UFCW Unions & Participating Employers Pension Fund

Classic Values, Innovative Advice

2020 Actuarial Valuation Results

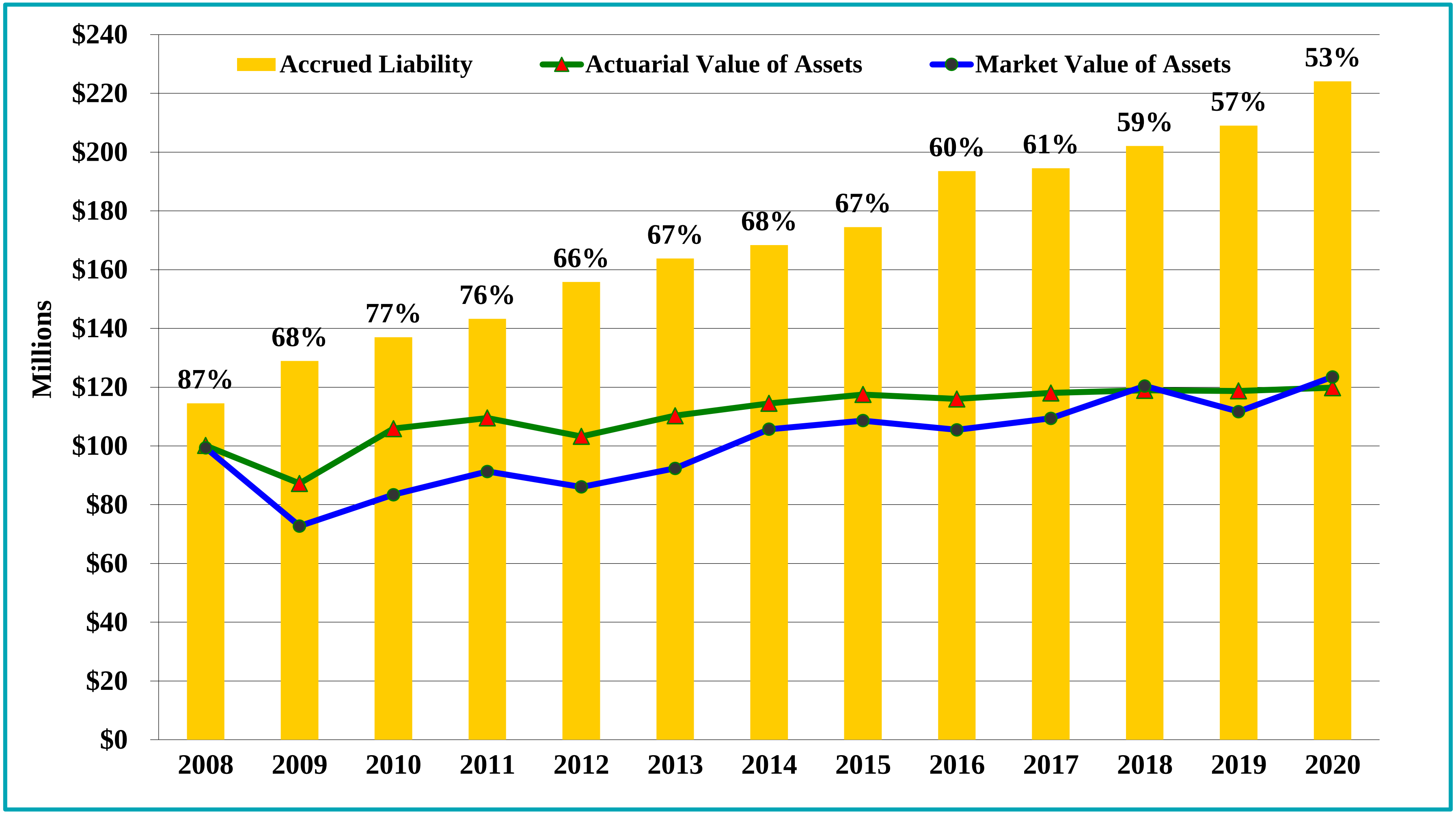
December 7, 2020

Peter Hardcastle, FSA, EA, MAAA
Brett Warren, FSA, EA, MAAA
Robert Murray, ASA, MAAA

