UNITE HERE Local 25 and Hotel Assoc. of Washington DC Pension Fund

CHEIRON
Classic Values, Innovative Advice

Actuarial Consultant's Presentation

November 20, 2019

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Topics for Discussion

- Final January 1, 2019 Valuation Results
- Stress Testing the Fund
- Next Steps

January 1, 2019 Valuation Results

- Since the April 24 meeting, we were able to finalize the valuation results to reflect the auditor's financial statement as filed with the 5500 in October and responses to a few data questions
- Results were slightly better than preliminary results presented in April
  - Funded status (actuarial value basis) as of January 1, 2019 is 72.1% (preliminary results had 71.9%)
  - UAL is $92.2 million (preliminary results had $93.2 million)

Final Valuation Results

	2018	2019	% Change
Number of Actives	5,898	5,659	(4.1%)
Total Hours	10,770,244	10,363,458	(3.8%)
Average Hours per Person	1,826	1,831	0.3%
Number of Term Vesteds	2,022	2,077	2.7%
Number of Ret/Dis/Ben	2,312	2,452	6.1%
Total Annual Benefits	$13,102,992	$14,424,456	10.1%
Average Annual Benefit	$ 5,667	$ 5,883	3.8%

Final Valuation Results

Valuation Results ($ amounts in millions)	1/1/2018 Valuation Results	1/1/2019 DRAFT Valuation Results[1]	1/1/2019 Final Valuation Results
1. Actuarial Liability	$ 314.3	$ 331.8	$ 330.8
2. Actuarial Value of Assets (AVA)	220.8	238.6	238.6
3. Unfunded Actuarial Liability [1. – 2.]	$ 93.5	$ 93.2	$ 92.2
4. Funded Status (using AVA) [2. ÷ 1.]	70.2%	71.9%	72.1%
5. Market Value of Assets (MVA)	$ 222.6	$ 225.1	$ 224.7
6. Funded Status (using MVA) [5. ÷ 1.]	70.8%	67.9%	67.9%
Minimum to Maintain Credit Balance	$ 30.6	$ 30.9	$ 30.9
Actual '18 / *Expected* '19 Contribution	$ 24.5	$ 25.0	$ 25.2

[1] DRAFT results presented at April 25, 2019 meeting but were awaiting responses to data questions and final audited financial statement

Final Valuation Results

	($ in Millions)			
	Liability	Actuarial Assets	UAL	% Funded
1/1/2018	$ 314.3	$ 220.8	$ 93.5	70.2%
Expected Change[1]	15.8	23.4	(7.5)	
Plan Changes	0.0	0.0	0.0	
Assumption Changes	0.0	0.0	0.0	
Expected at 1/1/2019	$ 330.1	$ 244.2	$ 85.9	74.0%
Actual at 1/1/2019	$ 330.8	$ 238.6	$ 92.2	72.1%
(Gain) / Loss	$ 0.7	$ (5.6)	$ 6.3	

[1] For Liabilities, includes normal cost, benefit payments, and interest
For Assets, includes contributions, benefit payments, and interest

