Segal Consulting

United Food and Commercial Workers (UFCW) and Participating Employers Health and Welfare Fund

Board of Trustees' Meeting Follow-Up

February 9, 2017

Board of Trustees' Meeting Follow-Up

- The following pages include historical information:
  - Shoppers MOB rates since January 1, 2010
  - Summarized experience since January 1, 2011
  - Monthly reserve position since June 2016
- Key numbers from these pages are (highlighted on the pages):
  - $840.48 (Page 3, proposed composite MOB rate for 12 months ending 12/31/2017)
  - $776.96 (Page 3, current composite MOB rate)
  - $785.26 (Page 4, per capita expenses for 12 months ending 6/30/2016 - MOB experience period)
  - 2.27, 2.04 and 2.50 (Page 6, months of reserves as of 6/30/2016, 9/30/2016 and 10/31/2016)
  - $1,248,857 (Page 6, 3-month reserve deficit as of 11/30/16)
- Key observations:
  - The midpoint of the experience period to the midpoint of MOB rating period is 18 months.
  - The proposed MOB rate is equal to a 7.0% increase compared to the per capita expenses in the experience period ($840.48 / $785.26). The annualized increase is 4.6%.
  - The current composite MOB rate is 1.1% less than the per capita expenses in the experience period ($776.96 / $785.26).
  - The recent increase in the asset position occurred after the MOB experience period and is less significant when compared to the asset level as of 6/30/2016.
  - As of November 30, 2016, the Fund reserves were $1,248,857 below 3.0 months of expenses. If this deficit were applied to the proposed MOB contribution rates effective January 1, 2017 for the next twelve months, the rates would require an additional 4.4% increase ($1,248,857 / ($840.48 * 2,832 * 12)). Please note that due to the effect of trend on expenses, the Fund may not be at 3.0 months of expenses as of December 31, 2017.

Shoppers MOB Rates Since January 1, 2010

Shoppers' MOB Contribution Rates Since January 1, 2010						Proposed[1]
Effective Period (From – To)	**Prior to 3/31/2010**	**4/1/2010 to 8/31/2011**	**9/1/2011 to 12/31/2014**	**1/1/2015 to 3/31/2016**	**4/1/2016 to TBD**	**1/1/17 to 12/31/17**
Plan JS	$920.73	$920.73	$920.73	$920.73	$920.73	$1,025.65
Plan JSS-2	$1,047.00	$1,103.00	$1,208.68	$1,488.72	$1,588.28	$1,672.05
Plan Y Full Time	$724.00	$800.00	$810.69	$839.88	$885.48	$977.83
Plan Y Part Time Individual	$509.00	$509.00	$431.22	$347.41	$446.63	$567.23
Plan Y Part Time Family	$1,023.00	$1,152.00	$983.97	$966.52	$1,266.29	$1,481.79
Plan Y20 Full Time	$489.00	$489.00	$452.32	$505.91	$505.91	$404.14
Plan Y20 Part Time	$205.00	$205.00	$144.22	$240.86	$240.86	$131.41
Plan Y30 Full Time	N/A	N/A	N/A	$467.95	$467.95	$467.95
Plan Y30 Part Time	N/A	N/A	N/A	$225.93	$225.93	$225.93
Plan Y40 Part Time	N/A	N/A	N/A	$31.26	$31.26	$31.26
Composite[2]	$627.83	$703.03	$664.10	$696.38	**$776.96**	**$840.48**
Change	N/A	12.0%	-5.5%	4.9%	11.6%	8.2%

N/A - Not Applicable

TBD - To Be Determined

[1] As provided by Associated Administrators, LLC (Associated). Composite is based on third quarter participation.

[2] Based on average participants over the period the rates were in effect.

- The proposed January 1, 2016 rates were not implemented until April 1, 2016. These rates are voluntarily paid by Shoppers. The Trustees never passed a motion approving the rates, however, Shoppers started making the increased contributions.
- $840.48 x 2,832 lives x 12 months = $28,562,872 projected income for 2017

Summarized Most Recent Experience
MOB Plans (Plans JS, JSS-2, Y, Y20, Y30, Y40, S, Z)