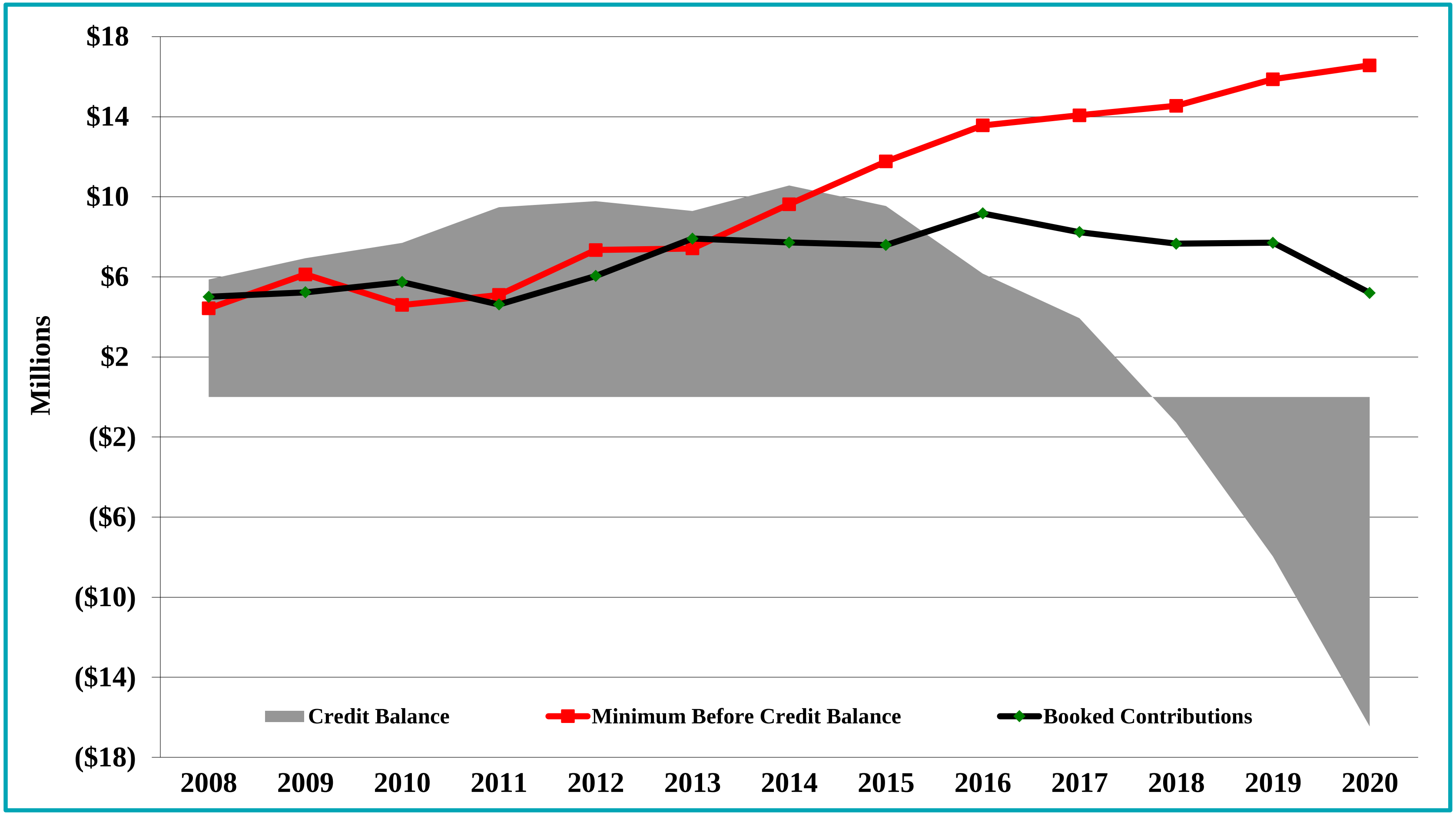
Topics for Discussion

- January 1, 2020 Actuarial Valuation
  - Historical Trends
  - Expected Return Assumption
  - January 1, 2020 Results
- Rehabilitation Plan
- Projections

