Segal Consulting

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July 25, 2018

Board of Trustees
UFCW Unions and Participating Employers Health and Welfare Fund
Landover, Maryland

Re: **Reserve Determination through June 30, 2018**

Dear Trustees:

Attached is a report which provides the calculation of the Fund's reserve position based on PNC statements representing the period July 1, 2017 through June 30, 2018.

At this time, the Fund's reserve position exceeds the four-month reserve ceiling. The amount of reserves above four-months results in an amortized adjustment of **$1,654**. This figure is in addition to the unrealized amortized reserve adjustment of $13,942 from May 2018. Associated Administrator's LLC will need to work with the employers to determine how this additional amount will be credited to the employers by the Fund.

We look forward to reviewing this information with you further. Please let us know if you have questions.

Sincerely,

Mitch Bramstaedt
Senior Vice President
Midwest Regional Leader

Christopher Heppner, ASA, MAAA
Senior Vice President and Consulting Actuary

mwb/tsw:rm

cc: Mr. Josh Timm

Attachment (5758207)

5758206v1/13783.005

Segal Consulting

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

Reserve Determination Report

PNC Statements Through June 30, 2018
Administrative Manager's Reports Through March 31, 2018

July 2018

5758207

Most Recent Reserve Position Based on PNC Statements

- Based on the August 25, 2017 MOA language, June 2018 reserves have resulted in an adjustment due to reserves exceeding 4.0 months. The June 2018 reserve adjustment is in addition to the amortized May 2018 reserve adjustment of $13,942.
- As of May 2018, the Fund had a continuation value of 4.0 months due to the “Unrealized Amortized Reserve Adjustments”. In June 2018, income (PNC Receipts and Earnings) of $2,454,804 exceeded expenses (PNC Disbursements) of $2,444,881 by $9,923. This one-month is in excess of 4.0 months, resulting in the need for a reserve adjustment.
- The MOB expenses for 6/30/2018 will change upon receipt of the June 2018 AMR report.
- The calculation of the reserve adjustment in shown on the following page.

Historical Reserve Position based on PNC Statements

	7/31/2017	8/31/2017	9/30/2017	10/31/2017	11/30/2017	12/31/2017	1/31/2018	2/28/2018	3/31/2018	4/30/2018	5/31/2018	6/30/2018
A) PNC Statement (Beginning of Month)	$5,397,806	$5,612,963	$5,671,043	$6,282,247	$6,281,330	$6,311,466	$6,432,670	$6,944,961	$7,422,444	$7,688,789	$7,866,309	$8,678,267
B) PNC Receipts and Earnings	$3,292,857	N/A	N/A	$3,806,463	$4,023,665	$3,475,091	$3,303,463	$2,451,058	$2,533,022	$2,609,186	$2,741,601	$2,454,804
C) PNC Disbursements	($3,077,700)	N/A	N/A	($3,807,380)	($3,993,529)	($3,353,887)	($2,791,172)	($1,973,575)	($2,266,677)	($2,431,666)	($1,929,643)	($2,444,881)
D) Monthly Surplus/(Deficit) (B)+(C)	$215,156	$58,080	$611,204	($917)	$30,136	$121,204	$512,291	$477,483	$266,345	$177,520	$811,958	$9,923
1) PNC Statement (End of Month) (A)+(D)	**$5,612,963**	**$5,671,043**	**$6,282,247**	**$6,281,330**	**$6,311,466**	**$6,432,670**	**$6,944,961**	**$7,422,444**	**$7,688,789**	**$7,866,309**	**$8,678,267**	**$8,688,190**
A) Kroger Roanoke Retirees Adjustment [1]	$27,587	($25,395)	($44,706)	($96,917)	($120,312)	($137,604)	($148,880)	($148,880)	($148,880)	($148,880)	($148,880)	($148,880)
B) Unrealized Amortized Reserve Adjustments	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($83,652)
2) Total Adjustments (A)+(B)	**$27,587**	**($25,395)**	**($44,706)**	**($96,917)**	**($120,312)**	**($137,604)**	**($148,880)**	**($148,880)**	**($148,880)**	**($148,880)**	**($148,880)**	**($232,533)**
3) Total MOB Assets After Adjustments (1)+(2)	**$5,640,550**	**$5,645,648**	**$6,237,541**	**$6,184,413**	**$6,191,154**	**$6,295,066**	**$6,796,081**	**$7,273,564**	**$7,539,909**	**$7,717,429**	**$8,529,387**	**$8,455,657**
4) MOB Expenses[2]	**$25,554,322**	**$25,554,322**	**$24,952,679**	**$24,952,679**	**$24,952,679**	**$25,518,174**	**$25,518,174**	**$25,518,174**	**$25,337,203**	**$25,337,203**	**$25,337,203**	**$25,337,203 [3]**
5) Number of Reserve Months (3) / (4) * 12 [4]	**2.649**	**2.651**	**3.000**	**2.974**	**2.977**	**2.960**	**3.196**	**3.420**	**3.571**	**3.655**	**4.040**	**4.005**

