Segal Consulting

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

Reserve Determination Report

PNC Statements Through August 31, 2019
Administrative Manager's Reports Through June 30, 2019

September 2019

Actionable Items

- The Trustees approved credits through April 2019. At the most recent Board of Trustees meeting, the Trustees did not take further action.
- Further credits have been calculated and amortized over 6 months as outlined in the August 25, 2017 MOA language. These credits have been added to the previous credits.
- The credits pending approval are illustrated in the chart below. Additional detail on how these figures were calculated are outlined in the remainder of this report.
- The following credits have been calculated in accordance with the policy:

	Credits	
Month to be Applied	**Amount**	**Status**
September 2019	$887,409	Pending Approval
October 2019	$887,409	Pending Approval
November 2019	$568,097	Pending Approval
December 2019	$568,097	Pending Approval
January 2020	$568,097	Pending Approval
February 2020	$568,097	Pending Approval

- At the end of the report, we have included two projections that illustrate potential assets levels. These scenarios are based on the assumption that the outstanding credits are approved. One projection is based on a standard projection method, and the other projection is based solely on experience for the three most recent months of PNC statements.

Most Recent Reserve Position Based on PNC Statements

- Based on the August 25, 2017 MOA language, April 2019 and June 2019 reserves have resulted in an adjustment due to reserves exceeding 4.0 months. Page 4 illustrates the reserves adjustment determination.

Historical Reserve Position based on PNC Statements												
	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**	**6/30/2019**	**7/31/2019**	**8/31/2019**
A) PNC Statement (Beginning of Month)	$9,111,658	$9,215,357	$10,885,285	$10,969,906	$10,615,304	$10,823,040	$10,913,601	$10,689,173	$10,884,231	$10,508,945	$11,133,405	$10,782,283
B) PNC Receipts and Earnings	$2,013,048	$3,294,816	$1,906,303	$1,872,503	$1,859,593	$1,736,439	$1,477,685	$1,798,307	$1,949,021	$2,157,354	$1,888,988	$1,920,139
C) PNC Disbursements	($1,909,349)	($1,624,888)	($1,821,682)	($2,227,105)	($1,651,857)	($1,645,878)	($1,702,113)	($1,603,249)	($2,324,307)	($1,532,894)	($2,240,110)	($2,309,451)
D) Monthly Surplus/(Deficit) (B)+(C)	$103,699	$1,669,928	$84,621	($354,602)	$207,736	$90,561	($224,428)	$195,058	($375,286)	$624,460	($351,122)	($389,312)
1) PNC Statement (End of Month) (A)+(D)	**$9,215,357**	**$10,885,285**	**$10,969,906**	**$10,615,304**	**$10,823,040**	**$10,913,601**	**$10,689,173**	**$10,884,231**	**$10,508,945**	**$11,133,405**	**$10,782,283**	**$10,392,971**
A) Kroger Roanoke Retirees Adjustment [1]	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)
B) Unrealized Amortized Reserve Adjustments[2]	($675,294)	($450,196)	($2,591,165)	($2,692,365)	($2,204,230)	($2,341,609)	($2,432,170)	($2,320,291)	($3,421,340)	($3,421,340)	($4,047,206)	($4,047,206)
2) Total Adjustments (A)+(B)	**($808,436)**	**($583,338)**	**($2,724,307)**	**($2,825,507)**	**($2,337,371)**	**($2,474,751)**	**($2,565,312)**	**($2,453,433)**	**($3,554,481)**	**($3,554,481)**	**($4,180,348)**	**($4,180,348)**
3) Total MOB Assets After Adjustments (1)+(2)	**$8,406,921**	**$10,301,947**	**$8,245,599**	**$7,789,797**	**$8,485,669**	**$8,438,850**	**$8,123,861**	**$8,430,798**	**$6,954,464**	**$7,578,924**	**$6,601,935**	**$6,212,623**
4) MOB Expenses[3]	**$24,098,071**	**$24,098,071**	**$24,098,071**	**$23,582,983**	**$23,582,983**	**$23,582,983**	**$21,989,249**	**$21,989,249**	**$21,989,249**	**$20,859,172**	**$20,859,172**	**$20,859,172**
5) Number of Reserve Months (3) / (4) * 12 [4]	**4.186**	**5.130**	**4.106**	**3.964**	**4.318**	**4.294**	**4.433**	**4.601**	**3.795**	**4.360**	**3.798**	**3.574**

[1] *Includes incurred but not reported claims less any payments already made by Kroger. Amount has been updated for the final payment figure.*

[2] *Based on the total credits calculated less credits paid. Includes credits calculated, but not yet approved by the Trustees.*

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

[4] *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 months of April 2019 and June 2019 due to assets exceeding 4.0 months.
- The amounts shown on line 9, 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 is reduced by 1/6 of the amount as the employer contributions are credited.