Stress Testing the Fund – Project at 6.75% per year

MFD	None
Insolvent PYB	None
Emergence	N/A
Fully Funded	2028

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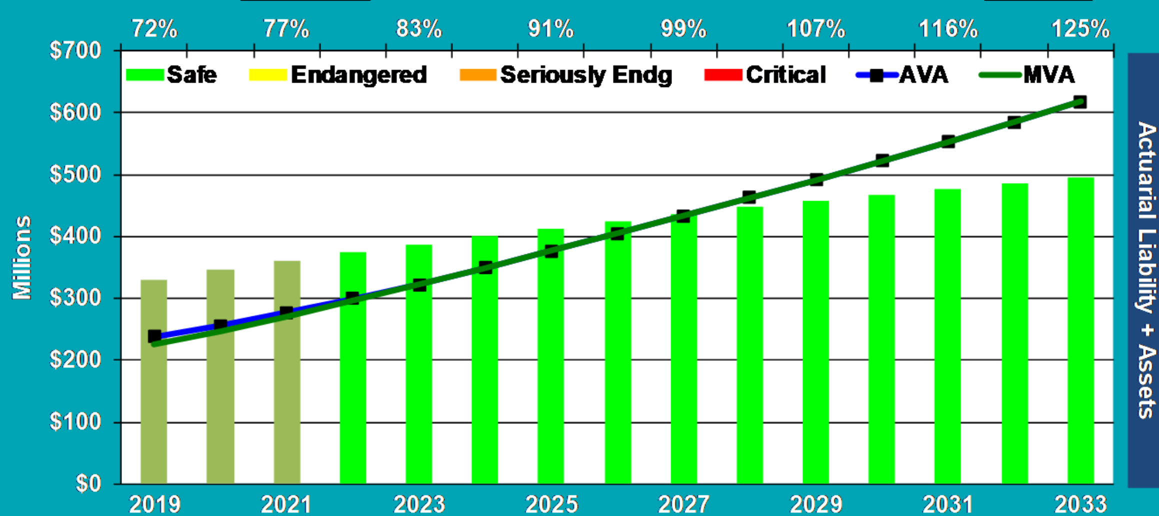
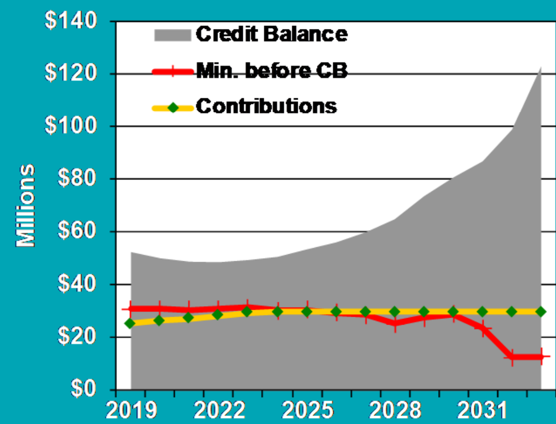
Discount Rate	6.75%
2019 Return	#N/A

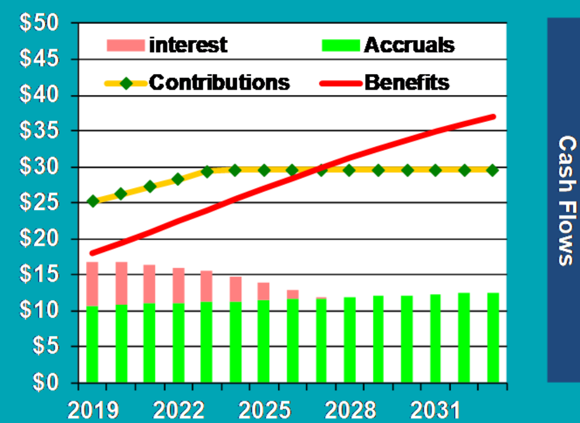
Estimated December 31, 2019 Market Value of Assets	$ 247.3 mil
Estimated Jan 1, 2020 Funded Status (AVA Basis)	74.1%

PYB	Retur	Contrib Rate*	Ben	Mem Grwth
2019	6.75%	$2.45	0.0%	0.0%
2020	6.75%	$2.55	0.0%	0.0%
2021	6.75%	$2.65	0.0%	0.0%
2022	6.75%	$2.75	0.0%	0.0%
2023	6.75%	$2.85	0.0%	0.0%
2024	6.75%	$2.85	0.0%	0.0%
2025	6.75%	$2.85	0.0%	0.0%
2026	6.75%	$2.85	0.0%	0.0%
2027	6.75%	$2.85	0.0%	0.0%
2028	6.75%	$2.85	0.0%	0.0%
2029	6.75%	$2.85	0.0%	0.0%
2030	6.75%	$2.85	0.0%	0.0%
2031	6.75%	$2.85	0.0%	0.0%
2032	6.75%	$2.85	0.0%	0.0%
2033	6.75%	$2.85	0.0%	0.0%
AVE	6.75%			

