UFCW Unions & Participating Employers Health & Welfare Fund

Cheiron — Classic Values, Innovative Advice

December 31, 2019 Retiree Valuation Results

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Topics for Discussion

- Postretirement Valuation Background
- Data Summary
- 12/31/2019 Valuation Results

Retiree Welfare Valuation Background

- In accordance with DOL requirements, the Fund files annual 5500 forms.
- The audited financial statements are included in these filings.
- Within the audited financial statements, benefit obligations for postretirement benefits are stated.

Valuation Data Summary

- Total actives eligible for retiree benefits decreased by **(11%)**.

Actives	12/31/2018	12/31/2019	% Change
Fully Eligible Actives	180	180	0%
Not Yet Eligible Actives	270	221	-18%
Total Eligible Actives Members	450	401	-11%
Average Age	55.3	56.3	2%
Average Years of Service	21.6	21.3	-2%

- Total retirees increased by **5%**. Many shifted from Non-Medicare to Medicare status. Retiree dependents increased by **16%**.

Retirees & Dependents	12/31/2018	12/31/2019	% Change
Non-Medicare Retirees			
Count	273	122	-55%
Average Age	69.7	62.9	-10%
Medicare Retirees			
Count	265	443	67%
Average Age	75.3	75.9	1%
Total Retirees	538	565	5%
Average Age	72.5	73.1	1%
Non-Medicare Dependents			
Count	124	116	-6%
Average Age	62.5	59.0	-6%
Medicare Dependents			
Count	61	99	62%
Average Age	73.7	74.1	1%
Total Dependents	185	215	16%
Average Age	66.2	66.0	0%

12/31/2019 Valuation Results

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

	December 31, 2018	December 31, 2019	Percent Change
Number of Participants			
• Eligible Actives	450	401	-10.9%
• Retirees and Dependents	723	780	7.9%
• Total	1,173	1,181	0.7%
Postretirement Benefit Obligations (in millions)	**$ 102.1**	**$ 88.3**	-13.5%
Actual Claims and Expenses Paid	**$ 2.1**	**$ 2.4**	14.3%
Estimated Net Benefits Paid for next year	**$ 2.8**	**$ 2.7**	-3.6%
Incurred but not Paid Claims	**$ 2.0**	**$ 1.5**	-25.0%
Selected Assumptions			
- Discount Rate	3.50%	3.25%	
- Initial Trends:			
Medical Non-Medicare			
Medical Medicare	See Appendix B	See Appendix B	
Drug			
- Ultimate Trend	3.50%	3.30%	

12/31/2019 Valuation Results

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, 2018	December 31, 2019	Percent Change
Accumulated Postretirement Benefit Obligations (Assumed Medical Trend)			
Current Retirees	$ 49.9	$ 50.3	0.8%
Other Participants fully eligible for benefits	24.6	21.0	-14.6%
Other Participants not yet fully eligible for benefits	27.6	17.0	-38.4%
Total	**$ 102.1**	**$ 88.3**	-13.5%
Benefit Obligations (1% Increase in Medical Trend)	**$ 121.3**	**$ 102.7**	-15.3%
Benefit Obligations (1% Decrease in Medical Trend)	**$ 86.6**	**$ 76.6**	-11.5%
Statement of Changes in Postretirement Benefit Obligations:			
Balance at Beginning of Year		**$ 102.1**	
Increase/Decrease due to :			
• Estimated Benefits Paid (Net of Participant Contributions)		**$ (2.8)**	
• Changes in Actuarial Assumptions		**(13.1)**	
• Passage of Time		**3.6**	
• Benefits Earned		**1.0**	
• Plan Amendments		**0.0**	
• Other Changes		**(2.5)**	
Net Increase/Decrease:		**$ (13.8)**	
Balance at End of Year		**$ 88.3**	

12/31/2019 Valuation Results

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, 2019			
Current Retirees	$ 52.8	$ 2.5	$ 50.3
Other Participants fully eligible for benefits	21.4	0.4	21.0
Other Participants not yet fully eligible for benefits	17.2	0.2	17.0
Total	**$ 91.4**	**$ 3.1**	**$ 88.3**
As of December 31, 2018			
Current Retirees	$ 52.2	$ 2.3	$ 49.9
Other Participants fully eligible for benefits	24.9	0.3	24.6
Other Participants not yet fully eligible for benefits	27.8	0.2	27.6
Total	**$ 104.9**	**$ 2.8**	**$ 102.1**

Expected Future 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
2020	$2,927,000	$245,000	$2,682,000
2021	$3,186,000	$242,000	$2,944,000
2022	$3,384,000	$235,000	$3,149,000
2023	$3,642,000	$233,000	$3,409,000
2024	$3,825,000	$227,000	$3,598,000
2025	$4,019,000	$217,000	$3,802,000
2026	$4,235,000	$210,000	$4,025,000
2027	$4,434,000	$202,000	$4,232,000
2028	$4,619,000	$195,000	$4,424,000
2029	$4,778,000	$187,000	$4,591,000
2030	$4,913,000	$178,000	$4,735,000
2031	$5,050,000	$168,000	$4,882,000
2032	$5,145,000	$159,000	$4,986,000
2033	$5,204,000	$151,000	$5,053,000
2034	$5,272,000	$141,000	$5,131,000

Notes on 12/31/2019 Results

- The majority of the decline in the retiree benefit liability is related to changes in actuarial assumptions.
  - While the decline in the discount rate led to an increase of liabilities, this is more than offset by reductions due to expected claim costs and lower trend rates.
- Further declines in active membership will lead to reductions in liabilities, but much of the overall liability remains with current retirees.
- For further information on assumptions, methods, plan provisions, or data please see the appendix and our report dated September 21, 2020.

