabled (Medicare) retirees.
[2]Values under 64 reflect that 10% (Shoppers) of spouses under age 65 are assumed to be Medicare eligible.
[3]Applicable to Spouses of Medicare retirees only.

2. *Medicare Part D Subsidy:*

   Historical RDS subsidies were used to estimate the future subsidies, which we estimated saves the Plan about 20% of the expected Medicare Rx claims costs.

3. *Medicare Part B Premiums:*

   We assume that each Medicare-eligible person pays their own Medicare Part B premium.

4. *Medicare Eligibility:*

   For Shoppers retirees, disabled retirees under 65 are assumed to be Medicare eligible. 10% of Shoppers' spouses under age 65 are assumed to be Medicare eligible. For other retirees, no retirees under 65 are assumed to be Medicare eligible. For all groups, 100% of retirees and spouses age 65 & over are assumed to be Medicare eligible.

5. *Benefit Limitation:*

   Deductibles, Copayments, Out-of-Pocket Maximums are assumed to periodically increase at the appropriate health care trend rate.

6. *Lifetime Maximum:*

APPENDIX B – ASSUMPTIONS AND METHODS

No information was available regarding accumulations toward lifetime maximum benefits. We assumed no one would reach their lifetime maximum.

7. *Area:*

   Implicitly assumed to remain the same as current retirees.

8. *Rationale for Demographic Assumptions:*

9. The demographic assumptions are set to reflect the same assumptions (where applicable) as the UFCW Unions and Participating Employers Pension Fund. Those assumptions were set by the Fund's Board of Trustees on the recommendation made by the actuary.

Summary of Changes Since Last Valuation

The claim and expense assumptions, discount rate, and trend assumptions were updated to reflect the recent experience and our expectations of future experience.

APPENDIX B – ASSUMPTIONS AND METHODS

Methodology

Standard actuarial procedures were used to calculate the figures in this report. These procedures are described in the FASB ASC 965. If the Plan is terminated, an actuary would need to evaluate the situation and determine if any assumptions should change.

The projected unit credit funding method as described in FASB ASC 965 was used to calculate liabilities in this report.

Claims and expense assumptions were calculated using the experience through 12/31/2022 provided by Associated Administrators, LLC, and on actual 2023 premium rates for the Kaiser HMO. Medical and pharmacy claims were projected forward to 2023 using annual trend rates of 8.0% for Pharmacy and 6.0% for Medical. Expenses were assumed to be priced on a per subscriber basis and projected forward to 2023 using a 3.7% annual trend rate.

The Inflation Reduction Act of 2022 (the Act) contains provisions that may impact the cost of benefits provided to Medicare eligible retirees. The Act provides for changes that could reduce costs and changes that could increase costs. Implementing regulations and market responses are likely to affect the net impact. Based on information currently available, we do not expect the Act to have a material impact on costs.

Incurred but not paid claims are based on claims lags provided by the Administrator through April 2023 plus 1/3 of pharmacy claims for the fourth quarter of 2022 as reported in the Administrative Manager's Report. In addition, we note that the claims runout through 2023 was much lower we have seen historically with this fund, and we have also seen a general trend in the industry toward longer lags on higher dollar claims. Therefore, we added an additional $200,000 in margin to account for potential uncaptured large claims.

APPENDIX B – ASSUMPTIONS AND METHODS

Disclosure Regarding Models Used

ProVal

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate the liabilities, normal costs and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.

Getzen Trend Model

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model version 2023. The following assumptions were input into this model:

Trend Assumption Inputs

Variable	Rate
Rate of Inflation	2.30%
Rate of Growth in Real Income/GDP per capita 2031+	1.40%
Extra Trend due to Taste/Technology 2031+	0.80%
Expected Health Share of GDP 2031	19.8%
Health Share of GDP Resistance Point	20.00%
Year for Limiting Cost Growth to GDP Growth	2043

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The trends selected from 2023 to 2026 were based on plan design and market analysis. The rate of inflation was derived from the treasury yield curve comparing traditional yields to the yields of Treasury Inflation-Protected Securities as of December 31, 2022.

We have reviewed the baseline assumptions for the model and found them to be reasonable and consistent with the other economic assumptions used in the valuation. We have relied on the Society of Actuaries as the developer of the Model. We have reviewed the Model and have a basic understanding of the Model and have used the Model in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of the Model that would affect this report.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

This section summarizes the key plan provisions; however, benefits are subject to bargaining and could change.