Period Start:	**10/1/2013**	**1/1/2014**	**4/1/2014**	**7/1/2014**	**10/1/2014**	**1/1/2015**	**4/1/2015**	**7/1/2015**	**10/1/2015**	**1/1/2016**	**4/1/2016**	**7/1/2016**
Period End:	**12/31/2013**	**3/31/2014**	**6/30/2014**	**9/30/2014**	**12/31/2014**	**3/31/2015**	**6/30/2015**	**9/30/2015**	**12/31/2015**	**3/31/2016**	**6/30/2016**	**9/30/2016**
Months in Period	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Participants	2,970	2,993	3,065	3,073	3,040	3,022	3,031	2,973	2,878	2,864	2,843	2,834
Income												
Active Contributions	$5,959,073	$5,958,900	$5,991,114	$5,977,553	$4,012,461	$6,071,581	$6,357,289	$6,280,668	$6,126,830	$5,838,383	$6,659,494	$6,573,904
Retiree Contributions	35,754	33,543	30,788	28,731	28,915	29,987	32,842	32,772	31,055	53,362	58,162	57,074
Total	**$5,994,827**	**$5,992,443**	**$6,021,902**	**$6,006,284**	**$4,041,376**	**$6,101,568**	**$6,390,131**	**$6,313,440**	**$6,157,885**	**$5,891,745**	**$6,717,656**	**$6,630,978**
Paid Expenses												
Medical	$2,561,203	$2,179,161	$2,423,678	$3,892,383	$3,287,131	$2,892,717	$3,967,482	$3,667,397	$2,878,731	$3,655,085	$4,750,671	$3,973,535
HMO	98,401	79,557	74,284	62,155	63,987	66,112	52,959	26,110	38,990	38,988	32,685	41,738
Life/AD&D	18,248	18,109	17,957	21,276	21,225	21,181	21,076	26,837	22,662	22,361	22,047	22,012
Disability	271,703	277,687	265,567	275,104	253,693	207,084	258,246	290,716	358,016	228,000	287,105	325,849
Dental	281,516	279,996	279,485	280,540	281,132	278,725	277,071	276,003	272,097	260,402	257,441	256,793
Optical	34,349	34,665	33,332	33,352	33,045	33,234	32,330	31,830	31,525	24,230	23,887	23,957
Drug	1,203,245	1,207,635	1,637,748	1,403,539	1,281,009	1,356,813	1,303,835	1,183,450	1,333,799	1,065,654	1,326,103	959,718
Retirees	798,265	625,869	651,227	715,234	569,497	730,675	668,077	658,068	632,726	592,878	719,224	662,364
Medical Adm.	91,261	90,677	90,938	91,775	91,469	90,984	90,663	90,137	89,445	88,280	88,910	89,822
Mental Health Manager	66,378	48,942	81,668	69,099	91,963	61,303	90,247	65,897	95,105	106,873	77,215	47,583
PPO	69,260	68,446	77,647	89,827	79,233	82,664	81,738	54,108	51,721	51,258	49,190	48,635
EAP	2,508	2,527	2,561	2,848	2,992	2,968	2,969	2,955	2,918	2,753	2,693	2,691
UM/DM	80,615	75,251	92,941	73,562	71,545	74,962	72,300	76,678	76,716	74,197	60,542	70,082
Operating Expenses	255,464	180,000	171,155	258,077	150,514	436,708	250,074	248,731	222,008	312,338	201,821	217,951
Total	**$5,832,416**	**$5,168,522**	**$5,900,188**	**$7,268,771**	**$6,278,435**	**$6,336,130**	**$7,169,067**	**$6,698,917**	**$6,106,459**	**$6,523,297**	**$7,899,534**	**$6,742,730**
Operating Surplus/(Deficit)	$162,411	$823,921	$121,714	($1,262,487)	($2,237,059)	($234,562)	($778,936)	($385,477)	$51,426	($631,552)	($1,181,878)	($111,752)
Other Operating Surplus/(Deficit)	($3,307,999)	$143,372	($785,969)	($563,837)	($457,491)	($508,461)	($492,202)	($223,324)	$185,001	($244,058)	($120,025)	($290,898)
Total Fund Operating Surplus/(Deficit)	**($3,145,588)**	**$967,293**	**($664,255)**	**($1,826,324)**	**($2,694,550)**	**($743,023)**	**($1,271,138)**	**($608,801)**	**$236,427**	**($875,610)**	**($1,301,903)**	**($402,650)**
Quarterly Per Capita Expenses	$654.59	$575.62	$641.67	$788.46	$688.42	$698.89	$788.42	$751.08	$707.26	$759.23	$926.20	$793.08
Current 12-Month Per Capita Expenses	$674.85	$658.20	$639.94	$665.78	$674.17	$704.47	$741.20	$731.60	$736.74	$751.96	$785.26	$796.10
Prior 12-Month Per Capita Expenses	$656.06	$672.89	$674.96	$680.01	$674.85	$658.20	$639.94	$665.78	$674.17	$704.47	$741.20	$731.60
Year Over Year Change	2.9%	-2.2%	-5.2%	-2.1%	-0.1%	7.0%	15.8%	9.9%	9.3%	6.7%	5.9%	8.8%

