Via Electronic Mail

May 20, 2020

Ms. Anne-Marie Sims
Account Executive
Associated Administrators, LLC
911 Ridgebrook Road
Sparks, MD 21152

Dear Anne-Marie:

As requested, Cheiron has performed an analysis of the effects of the change in the minimum distribution age under the Setting Every Community Up for Retirement Enhancement Act of 2019 (the "SECURE Act") on the UNITE Hotel and Restaurant Employees Local 25 and Hotel Association of Washington, DC Pension Plan. Under the SECURE Act, the age for beginning required minimum distributions is increased from the April 1 following the calendar year of attainment of age 70½ to the April 1 following the calendar year of attainment of age 72 (or the calendar year of retirement, if later). The change is effective for distributions required to be made after December 31, 2019, with respect to individuals who attain age 70½ after that date.

When performing the annual actuarial valuation, we make assumptions about when each participant, (active or terminated vested), is expected to retire. The assumption tables reflect the current law, which requires at least a minimum distribution commencing at age 70. If we were to alter these assumptions to instead reflect our best estimate of the impact of the change to age 72, it would have a minimal impact on the valuation results. We are not recommending that changes to these assumptions be made until plan experience has developed post-legislation. This type of analysis is typically performed as part of an experience study. The balance of the letter provides more details supporting our conclusions.

<u>Retirement from Active Status</u>

The table on the next page shows the assumed retirement rates for active participants used in performing the January 1, 2019 actuarial valuation. These rates were last updated as a result of the experience study performed in 2017 to better reflect actual retirement behavior.

Age	Assumed Rate	Lives	Number Retire
62	10.0%	100.0	10.0
63	7.5%	90.0	6.8
64	20%	83.2	16.6
65	50%	66.6	33.3
66	40%	33.3	13.3
67	40%	20.0	8.0
68	30%	12.0	3.6
69	30%	8.4	2.5
70	100%	5.9	5.9
		Total	100.0
	Average Retirement Age		65.2

One key result in the table above is that most active participants are assumed to retire before reaching age 70. For example, if the Plan had 100 active participants currently 60 years old, the retirement rates assume that only 6 of them will not have elected to retire by age 70. Therefore, extending the end of the table to age 72 would have little impact. Furthermore, less than 5% of actives as of January 1, 2019, were older than Normal Retirement Age (65) and less than 1% of actives were age 70 or older.

For illustrative purposes, we reran the January 1, 2019 actuarial valuation using an extension of the retirement rates to use 30% for ages 70 and 71, and 100% retirement at age 72. The key results are shown in the table below compared to the actual January 1, 2019 valuation results. The table shows there would be a slight improvement in the Plan's funded ratio, but the Plan would remain in its current PPA zone status.

$ in millions	Current	Alternative	Difference
a. Actuarial Liability	$ 330.8	$ 329.8	$ (1.0)
b. Actuarial Value of Assets	238.6	238.6	0.0
c. Unfunded Actuarial Liability [(a) – (b)]	$ 92.2	$ 91.2	$ (1.0)
d. PPA Funded Status [(b) ÷ (a)]	72.1%	72.3%	0.2%
e. Normal Cost plus assumed Expenses	$ 10.4	$ 10.4	$ 0.0

Retirement from Terminated Vested Status

Terminated vested participants are assumed to retire at Normal Retirement Age (65) or their current age if later. Only 5% of the total terminated vesteds are over age 70. However, Cheiron also includes a probability of benefit receipt for terminated vested participants that is less than 100% for any participant over age 75. This assumption was based on the results of the experience study which showed that only 3 of the 345 terminated vested participants (less than 1%) who retired between January 1, 2012 through December 31, 2016 were older than 75. Despite the administrator's continuing efforts to locate these former participants, it is reasonable to assume, based on this experience, that many of these records will never receive a benefit from the fund for a variety of reasons (e.g. they have since deceased). At this time, we would not recommend any change to the assumptions about terminated vested retirement behavior.

In preparing this letter, we relied on information (some oral and some written) supplied by Associated Administrators, LLC. The results are based on the data and actuarial assumptions and methods used as of January 1, 2019, as shown in Appendices A and C of the Actuarial Valuation Report.

This letter 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 credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This letter was prepared exclusively for the UNITE Hotel and Restaurant Employees Local 25 and Hotel Association of Washington, DC Pension Plan for the purpose described herein. Other users of this letter are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

Sincerely,
Cheiron

Coralie Taylor

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cc: Anne Mayerson, Esq.
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