Segal Consulting

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

Reserve Determination Report

PNC Statements Through October 31, 2018
Administrative Manager’s Reports Through September 30, 2018

December 2018

5797186v3/13783.005

Most Recent Reserve Position Based on PNC Statements

- The October 2018 adjusted reserve position (line 3) of $10,286,209 has been calculated to represent 5.122 months of assets.
- Based on the August 25, 2017 MOA language, October 2018 reserves have resulted in an adjustment due to reserves exceeding 4.0 months. Page 3 illustrates the reserves adjustment determination.
- The October 2018 adjustment was in part due to a refund check the Fund received from ESI in the amount of $1,222,344.05, discovered during the Fund's audit of ESI.
- The unrealized amortized reserve adjustments (line B) for October 2018 reflects payment of two credits of $112,549 each. The remaining balance of $450,196 is for the four remaining potential payments.

Historical Reserve Position based on PNC Statements

	11/30/2017	12/31/2017	1/31/2018	2/28/2018	3/31/2018	4/30/2018	5/31/2018	6/30/2018	7/31/2018	8/31/2018	9/30/2018	10/31/2018
A) PNC Statement (Beginning of Month)	$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	$9,228,115	$9,111,658	$9,215,357
B) PNC Receipts and Earnings	$4,023,665	$3,475,091	$3,303,463	$2,451,058	$2,533,022	$2,609,186	$2,741,601	$2,454,804	$2,485,623	$2,029,772	$2,013,048	$3,294,816
C) PNC Disbursements	($3,993,529)	($3,353,887)	($2,791,172)	($1,973,575)	($2,266,677)	($2,431,666)	($1,929,643)	($2,444,881)	($1,945,698)	($2,146,229)	($1,909,349)	($1,624,888)
D) Monthly Surplus/(Deficit) (B)+(C)	$30,136	$121,204	$512,291	$477,483	$266,345	$177,520	$811,958	$9,923	$539,925	($116,457)	$103,699	$1,669,928
1) PNC Statement (End of Month) (A)+(D)	**$6,311,466**	**$6,432,670**	**$6,944,961**	**$7,422,444**	**$7,688,789**	**$7,866,309**	**$8,678,267**	**$8,688,190**	**$9,228,115**	**$9,111,658**	**$9,215,357**	**$10,885,285**
A) Kroger Roanoke Retirees Adjustment [1]	($120,312)	($137,604)	($148,880)	($148,880)	($148,880)	($148,880)	($148,880)	($148,880)	($148,880)	($148,880)	($148,880)	($148,880)
B) Unrealized Amortized Reserve Adjustments	$0	$0	$0	$0	$0	$0	$0	($83,652)	($93,575)	($675,294)	($675,294)	($450,196)
2) Total Adjustments (A)+(B)	**($120,312)**	**($137,604)**	**($148,880)**	**($148,880)**	**($148,880)**	**($148,880)**	**($148,880)**	**($232,532)**	**($242,455)**	**($824,174)**	**($824,174)**	**($599,076)**
3) Total MOB Assets After Adjustments (1)+(2)	**$6,191,154**	**$6,295,066**	**$6,796,081**	**$7,273,564**	**$7,539,909**	**$7,717,429**	**$8,529,387**	**$8,455,658**	**$8,985,660**	**$8,287,484**	**$8,391,183**	**$10,286,209**
4) MOB Expenses[2]	**$24,952,679**	**$25,518,174**	**$25,518,174**	**$25,518,174**	**$25,337,203**	**$25,337,203**	**$25,337,203**	**$25,211,822**	**$25,211,822**	**$25,211,822**	**$24,098,071**	**$24,098,071**
5) Number of Reserve Months (3) / (4) * 12 [3]	**2.977**	**2.960**	**3.196**	**3.420**	**3.571**	**3.655**	**4.040**	**4.025**	**4.277**	**3.945**	**4.179**	**5.122**

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] Most months with reserves exceeding 4 months represent a month when a reserve adjustment has been calculated.

MOA Reserve Adjustment Determination

- The chart below illustrates the determination of the amortized required reserve adjustment for the month of October 2018 due to assets exceeding 4.0 months.
- The amount shown on line 9 of $2,253,518, 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 (4.0 months). As the credit is applied to the employers each month, the liability will be reduced by $375,586, or 1/6 of the amount as the employer contributions are credited.