* Effective March 15,







Stress Testing the Fund – 2019 Return to Put Fund in Endangered Status in 2020

MFD	2029
Insolvent PYB	None
Emergence	N/A
Fully Funded	2035

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PYB	Retur	Contrib Rate*	Ben	Mem Grwth
2019	-22.00%	$2.45	0.0%	0.0%
2020	6.75%	$2.55	0.0%	0.0%
2021	6.75%	$2.65	0.0%	0.0%
2022	6.75%	$2.75	0.0%	0.0%
2023	6.75%	$2.85	0.0%	0.0%
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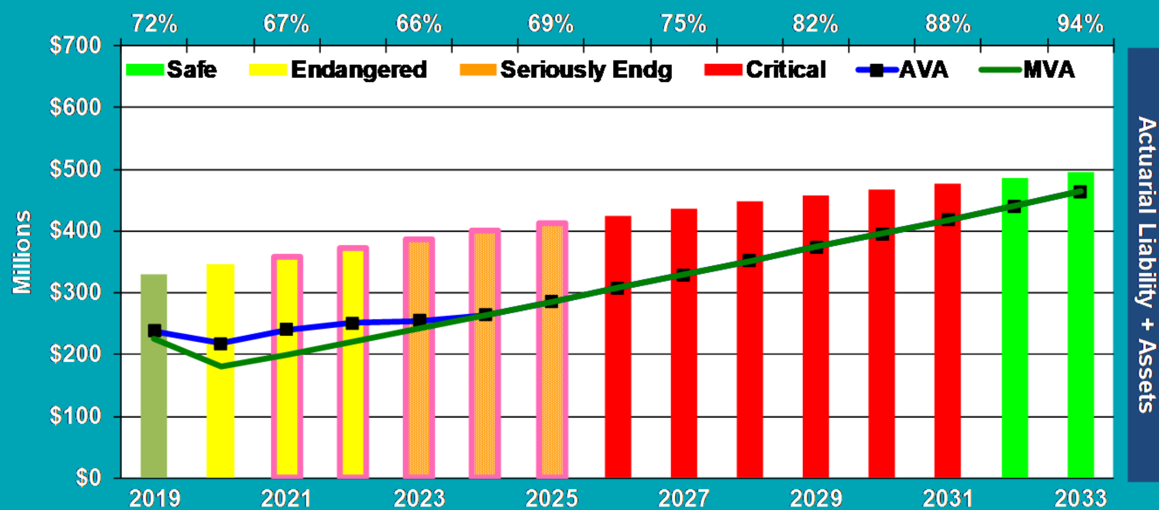
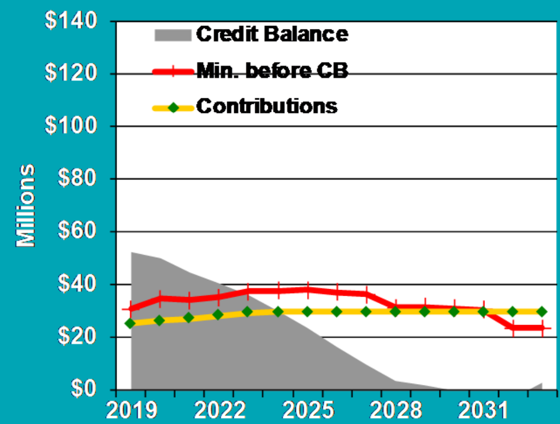
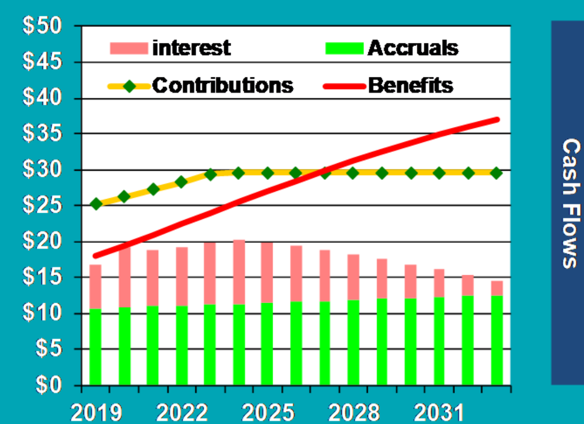
2029	6.75%	$2.85	0.0%	0.0%
2030	6.75%	$2.85	0.0%	0.0%
2031	6.75%	$2.85	0.0%	0.0%
2032	6.75%	$2.85	0.0%	0.0%
2033	6.75%	$2.85	0.0%	0.0%
AVE	4.54%			

* Effective March 15,

Discount Rate	6.75%	Estimated December 31, 2019 Market Value of Assets	$ 181.6	mil
2019 Return	-22.00%	Estimated Jan 1, 2020 Funded Status (AVA Basis)	63.0%	







Next Steps

- PPA Certification due March 2020
  - Collect estimated financials as of December 31, 2019
  - Cheiron to certify by March 30, 2020

Disclaimer

In preparing this presentation, we relied on information (some oral and some written) supplied by Associated Administrators LLC and Novak Francella LLC. 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. This analysis was based on the current assumptions and methods, financial data through December 31, 2018, and the January 1, 2019 valuation results. Assumptions, methods, and participant valuation data are outlined in the upcoming 2019 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 are complete and 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 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.

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