Appendix

Summary of Benefits

Plan Last Modified:	**1/1/2016**	**1/1/2016**
Group Covered:	**Shoppers**	**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	

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

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

Claim and Expense Assumptions

For Shoppers Retirees

Age	Medical Retiree[1]	Medical Sp-NM[2]	Medical Sp-ME[3]	Pharmacy Retiree[1]	Capitated Retiree[1]
40	$102	$10	$227	$220	$46
45	$146	$15	$255	$317	$46
50	$186	$19	$308	$402	$46
55	$203	$20	$385	$440	$46
60	$192	$19	$467	$415	$46
64	$161	$16	$510	$349	$46
65	$99	$99	$98	$214	$46
70	$115	$116	$114	$231	$46
75	$138	$139	$138	$226	$46
80	$164	$165	$163	$210	$46
85	$186	$187	$185	$190	$46

For All Other Retirees

Age	Medical Retiree	Medical Spouse	Pharmacy Retiree	Capitated Retiree[1]
40	$256	$227	$192	$46
45	$275	$255	$232	$46
50	$324	$308	$279	$46
55	$401	$385	$331	$46
60	$478	$467	$388	$46
64	$503	$510	$439	$46
65	$98	$98	$339	$46
70	$113	$114	$366	$46
75	$137	$138	$358	$46
80	$161	$163	$332	$46
85	$183	$185	$301	$46

[1]Values under 65 are applicable only to disabled (Medicare) retirees

[2]Values under 64 reflect that 10% of (Shoppers) spouses under age 65 are assumed to be Medicare eligible.

[3]Applicable to Spouses of Medicare retirees only.

Claim and Expense Assumptions

To Calendar Year	Medical	Rx	Capitated
2021	11.8%	4.0%	3.3%
2022	5.6%	5.6%	3.3%
2023	5.4%	5.4%	3.3%
2024	5.2%	5.2%	3.3%
2025	5.1%	5.1%	3.3%
2026	5.0%	5.0%	3.3%
2027	4.8%	4.8%	3.3%
2028	4.7%	4.7%	3.3%
2029	4.6%	4.6%	3.3%
2030	4.5%	4.5%	3.3%
2031	4.5%	4.5%	3.3%
2032	4.1%	4.1%	3.3%
2033	3.9%	3.9%	3.3%
2034	3.8%	3.8%	3.3%
2035	3.7%	3.7%	3.3%
2036	3.7%	3.7%	3.3%
2037	3.6%	3.6%	3.3%
2038	3.6%	3.6%	3.3%
2039	3.6%	3.6%	3.3%
2040	3.4%	3.4%	3.3%
2041+	3.3%	3.3%	3.3%

Capitated includes dental, vision, and administrative costs.

No trend is applied to the retiree contributions for retirees.

Medical and pharmacy trends were developed using the 2020 Getzen model published by the Society of Actuaries using the following parameters:

Initial 4-year trend rates:	
To 2021 (medical):	11.76%
To 2021 (drug):	4.00%
To 2022:	5.60%
To 2023:	5.40%
To 2024:	5.20%
Inflation:	1.50%
Real GDP per Capita:	1.00%
Excess Medical Cost Growth:	1.50%
Expected GDP Share in 2029:	20.0%
Resistance Point:	25.0%
Year limited to GDP growth:	2040

Incurred but not paid claims are based on claims lags provided by the Administrator through May 2020 plus 1/3 of pharmacy claims for the fourth quarter of 2019 as reported in the Administrative Manager's Report.

For further information on data, assumptions, methods, and plan provisions, please see the December 31, 2019 FASB ASC 715, 958 report dated September 21, 2020.

Long-Term Assumptions

- Mortality
  - Actives and Healthy Inactives = RP-2000 Healthy Annuitant mortality table (2014 base year – fully generational with Scale AA)
  - Disabled Inactives = RP-2000 Disabled Annuitant for ages prior to 65. The same mortality as Healthy Inactives for ages 65 and older.
- Termination Rates
  - Service based table starting at 50% at 0 years of service grading down to 1% at 29+ years of service
- Retirement Rates
  - Age-based table, 100% at age 67
- Disability Rates
  - 150% of the Group Long-Term Disability Insurance Crude Rates of Disablement

Long-Term Assumptions (cont.)

- Family Composition (at retirement)
  – Female spouses 3 years younger than males
  – 80% of participating future retirees are expected to have a covered spouse at retirement
  – Actual spousal characteristics used for pensioners
- Participation
  – 95% of active employees who currently have coverage will elect coverage upon retirement

Economic Assumptions

- Discount Rate
  - 3.25% at December 31, 2019

Disclosures

In preparing this presentation, we relied on information supplied by Associated Administrators. The actuarial assumptions, data and methods are those used in the preparation of the latest actuarial valuation report prepared for the UFCW and Participating Employers Health and Welfare Fund as of December 31, 2019.

Future results may differ significantly from the current results presented herein 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.

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 a credentialed actuary, I 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. I am not an attorney, and my firm does not provide any legal services or advice.

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