FOR PLAN YEAR COMMENCING JANUARY 1, 2019

ANNUAL CERTIFICATION OF PLAN STATUS UNDER SECTION 432(b) OF THE INTERNAL REVENUE CODE, (SEC. 305(b) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974)

FOR

FELRA & UFCW PENSION FUND

EIN: 52-6128473
PN: 001

Plan Year 1/1/2019

Fund Contact Information
Mr. William Jensen
Associated Administrators, LLC
(301) 429-8960

March 29, 2019

CHEIRON

FELRA & UFCW Pension Fund
c/o Mr. William Jensen
Associated Administrators, LLC
8400 Corporate Drive, Suite 430
Landover, MD 20785

March 29, 2019
EIN: 52-6128473
PN: 001
Tel: (301) 429-8960

Re: Annual Certification of Plan Status under Internal Revenue Code §432(b) and Employee Retirement Income Security Act of 1974 §305(b)

Dear Board of Trustees:

CERTIFICATION

As required by Section 432(b)(3) of the Internal Revenue Code ("Code") and Section 305(b)(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), we certify, for the plan year beginning January 1, 2019, that the Fund is classified as being in Critical and Declining status as this term is defined in Section 432(b) of the Code and Section 305(b) of ERISA as amended by the Multiemployer Pension Reform Act of 2014.

The Fund's Board of Trustees has determined that, based on reasonable actuarial assumptions and upon exhaustion of all reasonable measures, the Fund cannot be reasonably expected to emerge from Critical status. The bargaining parties agreed to the necessary increases to the contribution rate to forestall possible insolvency. On this basis, we certify that the Fund continues to make scheduled progress.

This certification and its contents have been prepared in accordance with the requirements of Section 432 of the Code, Section 305 of ERISA, and 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 herein. This certification does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This certification was prepared exclusively for the Trustees of the Pension Fund and the Secretary of Treasury. It only certifies the condition of the Fund under Code Section 432 as added by the Pension Protection Act of 2006 and should be used only for that purpose. Other users of this certification are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

In preparing this certification, we have relied on information supplied by Associated Administrators, LLC, PNC Bank and by the Fund's investment consultant, IPS, LLC. This information includes, but is not limited to, fund provisions, employee data, financial information, and expectations of future industry activity. 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.

The attached appendices show the results for the statutory tests and describe the methodologies and assumptions used to perform the tests. Please contact the undersigned with any questions.

Sincerely,
Cheiron

Gene Kalwarski, FSA, EA (17-02845)

Kevin Woodrich, FSA, EA (17-07086)

Attachments: Appendix I: Tests of Fund Status
Appendix II: Methodology and Assumptions

cc: Secretary of the Treasury

APPENDIX I – TESTS OF FUND STATUS

		Condition Met?
Critical Status – The Fund, which has a 431(d) five-year automatic extension, was certified as Critical last year and will remain Critical if it meets either of the two following conditions:		
1	The Fund is projected to have an accumulated funding deficiency for the current plan year or the next nine plan years.	YES
2	The Fund is projected to become insolvent within 30 years.	YES
Critical and Declining Status – The Fund will be certified as Critical and Declining if it meets test 3.		
3	The Fund is Critical and projected to become insolvent within the current or the next 19 (since the funding level is below 80%) plan years.	YES

The Fund is certified to be in Critical and Declining status for 2019.

APPENDIX I – TESTS OF FUND STATUS

A. *PROJECTION OF CREDIT BALANCE (Used for Test 1)*

(uses 431(d) 5-year automatic extension)

Date	Credit Balance	adjusted with interest to end of year Charges	Credits	Contributions
1/1/2018	$ (309,393,361)	$ 204,445,847	$ 30,694,953	$ 49,236,490
1/1/2019	(455,565,300)	191,037,406	20,168,471	42,821,946
1/1/2020	(615,501,860)			

The projected funding standard account is based on the methods and assumptions set out in Appendix II. In addition, the projection of future contributions is based on the Trustees' estimate of future industry activity multiplied by the contribution rates contained in the current collective bargaining agreements under which the Fund is maintained.

B. *SOLVENCY PROJECTION (Used for Tests 2 and 3)*

(assumes contribution increases continue in accordance with the Rehabilitation Plan)

The chart below shows a funding projection of the Fund. The projection indicates that the Fund will run out of assets before January 1, 2021 (within two years).

Date	Market Value Assets	Projected Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings
1/1/2019	$ 204,506,936	$ 42,474,291	$ (153,996,958)	$ (5,304,500)	$ 10,106,894
1/1/2020	97,786,664	41,426,499	(154,614,150)	(5,463,635)	2,568,046
1/1/2021	(18,296,577)				

APPENDIX II – METHODOLOGY AND ASSUMPTIONS

A. Actuarial Assumptions

1. Rates of Investment Return

7.00% compounded annually net of investment expenses.

The annual investment return of 7.00% takes into consideration the projected health of the Fund and the expected return (5.8%) and also the uncertainty of the benefit payment levels in the future. This valuation recognizes the full benefit payment amount assuming the Plan remains solvent. However, unless a large amount of monies are contributed, the Plan will likely be insolvent and the benefit payments will be reduced at such time to PBGC guaranteed levels.