Based on income and expenses as reported on the Administrative Manager's Reports (AMR)

- Current 12-month per capita expenses have increased 8.8%, from $731.60 during the 12-month period October 1, 2014 through September 30, 2015 to $796.10 during the 12-month period October 1, 2015 through September 30, 2016.
- Current 12-month per capita expenses of $796.10 during the 12-month period October 1, 2015 through September 30, 2016 are 2.5% greater than the composite Shopper's MOB rates effective April 1, 2016.

Summarized Historical Experience (Continued)
MOB Plans (Plans JS, JSS-2, Y, Y20, Y30, Y40, S, Z)

Period Start:	**1/1/2011**	**4/1/2011**	**7/1/2011**	**10/1/2011**	**1/1/2012**	**4/1/2012**	**7/1/2012**	**10/1/2012**	**1/1/2013**	**4/1/2013**	**7/1/2013**	**10/1/2013**
Period End:	**3/31/2011**	**6/30/2011**	**9/30/2011**	**12/31/2011**	**3/31/2012**	**6/30/2012**	**9/30/2012**	**12/31/2012**	**3/31/2013**	**6/30/2013**	**9/30/2013**	**12/31/2013**
Months in Period	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Participants	4,137	4,318	3,225	3,136	3,093	3,187	3,219	3,159	3,042	2,985	2,982	2,970
Income												
Active Contributions	$6,755,266	$9,565,583	$6,710,604	$4,476,595	$5,375,623	$6,307,534	$6,298,548	$6,261,984	$6,044,267	$5,968,256	$5,948,646	$5,959,073
Retiree Contributions	47,538	41,449	39,718	40,569	39,725	38,544	37,736	36,459	37,556	35,566	35,386	35,754
Total	**$6,802,804**	**$9,607,032**	**$6,750,322**	**$4,517,164**	**$5,415,348**	**$6,346,078**	**$6,336,284**	**$6,298,443**	**$6,081,823**	**$6,003,822**	**$5,984,032**	**$5,994,827**
Paid Expenses												
Medical	$4,153,796	$4,783,065	$4,418,384	$3,278,779	$2,272,802	$3,427,036	$3,195,575	$3,193,674	$3,013,997	$3,347,001	$2,772,332	$2,561,203
HMO	281,596	261,764	320,251	9,032	106,794	113,376	119,759	87,343	106,324	107,980	90,366	98,401
Life/AD&D	31,974	26,627	26,143	25,359	21,541	19,753	19,220	19,003	18,909	18,587	18,370	18,248
Disability	333,063	400,843	372,481	250,979	278,505	271,965	220,816	284,633	263,036	300,280	291,168	271,703
Dental	341,217	337,621	333,079	303,114	271,997	265,202	262,594	289,778	287,211	283,154	282,140	281,516
Optical	46,830	45,952	45,231	44,023	38,493	37,056	37,286	36,376	35,790	35,119	34,567	34,349
Drug	1,408,847	1,472,440	1,364,907	1,274,946	1,170,026	1,246,453	1,120,535	1,164,790	1,079,779	1,276,240	1,233,215	1,203,245
Retirees	531,429	751,198	723,877	497,431	721,722	904,347	999,478	817,705	636,963	604,863	824,950	798,265
Medical Adm.	110,206	109,474	113,018	102,847	93,184	92,933	94,795	93,618	91,348	90,598	91,734	91,261
Mental Health Manager	124,193	94,470	143,422	61,515	65,886	51,900	75,807	97,921	42,767	25,474	87,676	66,378
PPO	39,908	43,700	44,084	71,138	57,722	62,228	52,926	54,423	52,798	80,996	76,944	69,260
EAP	2,921	2,888	2,868	2,661	2,433	2,420	2,454	2,424	2,410	2,452	2,490	2,508
UM/DM	110,903	103,557	91,217	87,119	83,753	81,281	81,899	80,010	81,229	74,314	73,099	80,615
Operating Expenses	(26,726)	211,510	225,022	213,909	142,834	154,597	168,481	181,684	151,198	152,942	277,038	255,464
Total	**$7,490,157**	**$8,645,109**	**$8,223,984**	**$6,222,852**	**$5,327,692**	**$6,730,547**	**$6,451,625**	**$6,403,382**	**$5,863,759**	**$6,400,000**	**$6,156,089**	**$5,832,416**
Operating Surplus/(Deficit)	($687,353)	$961,923	($1,473,662)	($1,705,688)	$87,656	($384,469)	($115,341)	($104,939)	$218,064	($396,178)	($172,057)	$162,411
Other Operating Surplus/(Deficit)	$420,671	($287,599)	($366,653)	($491,559)	$159,871	$91,810	($290,830)	($61,783)	($162,935)	$247,010	($735,293)	($3,307,999)
Total Fund Operating Surplus/(Deficit)	**($266,682)**	**$674,324**	**($1,840,315)**	**($2,197,247)**	**$247,527**	**($292,659)**	**($406,171)**	**($166,722)**	**$55,129**	**($149,168)**	**($907,350)**	**($3,145,588)**
Quarterly Per Capita Expenses	$603.51	$667.37	$850.02	$661.44	$574.17	$703.96	$668.08	$675.68	$642.53	$714.68	$688.14	$654.59
Current 12-Month Per Capita Expenses				$688.04	$687.86	$698.92	$652.49	$656.06	$672.89	$674.96	$680.01	$674.85
Prior 12-Month Per Capita Expenses								$688.04	$687.86	$698.92	$652.49	$656.06
Year Over Year Change								-4.6%	-2.2%	-3.4%	4.2%	2.9%