Actual MOA Reserve Determination for October 2018	
1) Total MOB Assets After Adjustments	**$10,286,209**
2) MOB Expenses	**$24,098,071**
3) Number of Reserve Months [(1)/(2)*12 months]	**5.12**
4) Reserve Floor (3-Months)	**$6,024,518**
5) Reserve Ceiling (4-Months)	**$8,032,690**
6) Amount Below Reserve Floor (Deficit) (4) – (1)	**N/A**
7) Amount Above Reserve Ceiling (Excess) (1) – (5)	**$2,253,518**
8) Goal Reserve	**$8,032,690**
9) Aggregate Required Reserve Adjustment (1) – (8)	**$2,253,518**
10) Amortized Required Reserve Adjustment (9) / 6	**$375,586**
11) Current Value of 1 Month of Employer Contributions	**$1,898,367**

N/A = Not Applicable

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.

Month Determined	Amortized Amount by Month									Total Determined	Total Outstanding
	9/30/2018	10/31/2018	11/30/2018	12/31/2018	1/31/2019	2/28/2019	3/31/2019	4/30/2019	5/31/2019		
May 2018	($13,942)	($13,942)	($13,942)	($13,942)	($13,942)	($13,942)	$0	$0	$0	($83,652)	($55,768)
June 2018	($1,654)	($1,654)	($1,654)	($1,654)	($1,654)	($1,654)	$0	$0	$0	($9,923)	($6,615)
July 2018	($96,953)	($96,953)	($96,953)	($96,953)	($96,953)	($96,953)	$0	$0	$0	($581,719)	($387,813)
August 2018	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
September 2018	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
October 2018	$0	$0	$0	($375,586)	($375,586)	($375,586)	($375,586)	($375,586)	($375,586)	($2,253,518)	($2,253,518)
Total Calculated	($112,549)[1]	($112,549)	($112,549)	($488,135)	($488,135)	($488,135)	($375,586)	($375,586)	($375,586)	($2,928,812)	($2,703,714)

[1] September credit was taken in October along with the October credit.

- The amounts outstanding are illustrated as of October 31, 2018 and do not include any payments / (credits) that may have occurred after October 31, 2018.
- Currently, the Trustees have agreed to credit $112,549 per month based on the reserve determination calculations through July 2018. The continuation of, or changes to the credit will be contingent upon Trustee approval.
- The calculated credits for the next three months beginning with December, is $488,135. This is the sum of the past credits of $112,549 plus the $375,586 credit calculated for October.
- The credit drops to $375,586 in March 2019, when the $112,549 credit has been fully realized (six months).