2. Rates of Mortality

Funding and disclosure purposes:

Actives:	RP-2000 Combined Healthy mortality table for males and females.
Healthy Inactives:	RP-2000 Healthy Annuitant mortality table set forward one year for males and no adjustment for females. The mortality table for active lives is used prior to age 49 for males and age 50 for females but set forward one year for males.
Disableds:	RP-2000 Disabled Annuitant for ages prior to 65. The same mortality as Healthy Inactives for ages 65 and older.

Past experience has shown more deaths have occurred than assumed, which has yielded liability gains attributable to this experience. Therefore, the current assumption includes a margin for future mortality improvements. This will continue to be monitored on an annual basis and adjustments will be made when necessary.

APPENDIX II – METHODOLOGY AND ASSUMPTIONS

3. Rates of Turnover

Terminations of employment for reasons other than death or retirement are assumed to be in accordance with annual rates as shown below.

Service	Number Expected to Terminate Annually Per 1,000	
	Males	Females
0	400	400
1	220	220
2	180	180
3	150	150
4	130	130
5	120	120
6	110	110
7	105	105
8	90	90
9	90	90
10	90	90
11	80	80
12	80	80
13	80	80
14	70	70
15	70	70
16	70	70
17	50	50
18	50	50
19	50	50
20	40	40
21	30	30
22 and over	25	25

APPENDIX II – METHODOLOGY AND ASSUMPTIONS

4. Rates of Retirement

Tier I rates of retirement depend on whether a participant has fewer than 30 years of service or more than 30 years of service.

Age	Number Expected to Retire Annually Per 1,000 Tier 1 Less than 30 years	Tier 1 Over 30 years	Tier 2
50	0	200	0
51	0	200	0
52	0	200	0
53	0	200	0
54	0	200	0
55	85	200	75
56	85	200	75
57	85	200	75
58	85	200	75
59	85	200	75
60	150	200	100
61	150	250	100
62	300	350	150
63	200	400	125
64	200	400	150
65	300	400	200
66	300	400	200
67	200	400	200
68	200	400	200
69	200	400	200
70 and over	1,000	1,000	1,000

Employees who leave employment with entitlement to a deferred vested pension are assumed to commence receipt of their pension when first eligible for unreduced benefits.

APPENDIX II – METHODOLOGY AND ASSUMPTIONS

5. Rates of Disability

Terminations of employment for disability are assumed to be equal to 50% of the Group Long-Term Disability Insurance Crude Rates of Disablement for males published in the Transactions of the Society of Actuaries, 1979.
Illustrative rates are shown below.

Number Expected to Become Disabled Annually Per 1,000	
Age	**Rate**
25	0.3
30	0.3
35	0.4
40	0.7
45	1.4
50	2.7

6. Marital Status and Elections

80% of participants are assumed to be married at the time of death and eligible for pre-retirement spouse benefits.

56% of participants are assumed to elect the joint and survivor option on retirement. The rest are assumed to elect the single life form.

Husbands are assumed three-years older than their wives.

7. Service Accrual

All employees are assumed to earn one year of service credit for each year of future employment.

8. Administrative Expenses

It is assumed that annual administrative expenses including PBGC premiums will be $5,150,000 payable at the beginning of the year, increasing by 3.0% for each future year.

9. Rationale for Demographic Assumptions

Assumptions are based on the latest experience study review performed in 2007. The results of that study are incorporated here by reference. The assumptions continue to be closely monitored and Cheiron is proposing that an experience study be performed in the near future.

B. Actuarial Methods

1. Asset Valuation Method

The valuation assets are determined as the Market Value less (1) 80% of the investment gain/(loss) during the preceding year, less (2) 60% of the investment gain/(loss) during the second preceding year, less (3) 40% of the investment gain/(loss) during the third preceding year, less (4) 20% of the investment gain/(loss) for the fourth preceding year. For the purpose of this calculation, the gain/(loss) is defined as the difference between the actual and the expected return (based on the valuation interest rate) on the Market Value of Assets during the year.

The Actuarial Value is taken to be the adjusted Market Value as described above, but subject to a 20 percent corridor limit around the actual Market Value; that is, the Actuarial Value is never greater than 120 percent of Market Value, nor less than 80 percent of Market Value.

2. Funding Method

The funding method is the Entry Age Normal Actuarial Cost Method. Under the Entry Age Normal Actuarial Cost Method the individual entry age normal cost is determined for each participant by calculating the level annual contribution required to fund that individual's expected benefits based on the current Plan provisions over the participant's expected active working lifetime with the Fund at entry.

At the valuation date, the present value of future normal cost is calculated for each individual participant by multiplying the entry age normal cost by the present value of the participant's expected future active working lifetime with the Fund. The cost for each participant is then summed to yield the present value of future normal costs.

The excess of the present value of future benefits for all individuals at the valuation date over the present value of future normal costs is called the actuarial liability, or past service liability.

The excess, if any, of the actuarial liability over the actuarial value of assets is known as the unfunded accrued liability. If the actuarial value of assets exceeds the actuarial liability, the Fund may have a surplus.