Based on income and expenses as reported on the Administrative Manager's Reports (AMR)

Historical Reserve Position Based on PNC Statements

Historical Reserve Position based on PNC Statements						
	6/30/2016	**7/31/2016**	**8/31/2016**	**9/30/2016**	**10/31/2016**	**11/30/2016**
A) PNC Statement (Beginning of Month)	N/A	$4,019,506	$3,211,814	$3,671,021	$3,351,700	$4,708,970
B) PNC Receipts and Earnings ($3,615,934 average)	N/A	$3,541,044	$3,418,230	$3,251,594	$4,300,882	$3,567,918
C) PNC Disbursements (-$3,485,209 average)	N/A	($4,348,737)	($2,959,023)	($3,570,915)	($2,943,612)	($3,603,761)
D) Monthly Surplus/(Deficit) (B)+(C)	N/A	($807,692)	$459,207	($319,320)	$1,357,270	($35,844)
1) PNC Statement (End of Month) (A)+(D)	**$4,019,506**	**$3,211,814**	**$3,671,021**	**$3,351,700**	**$4,708,970**	**$4,673,127**
A) Kroger Roanoke Retirees Adjustment [1]	$506,456	$531,682	$572,234	$584,147	$242,305	$145,330
B) Kroger Operating Expense Allocation Adjustment [2]	$621,772	$642,497	$663,223	$707,795	$729,243	$750,691
2) Total Adjustments (A)+(B)	**$1,128,227**	**$1,174,179**	**$1,235,457**	**$1,291,941**	**$971,548**	**$896,021**
3) Total MOB Assets After Adjustments (1)+(2)	**$5,147,733**	**$4,385,993**	**$4,906,478**	**$4,643,642**	**$5,680,518**	**$5,569,148**
4) MOB Expenses[3]	**$27,228,207**	**$27,228,207**	**$27,228,207**	**$27,272,020**	**$27,272,020**	**$27,272,020**
5) Number of Reserve Months (3) / (4) * 12	**2.27**	**1.93**	**2.16**	**2.04**	**2.50**	**2.45**
6) 3-Months of Current MOB Expenses (4) / 12 *3						**$6,818,005**
7) 3-Month Surplus/(Deficit) (3) – (6)						**($1,248,857)**

N/A = Not Available

[1] Includes incurred but not reported claims less any payments already made by Kroger.

[2] Includes Kroger Roanoke and Kroger Richmond/Tidewater.

[3] Based on paid expenses as provided in Associated's AMRs for the prior twelve-month period.

- The Total MOB Assets After Adjustments for October is showing an increase of approximately $1.0 million. October PNC Receipts and Earnings were $685,000 greater than the average from July through November. October PNC Disbursements were $542,000 less than the average from July through November.