Eligibility

Eligibility is negotiated on an individual employer basis as is the benefit plan. Deferred vested participants are not eligible for retiree health care benefits. Participants must enroll in Medicare Part B to receive coverage after they become Medicare eligible. Some employer contracts require the retiree to make a copayment to continue coverage. Plan T participants are required to have at least 15 years of service to receive this benefit.

The chart below summarizes the benefits that eligible and electing retirees and their dependents may receive.

Plan Last Modified: **Group Covered:**	**1/1/2016** **Shoppers**	**1/1/2016** **All others**
Non-Medicare		
Medical	**N/A** for retirees; dependents of Medicare retirees receive plan JSS	Applicable non-Medicare plan (varies by employer/group)
Prescription Drugs	**N/A**	Predominantly 5% participating pharmacy/ 10% non-participating
Medicare		
Medical	Kaiser HMO C if in area; Medicare Supplement if outside Kaiser area	Kaiser HMO A or C if in area; Medicare Supplement if outside Kaiser area
Prescription Drugs	Kaiser HMO C if in area; otherwise 8% participating pharmacy/ 13% non-participating	Kaiser HMO A or C if in area; otherwise predominantly 5% participating pharmacy/ 10% non-participating
Vision Care Services		
Exam	Once every 2 years	
Lens	Once every 2 years	
Frames	Once every 2 years	
Contacts	Once every 2 years	

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Dental	
Annual Deductible	$0
Coinsurance (Preventive / Prosthetic / Restoration)	Various Copays No Limit
Annual Maximum Covered	$475/yr. ded + $75 upon completion of treatment; 36 months of treatment max
Orthodontics	

Dependents are not eligible for Prescription Drug, Dental, or Vision.

APPENDIX D – DEFINITION OF TERMS

Current Retiree Contribution Amounts

We valued the current retiree contributions as provided. Individual retiree contributions will vary by Trustee negotiations.

There are about six co-payment categories negotiated by the Trustees (including $0 for the majority of retirees) for retirees.

Medicare retirees from Shoppers will contribute $20 per month for single, $40 for employee plus spouse, and $60 for full family coverage.

Vendors

Eligibility Administrator:	Associated Administrators
Medical Claims Administrator:	Associated Administrators
Medical Network:	Carefirst Blue Cross/Blue Shield (Kaiser for some Medicare retirees)
Mental Health Network:	Beacon Health Options
Medical Manager:	InforMed
Pharmacy Benefit Manager:	OptumRx
Dental Network & Claim Administrator:	GDS
Vision Network & Claim Administrator:	Group Vision Services (GVS)
Actuary:	Cheiron, Inc.
Auditor:	Withum
Counsel:	Slevin & Hart; Morgan Lewis

Summary of Changes Since Last Valuation

None

APPENDIX D – DEFINITION OF TERMS

Postretirement Benefit Obligation (PBO):

The PBO is the same as the APBO defined below.

Expected Postretirement Benefit Obligation (EPBO):

The EPBO is the actuarial present value of the benefits expected to be paid to or for an employee, the employee's beneficiaries, and any covered dependents, pursuant to the terms of the Postretirement Benefit Plan.

Accumulated Postretirement Benefit Obligation (APBO):

The APBO is the portion of the EPBO allocated to service rendered prior to the measurement date, based on the accrual period defined by the accounting standards. (This is equivalent to the "projected benefit obligation" of SFAS 87.) For an employee who is not fully eligible for the postretirement non-pension benefits, the APBO will be less than the EPBO. After the date of becoming fully eligible, the APBO and the EPBO will be the same.

Substantive Plan:

The terms of the Postretirement Benefit Plan as understood by a fund that provides postretirement benefits and the participants who render services in exchange for those benefits. The substantive plan is the basis for the accounting for that exchange transaction. In some situations, an employer's cost-sharing provisions, or past practice of regular increases in certain monetary benefits, may indicate that the substantive plan differs from the extant written plan. Minor negotiated benefit changes that occur after the valuation date are not considered. An example would be changing providers or HMOs.

Plan Amendment:

A change in the existing terms of a plan. A plan amendment may increase or decrease benefits, including those attributed to years of service already rendered. Our understanding of the substantive plan is that there are typically periodic changes to the dollar limits to keep up with inflation, and to the level of care management depending upon market availability. We have not considered such changes to be plan amendments. We would, however, consider plan amendments to include changes such as modifications to the eligibility requirements or changes to the retiree copay policy.