

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

FASB ASC 965 Actuarial Valuation Report as of December 31, 2019

**Produced by Cheiron
September 2020**

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Via Electronic Mail

September 21, 2020

Trustees of the UFCW Unions and
Participating Employers Health & Welfare Fund
8400 Corporate Drive, Suite 430
Landover, MD 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, 2019 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 year ending December 31, 2018 and December 31, 2019.

Section II contains the Postretirement Benefit Obligations for the fiscal years ending December 31, 2018 and December 31, 2019, 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
September 21, 2020

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.

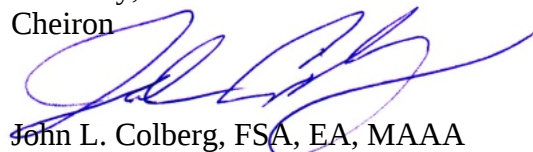
Actuarial computations provided in this report are for purposes of fulfilling employee benefit plan financial accounting requirements. The calculations reported in the enclosed exhibits have been made on a basis consistent with our understanding of FASB ASC 965. Determinations for purposes other than 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



Alex Kupperman, FSA, CERA, MAAA
Associate Actuary

**UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND**

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, 2018	December 31, 2019	Percent Change
Number of Participants			
• Eligible Actives	450	401	-10.9%
• Retirees and Dependents	<u>723</u>	<u>780</u>	<u>7.9%</u>
• 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%	

Changes in Participation

There was a decrease to the active population and an increase to the retiree population from 2018 to 2019. 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 claim curves and trend assumptions were updated to reflect the recent experience and our expectations of future experience. The discount rate was updated to reflect the current environment.

**UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND**

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, 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%
<u>Other Participants not yet fully eligible for benefits</u>	<u>27.6</u>	<u>17.0</u>	-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%
<u>Statement of Changes in Postretirement Benefit Obligations:</u>			
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		<u>(2.5)</u>	
Net Increase/Decrease:		\$ (13.8)	
Balance at End of Year		\$ 88.3	

UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND

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
<u>As of December 31, 2019</u>			
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
<u>As of December 31, 2018</u>			
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

**UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND**

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.

Table 3 United Food and Commercial Workers Unions and Participating Employers Health & Welfare Fund FASB ASC 965 Postretirement Health & Welfare Benefit Obligations <i>Expected Benefit Payments</i>			
Fiscal Year Ending <u>December 31st</u>	<u>Gross Benefits</u>	<u>Participant Contributions</u>	<u>Net Benefits</u>
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

**UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND**

APPENDIX A – SUMMARY OF PARTICIPANT DATA

Participant Data

Actives	Total
Fully Eligible Actives	180
Not Yet Eligible Actives	221
Total Eligible Actives Members	401
Average Age	56.3
Average Years of Service	21.3

Counts and averages include 11 Non-Shoppers participants.

Data Reconciliation				
	Active	Retirees	Retiree Dependents	Total
Members on December 31, 2018	450	538	185	1,173
Active				
To Retiree	(10)	10		
Retiree				
To Active	0	0		
Additions or Data Corrections	6	38	41	85
No Longer Covered	(45)	(32)	(16)	(93)
Net Change	(49)	27	30	8
Members on December 31, 2019	401	565	215	1,181

Retirees & Dependents	Total
Non-Medicare Retirees	
Count	122
Average Age	62.9
Medicare Retirees	
Count	443
Average Age	75.9
Total Retirees	565
Average Age	73.1
Non-Medicare Dependents	
Count	116
Average Age	59.0
Medicare Dependents	
Count	99
Average Age	74.1
Total Dependents	215
Average Age	66.0

Counts and averages include 78 Non-Shoppers participants.

UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND

APPENDIX B – ASSUMPTIONS AND METHODS

Economic Assumptions

1. *Measurement Date:* December 31, 2019

2. *Discount Rate:* 3.25%

3. *Per Person Cost Trends:*

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%

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. The trend assumptions were set based on the 2020 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.

**UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND**

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

**UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
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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 for calendar years 2018 and 2019, and that the percentage of retirees in each plan does not materially change. For Medicare retirees, 58.5% of Shoppers retirees, and 10.4% of other retirees are assumed to be in Kaiser.

Average Monthly Medical Claims and Expense Assumptions for the calendar year 2020 per adult person per month.

<u>Age</u>	<u>Medical Retiree¹</u>	<u>Medical Sp-NM²</u>	<u>Medical Sp-ME³</u>	<u>Pharmacy Retiree¹</u>	<u>Capitated Retiree¹</u>
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

**UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND**

APPENDIX B – ASSUMPTIONS AND METHODS

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

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

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

³Applicable 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:

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:

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.

**UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND**

APPENDIX B – ASSUMPTIONS AND METHODS

Summary of Changes Since Last Valuation

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

UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND

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 12/31/2019 provided by Associated Administrators, LLC. Medical and pharmacy costs were projected forward to 2020 using annual trend rates of 8% for Pharmacy and 6% for Medical. Expenses were assumed to be priced on a per subscriber basis and projected forward to 2020 using a 3.5% annual trend rate.

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.

We did not make any adjustments for future changes that may be required by the Patient Protection and Affordable Care Act of 2010 or related legislation or regulations.

**UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND**

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 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:	1/1/2016	1/1/2016
Group Covered:	Shoppers	All others
<u>Non-Medicare</u>		
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
<u>Medicare</u>		
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
<u>Vision Care Services</u>		
Exam		Once every 2 years
Lens		Once every 2 years
Frames		Once every 2 years
Contacts		Once every 2 years

UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
HEALTH AND WELFARE FUND

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
Orthodontics	of treatment max

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

UNITED FOOD AND COMMERCIAL WORKERS UNIONS AND PARTICIPATING EMPLOYERS
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APPENDIX C – SUMMARY OF PLAN PROVISIONS

Current Retiree Contribution Amounts

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

There are about 6 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
	Slevin & Hart; Morgan
Counsel:	Lewis

Summary of Changes Since Last Valuation

None

APPENDIX D – DEFINITION OF TERMS

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.