Actual MOA Reserve Determination		
	April 2019	**June 2019**
1) Total MOB Assets After Adjustments	$8,430,798	$7,578,924
2) MOB Expenses	$21,989,249	$20,859,172
3) Number of Reserve Months [(1) / (2) * 12 months]	4.601	4.360
4) Reserve Floor (3-Months of MOB Expenses) [(2) / 12 * 3 months]	$5,497,312	$5,214,793
5) Reserve Ceiling (4-Months of MOB Expenses) [(2) / 12 * 4 months]	$7,329,750	$6,953,057
6) Amount Below Reserve Floor (Deficit) (4) – (1)	N/A	N/A
7) Amount Above Reserve Ceiling (Excess) (1) – (5)	$1,101,048	$625,866
8) Goal Reserve	$7,329,750	$6,953,057
9) Aggregate Required Reserve Adjustment (1) – (8)	$1,101,048	$625,866
10) Amortized Required Reserve Adjustment (9) / 6	$183,508	$104,311

N/A = Not Applicable

Amortization History and Schedule

- The chart below illustrates the total amount of amortization calculated the month the amortization was calculated and the month the amortization was applied. The amounts outstanding are illustrated as of August 31, 2019 and do not include any payments / (credits) that may have occurred after August 31, 2019.

Month Determined	Amortized Amount by Month																	Total Determined
	10/31/2018	11/30/2018	12/31/2018	1/31/2019	2/28/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019	10/31/2019	11/30/2019	12/31/2019	1/31/2020	2/29/2020	
May 2018	($27,884)	($13,942)	($13,942)	($13,942)	($13,942)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($83,652)
June 2018	($3,308)	($1,654)	($1,654)	($1,654)	($1,654)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($9,923)
July 2018	($193,906)	($96,953)	($96,953)	($96,953)	($96,953)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($581,719)
August 2018	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
September 2018	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
October 2018	$0	$0	$0	($375,586)	($375,586)	($488,135)	($375,586)	$0	$0	$0	$0	($319,312)	($319,312)	$0	$0	$0	$0	($2,253,518)
November 2018	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($35,625)	($35,625)	($35,625)	($35,625)	($35,625)	($35,625)	($213,749)
December 2018	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
January 2019	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($104,252)	($104,252)	($104,252)	($104,252)	($104,252)	($104,252)	($625,515)
February 2019	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($96,449)	($96,449)	($96,449)	($96,449)	($96,449)	($96,449)	($578,696)
March 2019	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($43,951)	($43,951)	($43,951)	($43,951)	($43,951)	($43,951)	($263,707)
April 2019	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($183,508)	($183,508)	($183,508)	($183,508)	($183,508)	($183,508)	($1,101,048)
May 2019	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
June 2019	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($104,311)	($104,311)	($104,311)	($104,311)	($104,311)	($104,311)	($625,866)
July 2019	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
August 2019	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($225,098)	($112,549)	($112,549)	($488,135)	($488,135)	($488,135)	($375,586)	$0	$0	$0	$0	($887,409)	($887,409)	($568,097)	($568,097)	($568,097)	($568,097)	($6,337,394)
	Paid	Paid	Paid	Paid	Paid	Paid	Paid	No Credit Approved	No Credit Approved	No Credit Approved	No Credit Approved	Pending Approval	Pending Approval	Pending Approval	Pending Approval	Pending Approval	Pending Approval	

- Credits not approved at the April Board meeting have been highlighted above in green.
- Additional credits determined in April 2019 and June 2019 have been highlighted above in yellow.
- The credits have been assumed to go into effect starting September 2019.
- Page 6 illustrates the prior credits the Trustees have approved, along with the calculated credits. The continuation of or changes to the credit will be contingent upon Trustee approval.

Amortization History and Schedule

- The chart below illustrates the total amount of amortization calculated and the amount that has been applied to each month's employer contribution.
- "Reserve Adjustments Calculated" are illustrated as of the month-end of when the figures were determined. "Credits" are illustrated as of the month the amounts were applied for the employer contributions due.
- Figures for Columns B, E and F are also found, illustrated in an alternative layout, in the chart on page 5 of this report. Figures for Column D are illustrated in line "B) Unrealized Amortized Reserve Adjustments" found on page 3 of this report.

