September 17, 2014

VIA ELECTRONIC MAIL

Ms. Alicia Cochran
Account Executive
Warehouse Employees Union Local No. 730 Health and Welfare Fund
911 Ridgebrook Road
Sparks, Maryland 21152-9451

Dear Alicia:

This letter represents our proposed fees for the year 2014, pursuant to Section 2 of the Consulting Agreement between Cheiron and the Warehouse Employees Union Local No. 730 Health and Welfare Fund dated January 1, 2006.

A) Retainer – For 2014, the required Fund valuation can be met utilizing a ***partial*** roll-forward methodology. Normally, a full roll-forward methodology would have been performed given that a full valuation was performed for the 2013 valuation. This would have been based on the results presented in the 2013 valuation report and rolled forward to 2014 using standard actuarial methods. However, a full roll-forward assumes that the participant counts remained relatively stable during the 2013 plan year. Due to the significant decrease in the active counts, a modified method, referred to as a partial roll-forward, will be needed to complete the 2014 valuation results. Under a partial roll-forward, Cheiron will conduct an explicit valuation applying the most recent census which captures the actual decline in active participants. Accordingly, the proposed annual fee for 2014 retainer services will be $6,600.00. The retainer fee covers the following annual valuation services:

- All aspects of producing the annual FASB ASC (formerly SOP 92-6 (as amended)) Actuarial Valuation Report;
- Attend one Board of Trustees meeting to present and discuss the report;
- Provide information required by the auditor to complete annual filings; and an
- Informal discussions with the Trustees or Fund professionals not exceeding ½ hour each.

In addition, there will be a $615.00 charge for the Retiree Drug Subsidy Attestation pursuant to our agreement dated November 12, 2009.

B) Non-Retainer – With respect to special consulting projects, Cheiron's billing rates during calendar year 2014 will range between $85 and $465 per hour.

Please note that the Health and Welfare work **does not** include a calculation of the Fund's IBNR. By way of explanation IBNR is an already incurred liability of the Fund, measured on the date of the financial statements and is a separate calculation from the SOP liability. The IBNR should be shown as a liability on the financial statements, reducing the amount of net assets of the funds. The IBNR would cover all participants in the Fund. In contrast the SOP looks at future retiree claims (for current actives as well as current retirees) and places a value on those – there is no valuation of benefits payable while a participant is active.

The cost of estimating the IBNR, should Cheiron be tasked with this, takes into account requesting data about historical claims and their timing, building a claims run-off model and using this run-off model to estimate outstanding incurred claims at the date of the financial statements. Modeling the IBNR might be deemed unnecessary if IBNR claims become reported claims relatively quickly. So, for example, a fair estimate of the IBNR is equal to incurred before the end of the plan year and reported before the financial statements are finalized.

If you need Cheiron to compute an IBNR this could be up to an additional $3,600.00 per year depending on the format and availability of the data required for the calculation. Please note that in the past Cheiron has not calculated the IBNR for Local 730 and so do not expect to incur any cost in the area. The IBNR fee just gives the Fund the likely cost of the option of having Cheiron estimate the IBNR.

Any other requested services may be performed either on a fixed fee basis negotiated in advance or based on hourly billing rates.

Out-of-pocket travel expenses will be charged separately, but travel time will not be compensable. We will not bill for expenses for meetings in the Washington, DC metropolitan area.

If you are agreeable to the above fee structure, please sign below and return a copy for our files.

Sincerely,
Cheiron

PR Hardcastle

Peter R. Hardcastle, FSA, EA
Principal Consulting Actuary

cc: Michele Domash, FSA
Rosson Cain, FSA
Bob Murray, ASA

Accepted and Agreed To:

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