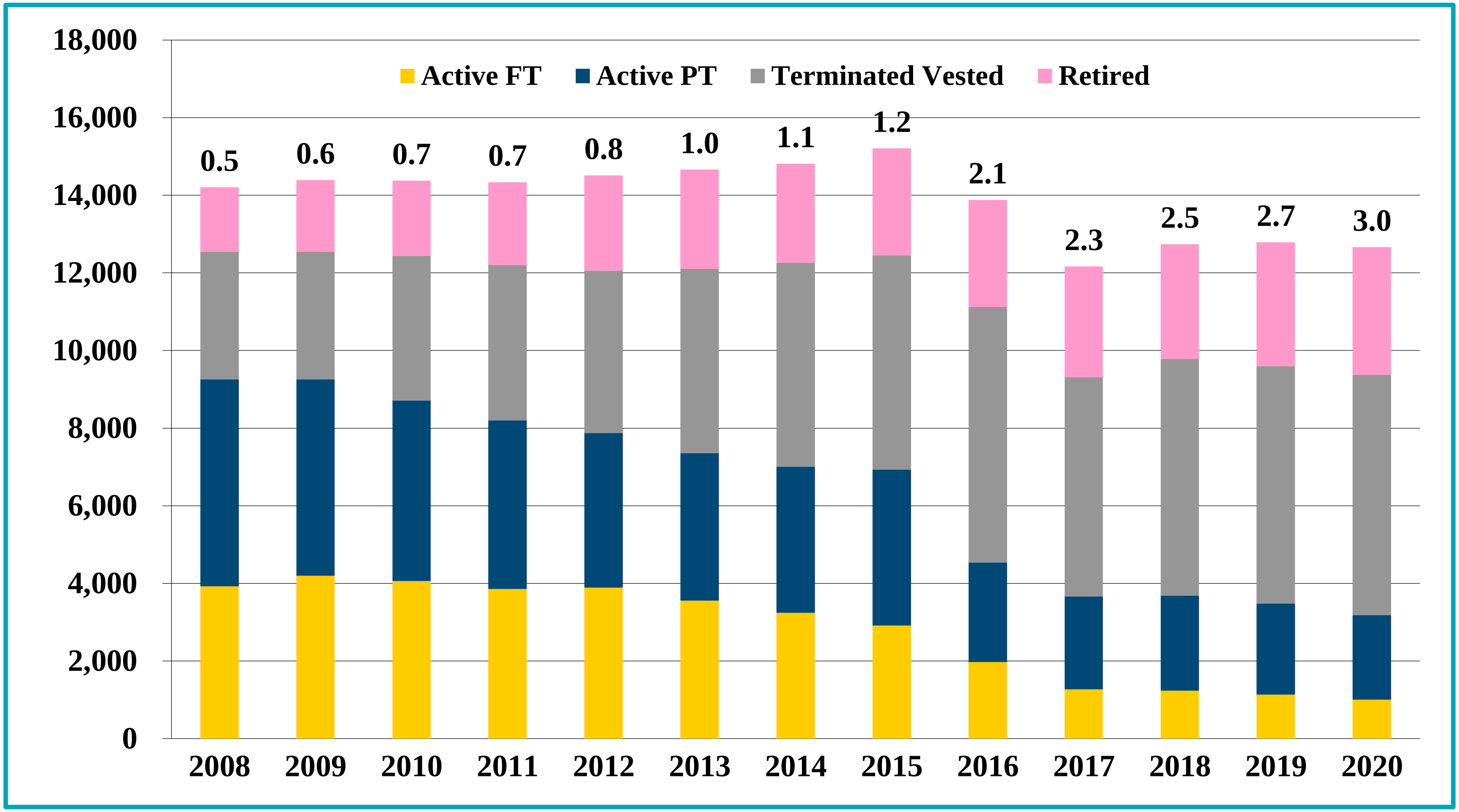
Historical Review: Assets & Liabilities



Historical Review: Minimum Funding

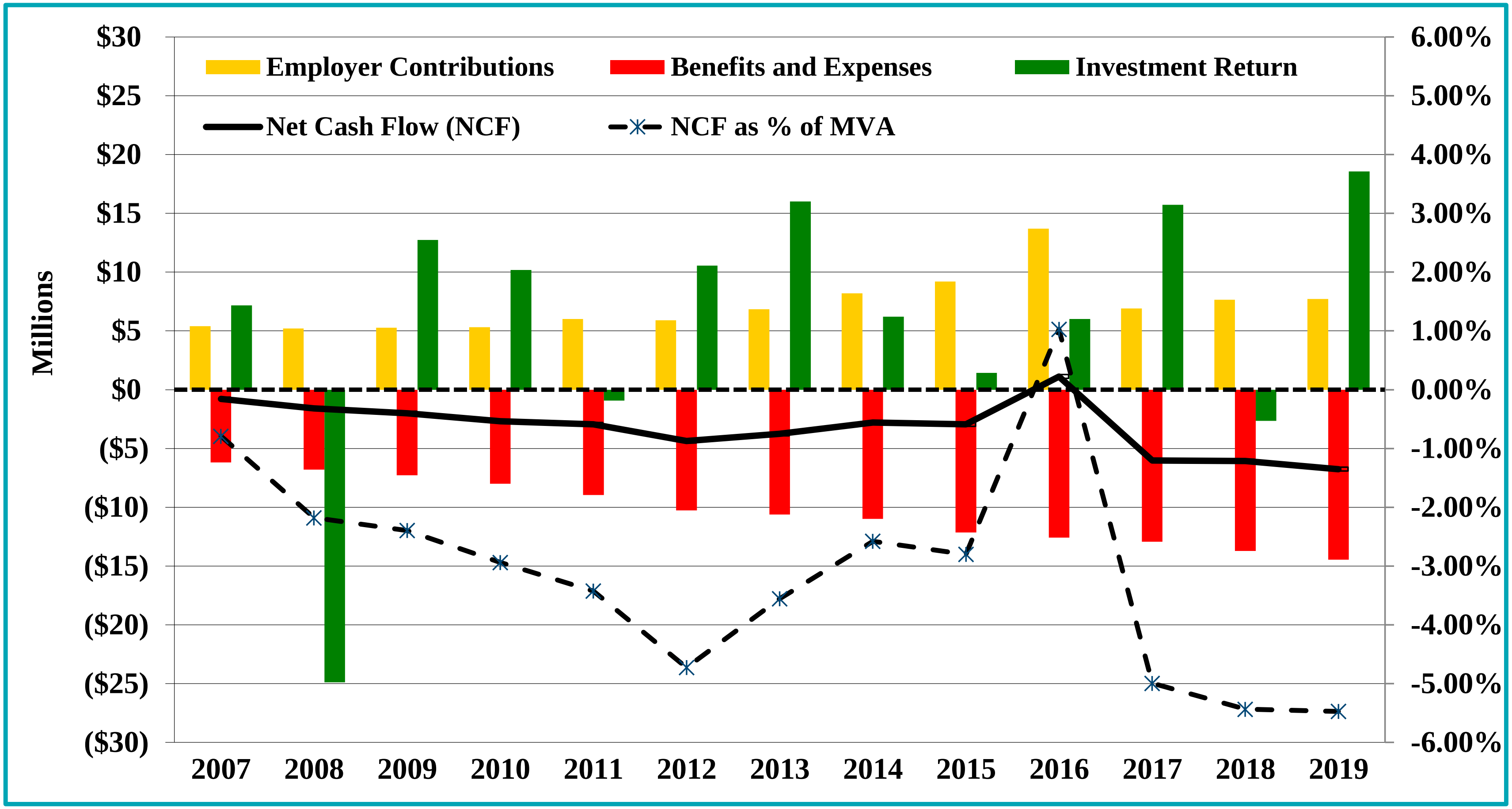


Historical Review: Participation



Numbers above the bars represent the number of inactive to active participants.

Historical Review: Net Cash Flow



- 5 Year Average Return On MVA – 7.08%
- 10 Year Average Return On MVA – 8.18%

Expected Return Assumption

- ASOP 27 – selection of economic assumptions
  - Each assumption should be reasonable
  - Reflect the actuary’s professional judgement
- IPS Asset Allocation Report
  - Analyzed current portfolio and alternatives (Based on 10-20 year projection)
  - Recommended shift to more liquid assets to meet cash flows needs (lower expected returns)
  - Board approved portfolio with expected return of 7.05% and 9.82% standard deviation (July 2020)
  - IPS’s time horizon is generally shorter than the 30 to 40 year horizon of an actuarial valuation

Expected Return Assumption

- General trend of funds is reducing expected return assumption
  – Lowered expectations on equities and fixed investments over long term
  – Reflects lower trustee risk tolerance
- 2020 selected assumed return – 7.25%
  – Lowered from 7.75% in 2019
  – Increase in Actuarial Liability of $10.9 million
  – Decrease in Funded Ratio to 53.5% (from 56.2%)