		Credits			Reserve Adjustments Calculated		
	Outstanding Balance at the Beginning of the Month	Amount	Status	Outstanding Balance Before Adjustment (A) + (B)	6-Month Amortized Amount	Total Amount	Outstanding Balance at the End of the Month After Adjustment (D) + (F)
Month	(A)	(B)	(C)	(D)	(E)	(F)	(G)
May 2018	$0	$0	Paid	$0	($13,942)	($83,652)	($83,652)
June 2018	($83,652)	$0	Paid	($83,652)	($1,654)	($9,923)	($93,575)
July 2018	($93,575)	$0	Paid	($93,575)	($96,953)	($581,719)	($675,294)
August 2018	($675,294)	$0	Paid	($675,294)	$0	$0	($675,294)
September 2018	($675,294)	$0	Paid	($675,294)	$0	$0	($675,294)
October 2018	($675,294)	$225,098	Paid	($450,196)	($375,586)	($2,253,518)	($2,703,714)
November 2018	($2,703,714)	$112,549	Paid	($2,591,165)	($35,625)	($213,749)	($2,804,914)
December 2018	($2,804,914)	$112,549	Paid	($2,692,365)	$0	$0	($2,692,365)
January 2019	($2,692,365)	$488,135	Paid	($2,204,230)	($104,252)	($625,515)	($2,829,744)
February 2019	($2,829,744)	$488,135	Paid	($2,341,609)	($96,449)	($578,696)	($2,920,305)
March 2019	($2,920,305)	$488,135	Paid	($2,432,170)	($43,951)	($263,707)	($2,695,877)
April 2019	($2,695,877)	$375,586	Paid	($2,320,291)	($183,508)	($1,101,048)	($3,421,340)
May 2019	($3,421,340)	$0	No Credit Approved	($3,421,340)	$0	$0	($3,421,340)
June 2019	($3,421,340)	$0	No Credit Approved	($3,421,340)	($104,311)	($625,866)	($4,047,206)
July 2019	($4,047,206)	$0	No Credit Approved	($4,047,206)	$0	$0	($4,047,206)
August 2019	($4,047,206)	$0	No Credit Approved	($4,047,206)	$0	$0	($4,047,206)
September 2019	($4,047,206)	$887,409	Pending Approval	($3,159,797)	n/a	n/a	($3,159,797)
October 2019	($3,159,797)	$887,409	Pending Approval	($2,272,388)	n/a	n/a	($2,272,388)
November 2019	($2,272,388)	$568,097	Pending Approval	($1,704,291)	n/a	n/a	($1,704,291)
December 2019	($1,704,291)	$568,097	Pending Approval	($1,136,194)	n/a	n/a	($1,136,194)
January 2020	($1,136,194)	$568,097	Pending Approval	($568,097)	n/a	n/a	($568,097)
February 2020	($568,097)	$568,097	Pending Approval	($0)	n/a	n/a	($0)