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

Period Start: Period End: Months in Period	10/1/2015 12/31/2015 3.0	1/1/2016 3/31/2016 3.0	4/1/2016 6/30/2016 3.0	7/1/2016 9/30/2016 3.0	10/1/2016 12/31/2016 3.0	1/1/2017 3/31/2017 3.0	4/1/2017 6/30/2017 3.0	7/1/2017 9/30/2017 3.0	10/1/2017 12/31/2017 3.0	1/1/2018 3/31/2018 3.0	4/1/2018 6/30/2018 3.0	7/1/2018 9/30/2018 3.0
Participants	2,878	2,864	2,843	2,834	2,784	2,753	2,754	2,748	2,716	2,879	2,697	2,425
Income												
Active Contributions	$6,126,830	$5,838,383	$6,659,494	$6,573,904	$6,529,727	$6,453,088	$6,402,999	$6,645,315	$6,695,443	$7,020,409	$6,953,511	$5,695,101
Retiree Contributions	31,055	53,362	58,162	57,074	57,068	57,499	52,434	55,229	53,222	51,727	51,893	52,983
Total	**$6,157,885**	**$5,891,745**	**$6,717,656**	**$6,630,978**	**$6,586,795**	**$6,510,587**	**$6,455,433**	**$6,700,544**	**$6,748,665**	**$7,072,136**	**$7,005,404**	**$5,748,084**
Paid Expenses												
Medical	$2,878,731	$3,655,085	$4,750,671	$3,973,535	$2,905,819	$3,457,790	$3,995,228	$3,062,146	$3,431,667	$3,028,068	$3,807,884	$2,880,214
HMO	38,990	38,988	32,685	41,738	26,819	44,024	35,792	42,097	45,441	38,442	43,085	28,533
Life/AD&D	22,662	22,361	22,047	22,012	22,468	22,565	22,719	22,421	22,299	22,126	21,986	20,151
Disability	358,016	228,000	287,105	325,849	247,119	273,061	241,943	247,873	226,445	262,405	241,226	211,330
Dental	272,097	260,402	257,441	256,793	252,823	243,995	238,393	236,496	234,028	231,945	228,201	192,033
Optical	31,525	24,230	23,887	23,957	23,531	23,296	23,071	22,839	22,575	22,420	22,075	18,562
Drug	1,333,799	1,065,654	1,326,103	959,718	1,096,492	1,165,690	1,195,118	1,341,294	1,122,862	1,389,731	1,139,554	883,743
Retirees	632,726	592,878	719,224	662,364	644,746	641,028	593,038	588,317	490,156	695,640	596,963	354,551
Medical Adm.	89,445	88,280	88,910	89,822	88,095	87,633	86,896	87,879	86,536	86,020	83,456	71,731
Mental Health Manager	95,105	106,873	77,215	47,583	48,735	43,808	33,348	93,504	78,741	50,038	145,419	29,320
PPO	51,721	51,258	49,190	48,635	48,234	46,549	46,618	45,120	44,013	43,870	47,705	35,606
EAP	2,918	2,753	2,693	2,691	2,631	2,641	2,615	2,584	2,571	2,556	2,507	2,125
UM/DM	76,716	74,197	60,542	70,082	64,609	64,714	61,589	69,369	70,486	84,614	74,140	52,989
Operating Expenses	222,008	312,338	201,821	217,951	198,422	269,626	178,261	279,148	358,218	247,574	175,047	246,448
Total	**$6,106,459**	**$6,523,297**	**$7,899,534**	**$6,742,730**	**$5,670,543**	**$6,386,420**	**$6,754,629**	**$6,141,087**	**$6,236,038**	**$6,205,449**	**$6,629,248**	**$5,027,336**
Operating Surplus/(Deficit)	$51,426	($631,552)	($1,181,878)	($111,752)	$916,252	$124,167	($299,196)	$559,457	$512,627	$866,687	$376,156	$720,748
Other Operating Surplus/(Deficit)[1]	$185,001	($244,058)	($120,025)	($290,898)	$181,340	$537,992	($187,429)	($274,483)	$275,949	$545,209	$59,888	$1,270,043[2]
Total Fund Operating Surplus/(Deficit)	**$236,427**	**($875,610)**	**($1,301,903)**	**($402,650)**	**$1,097,592**	**$662,159**	**($486,625)**	**$284,974**	**$788,576**	**$1,411,896**	**$436,044**	**$1,990,791**
Quarterly Per Capita Expenses	$707.26	$759.23	$926.20	$793.08	$678.94	$773.27	$817.55	$744.92	$765.35	$718.47	$819.34	$691.04
Current 12-Month Per Capita Expenses	$736.74	$751.96	$785.26	$796.10	$789.88	$793.63	$765.67	$753.47	$775.32	$761.08	$761.23	$749.53
Prior 12-Month Per Capita Expenses	$674.17	$704.47	$741.20	$731.60	$736.74	$751.96	$785.26	$796.10	$789.88	$793.63	$765.67	$753.47
Year Over Year Change	9.3%	6.7%	5.9%	8.8%	7.2%	5.5%	-2.5%	-5.4%	-1.8%	-4.1%	-0.6%	-0.5%

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

[1] Includes Kroger experience, interest and dividends, and miscellaneous income.

[2] Includes recovery proceeds from ESI audit for period ending 2006.

- Current 12-month per capita expenses have decreased 0.5%, from $753.47 during the 12-month period October 1, 2016 through September 30, 2017 to $749.53 during the 12-month period October 1, 2017 through September 30, 2018.