2020 Actuarial Valuation: Results

	2019	2020	% Chg
Liabilities			
Accrued Liability (UC for PPA and ASC 960)	$ 209,040,356	$ 224,117,752	7.2%
Vested Liability	$ 208,074,550	$ 223,192,366	7.3%
PPA Funding Ratio	56.8%	53.5%	-5.9%
Assets			
Market	$ 111,684,793	$ 123,497,826	10.6%
Market Return on Assets	-2.26%	17.15%	N/A
Actuarial	$ 118,711,443	$ 119,808,370	0.9%
Actuarial Return on Assets	5.14%	7.21%	N/A
Minimim Funding			
Funding Deficiency at Beginning of Year	$ (7,970,158)	$ (16,459,313)	106.5%
Minimum Funding Requirement before Funding Deficiency	15,873,439	16,566,581	4.4%
Minimum Funding Contribution*	7,708,829	*5,200,000*	-32.5%
Funding Deficiency at End of Year	$ (16,459,313)	$ (28,833,992)	75.2%
Participants			
Active	3,482	3,177	-8.8%
Deferred Vested	6,109	6,200	1.5%
Retired	3,194	3,285	2.8%

* *2020 contributions are estimated*

2020 Actuarial Valuation: Experience

Item	Assets	Liability	Unfunded
Actual Value 1/1/2019	$118.7	$(209.0)	$(90.3)
Benefit Accruals	N/A	(1.7)	(1.7)
Employer Contributions	6.6	N/A	6.6
Withdrawal Liability Contributions	1.1	N/A	1.1
Benefit Payments	(13.1)	13.1	N/A
Expenses	(1.8)	N/A	(1.8)
Assumption Change	N/A	(10.9)	(10.9)
Interest	8.9	(15.9)	(7.0)
Expected Value 1/1/2020	120.4	(224.4)	(104.0)
Actual Value 1/1/2020	119.8	(224.1)	(104.3)
Gain / (Loss)	**$(0.6)**	**$0.3**	**($0.3)**

Values are in millions and rounded to the nearest hundred thousand. Due to this, rows and columns may not total.

Rehabilitation Plan

- Requirement to consider RP on an annual basis
- Current RP is operating under reasonable measures to emerge from critical status *eventually*
- Updated RP required to reflect current market and demographic trends
  - Based on assumptions used for the 2020 PPA Certification (certified as Critical & Declining)
  - No longer making scheduled progress for the 2019 RP

Rehabilitation Plan: Decline Scenarios

- Scenarios resulting in emergence are presented based on three industry activity scenarios assuming a 44% decline in Shoppers activity in 2020 over 2019 hours followed by:
  - – No further declines after 2020
  - – 5% decline for UNFI stores after 2020
  - – 44% decline for Shoppers stores in 2021, then no further declines

Rehabilitation Plan: Emergence

Industry Activity	Annual Increases for UNFI starting in 2021, commensurate increases required for other employers
No further decline after 2020	18 cents per hour
5% decline for UNFI stores after 2020	43 cents per hour
44% decline in 2021 for Shoppers Stores, then no further decline	28 cents per hour

Rehabilitation Plan: Forestall Insolvency

- Based on industry activity of 5% decline for UNFI stores after 2020 (used for 2020 PPA Certification) and 2020 actuarial valuation results, Plan is projected insolvent in 2033
- In order to forestall insolvency by one month, UNFI contribution would need to increase by 13 cents for 2021, followed by 10 cent per year thereafter

Projections

Required Disclosures

In preparing this presentation, we relied on information (some oral and some written) supplied by the Fund Office. This information includes, but is not limited to, the plan provisions, employee data, and financial information. This analysis was based on the current assumptions and methods, financial data, and membership data through 12/31/2019. Unless otherwise noted, details regarding assumptions, methods, and participant valuation data are outlined in the 2019 actuarial valuation report, which is required for a complete understanding of the results contained herein. Actual results can be expected to differ to the extent that future experience differs from the actuarial assumptions used.

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 presentation were developed using P-scan, our proprietary tool for the intended purpose of developing projections. As part of the review process for this presentation, we have performed a number of tests to verify that the results are reasonable and appropriate. We are not aware of any material inconsistencies, unreasonable output resulting from the aggregation of assumptions, material limitations or known weaknesses that would affect this presentation.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as a 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 an attorneys and our firm does not provide any legal services or advice.

This presentation was prepared solely for the UFCW Unions and Participating Employers Pension Fund. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Peter Hardcastle, FSA, EA, MAAA
Principal Consulting Actuary

Brett Warren, FSA, EA, MAAA
Associate Actuary

Robert Murray, ASA, MAAA
Associate Actuary

December 7, 2020