N/A = not available
[1] Includes incurred but not reported claims less any payments already made by Kroger.
[2] Based on paid expenses as provided in Associated’s AMRs for the prior twelve-month period.
[3] MOB Expenses will be updated upon receipt of the June 2018 AMR.
[4] Any month with reserves exceeding 4 months represents a month when a reserve adjustment has been calculated.

- The reserves and assets reflect the one-time lump sum payment of $315,000 in September 2017 by Shoppers per the MOA dated August 25, 2017.

MOA Reserve Determination

- The chart below illustrates the determination of the amortized required reserve adjustment for the month of June 2018 due to assets exceeding 4.0 months.
- Associated Administrator's LLC will need to work with the employers to determine how this additional credit will be applied to the employers by the Fund. This reserve adjustment is in addition to the May 2018 reserve adjustment of $13,942.
- The amount shown on line 10 ($9,923) represents the amount of credit due to the employers over 6 months. This amount is added to the Fund's "Unrealized Amortized Reserve Adjustments" and reduces the assets to bring them to the required level (4 months). As the credit is applied to the employers each month, the liability will be reduced by $1,654, or 1/6 of the amount as the employer contributions are credited.

Actual MOA Reserve Determination for June 2018	
	Surplus
1) Total MOB Assets After Adjustments	**$8,455,657**
2) MOB Expenses	**$25,337,203**
3) Number of Reserve Months [(1)/(2)*12 months]	**4.00**
4) Reserve Floor (2-Months)[1]	**$4,222,867**
5) 3-Months of Reserves	**$6,334,301**
6) Reserve Ceiling (4-Months)	**$8,445,734**
7) Amount Below Reserve Floor (Deficit) (4) – (1)	**N/A**
8) Amount Above Reserve Ceiling (Excess) (1) – (6)	**$9,923**
9) Goal Reserve[2]	**$8,445,734**
10) Aggregate Required Reserve Adjustment (1) – (9)	**$9,923**
11) Amortized Required Reserve Adjustment (10) / 6	**$1,654**
12) Current Value of 1 Month of Employer Contributions	**$2,340,136**

N/A = Not Applicable
[1] On and after July 2018 the floor increases from two months to three months.
[2] If assets fall below the floor, the goal reserves are 3 months. If assets exceed the ceiling, the goal reserves are 4 months.

Amortization History and Schedule

- The chart below illustrates the total amount of amortization calculated and the amount that should be applied to each months employer contribution.
- Contributions are illustrated with a two-month lag to accommodate the reconciliation and billing time period.

Month Determined	Amortized Amount by Month							Total Determined	Total Outstanding
	7/31/2018	8/31/2018	9/30/2018	10/31/2018	11/30/2018	12/31/2018	1/31/2019		
May 2018	($13,942)	($13,942)	($13,942)	($13,942)	($13,942)	($13,942)	-	($83,652)	($83,652)
June 2018	-	($1,654)	($1,654)	($1,654)	($1,654)	($1,654)	($1,654)	($9,923)	($9,923)
Total	($13,942)	($15,596)	($15,596)	($15,596)	($15,596)	($15,596)	($1,654)	($93,575)	($93,575)

- The amounts outstanding are illustrated as of June 30, 2018 and do not include any payments/(credits) that have been made after.