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

Period Start:	**10/1/2012**	**1/1/2013**	**4/1/2013**	**7/1/2013**	**10/1/2013**	**1/1/2014**	**4/1/2014**	**7/1/2014**	**10/1/2014**	**1/1/2015**	**4/1/2015**	**7/1/2015**
Period End:	**12/31/2012**	**3/31/2013**	**6/30/2013**	**9/30/2013**	**12/31/2013**	**3/31/2014**	**6/30/2014**	**9/30/2014**	**12/31/2014**	**3/31/2015**	**6/30/2015**	**9/30/2015**
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	3,159	3,042	2,985	2,982	2,970	2,993	3,065	3,073	3,040	3,022	3,031	2,973
Income												
Active Contributions	$6,261,984	$6,044,267	$5,968,256	$5,948,646	$5,959,073	$5,958,900	$5,991,114	$5,977,553	$4,012,461	$6,071,581	$6,357,289	$6,280,668
Retiree Contributions	36,459	37,556	35,566	35,386	35,754	33,543	30,788	28,731	28,915	29,987	32,842	32,772
Total	**$6,298,443**	**$6,081,823**	**$6,003,822**	**$5,984,032**	**$5,994,827**	**$5,992,443**	**$6,021,902**	**$6,006,284**	**$4,041,376**	**$6,101,568**	**$6,390,131**	**$6,313,440**
Paid Expenses												
Medical	$3,193,674	$3,013,997	$3,347,001	$2,772,332	$2,561,203	$2,179,161	$2,423,678	$3,892,383	$3,287,131	$2,892,717	$3,967,482	$3,667,397
HMO	87,343	106,324	107,980	90,366	98,401	79,557	74,284	62,155	63,987	66,112	52,959	26,110
Life/AD&D	19,003	18,909	18,587	18,370	18,248	18,109	17,957	21,276	21,225	21,181	21,076	26,837
Disability	284,633	263,036	300,280	291,168	271,703	277,687	265,567	275,104	253,693	207,084	258,246	290,716
Dental	289,778	287,211	283,154	282,140	281,516	279,996	279,485	280,540	281,132	278,725	277,071	276,003
Optical	36,376	35,790	35,119	34,567	34,349	34,665	33,332	33,352	33,045	33,234	32,330	31,830
Drug	1,164,790	1,079,779	1,276,240	1,233,215	1,203,245	1,207,635	1,637,748	1,403,539	1,281,009	1,356,813	1,303,835	1,183,450
Retirees	817,705	636,963	604,863	824,950	798,265	625,869	651,227	715,234	569,497	730,675	668,077	658,068
Medical Adm.	93,618	91,348	90,598	91,734	91,261	90,677	90,938	91,775	91,469	90,984	90,663	90,137
Mental Health Manager	97,921	42,767	25,474	87,676	66,378	48,942	81,668	69,099	91,963	61,303	90,247	65,897
PPO	54,423	52,798	80,996	76,944	69,260	68,446	77,647	89,827	79,233	82,664	81,738	54,108
EAP	2,424	2,410	2,452	2,490	2,508	2,527	2,561	2,848	2,992	2,968	2,969	2,955
UM/DM	80,010	81,229	74,314	73,099	80,615	75,251	92,941	73,562	71,545	74,962	72,300	76,678
Operating Expenses	181,684	151,198	152,942	277,038	255,464	180,000	171,155	258,077	150,514	436,708	250,074	248,731
Total	**$6,403,382**	**$5,863,759**	**$6,400,000**	**$6,156,089**	**$5,832,416**	**$5,168,522**	**$5,900,188**	**$7,268,771**	**$6,278,435**	**$6,336,130**	**$7,169,067**	**$6,698,917**
Operating Surplus/(Deficit)	($104,939)	$218,064	($396,178)	($172,057)	$162,411	$823,921	$121,714	($1,262,487)	($2,237,059)	($234,562)	($778,936)	($385,477)
Other Operating Surplus/(Deficit)[1]	($61,783)	($162,935)	$247,010	($735,293)	($3,307,999)	$143,372	($785,969)	($563,837)	($457,491)	($508,461)	($492,202)	($223,324)
Total Fund Operating Surplus/(Deficit)	**($166,722)**	**$55,129**	**($149,168)**	**($907,350)**	**($3,145,588)**	**$967,293**	**($664,255)**	**($1,826,324)**	**($2,694,550)**	**($743,023)**	**($1,271,138)**	**($608,801)**
Quarterly Per Capita Expenses	$675.68	$642.53	$714.68	$688.14	$654.59	$575.62	$641.67	$788.46	$688.42	$698.89	$788.42	$751.08
Current 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
Prior 12-Month Per Capita Expenses	$688.04	$687.86	$698.92	$652.49	$656.06	$672.89	$674.96	$680.01	$674.85	$658.20	$639.94	$665.78
Year Over Year Change	-4.6%	-2.2%	-3.4%	4.2%	2.9%	-2.2%	-5.2%	-2.1%	-0.1%	7.0%	15.8%	9.9%

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

[1] *Includes Kroger experience, interest and dividends, and miscellaneous income.*