n/a = not applicable

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

Period Start: **Period End:** **Months in Period**	**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	**10/1/2018** **12/31/2018** 3.0	**1/1/2019** **3/31/2019** 3.0	**4/1/2019** **6/30/2019** 3.0
Participants	2,834	2,784	2,753	2,754	2,748	2,716	2,879	2,697	2,425	2,378	2,304	2,291
Income												
Active Contributions	$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	$5,089,940	$4,313,324	$5,558,858
Retiree Contributions	57,074	57,068	57,499	52,434	55,229	53,222	51,727	51,893	52,983	52,461	49,570	48,766
Total	**$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**	**$5,142,401**	**$4,362,894**	**$5,607,624**
Paid Expenses												
Medical	$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	$3,114,455	$2,312,992	$3,479,711
HMO	41,738	26,819	44,024	35,792	42,097	45,441	38,442	43,085	28,533	32,389	25,711	29,755
Life/AD&D	22,012	22,468	22,565	22,719	22,421	22,299	22,126	21,986	20,151	18,129	17,873	17,758
Disability	325,849	247,119	273,061	241,943	247,873	226,445	262,405	241,226	211,330	194,030	175,668	201,581
Dental	256,793	252,823	243,995	238,393	236,496	234,028	231,945	228,201	192,033	189,629	186,976	183,176
Optical	23,957	23,531	23,296	23,071	22,839	22,575	22,420	22,075	18,562	18,349	18,141	17,815
Drug	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	1,031,466	766,146	657,902
Retirees	662,364	644,746	641,028	593,038	588,317	490,156	695,640	596,963	354,551	655,662	641,181	475,320
Medical Adm.	89,822	88,095	87,633	86,896	87,879	86,536	86,020	83,456	71,731	70,781	72,472	70,893
Mental Health Manager	47,583	48,735	43,808	33,348	93,504	78,741	50,038	145,419	29,320	87,227	143,201	77,789
PPO	48,635	48,234	46,549	46,618	45,120	44,013	43,870	47,705	35,606	34,580	31,322	33,663
EAP	2,691	2,631	2,641	2,615	2,584	2,571	2,556	2,507	2,125	2,101	2,064	2,030
UM/DM	70,082	64,609	64,714	61,589	69,369	70,486	84,614	74,140	52,989	49,509	53,656	53,008
Operating Expenses	217,951	198,422	269,626	178,261	279,148	358,218	247,574	175,047	246,448	222,643	164,312	198,770
Total	**$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**	**$5,720,950**	**$4,611,715**	**$5,499,171**
Operating Surplus/(Deficit)	($111,752)	$916,252	$124,167	($299,196)	$559,457	$512,627	$866,687	$376,156	$720,748	($578,549)	($248,821)	$108,453
Other Operating Surplus/(Deficit) [1]	($290,898)	$181,340	$537,992	($187,429)	($274,483)	$275,949	$545,209	$59,888	$1,270,043[2]	$74,302	$64,871	$59,539
Total Fund Operating Surplus/(Deficit)	**($402,650)**	**$1,097,592**	**$662,159**	**($486,625)**	**$284,974**	**$788,576**	**$1,411,896**	**$436,044**	**$1,990,791**	**($504,247)**	**($183,950)**	**$167,992**
Quarterly Per Capita Expenses	$793.08	$678.94	$773.27	$817.55	$744.92	$765.35	$718.47	$819.34	$691.04	$801.93	$667.20	$800.11
Current 12-Month Per Capita Expenses	$796.10	$789.88	$793.63	$765.67	$753.47	$775.32	$761.08	$761.23	$749.53	$757.39	$747.63	$739.84
Prior 12-Month Per Capita Expenses	$731.60	$736.74	$751.96	$785.26	$796.10	$789.88	$793.63	$765.67	$753.47	$775.32	$761.08	$761.23
Year Over Year Change	8.8%	7.2%	5.5%	-2.5%	-5.4%	-1.8%	-4.1%	-0.6%	-0.5%	-2.3%	-1.8%	-2.8%

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 2.8%, from $761.23 during the 12-month period July 1, 2017 through June 30, 2018 to $739.84 during the 12-month period July 1, 2018 through June 30, 2019.

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

Period Start:	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	10/1/2015	1/1/2016	4/1/2016
Period End:	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	12/31/2015	3/31/2016	6/30/2016
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	2,982	2,970	2,993	3,065	3,073	3,040	3,022	3,031	2,973	2,878	2,864	2,843
Income												
Active Contributions	$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	$6,126,830	$5,838,383	$6,659,494
Retiree Contributions	35,386	35,754	33,543	30,788	28,731	28,915	29,987	32,842	32,772	31,055	53,362	58,162
Total	**$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**	**$6,157,885**	**$5,891,745**	**$6,717,656**
Paid Expenses												
Medical	$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	$2,878,731	$3,655,085	$4,750,671
HMO	90,366	98,401	79,557	74,284	62,155	63,987	66,112	52,959	26,110	38,990	38,988	32,685
Life/AD&D	18,370	18,248	18,109	17,957	21,276	21,225	21,181	21,076	26,837	22,662	22,361	22,047
Disability	291,168	271,703	277,687	265,567	275,104	253,693	207,084	258,246	290,716	358,016	228,000	287,105
Dental	282,140	281,516	279,996	279,485	280,540	281,132	278,725	277,071	276,003	272,097	260,402	257,441
Optical	34,567	34,349	34,665	33,332	33,352	33,045	33,234	32,330	31,830	31,525	24,230	23,887
Drug	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	1,333,799	1,065,654	1,326,103
Retirees	824,950	798,265	625,869	651,227	715,234	569,497	730,675	668,077	658,068	632,726	592,878	719,224
Medical Adm.	91,734	91,261	90,677	90,938	91,775	91,469	90,984	90,663	90,137	89,445	88,280	88,910
Mental Health Manager	87,676	66,378	48,942	81,668	69,099	91,963	61,303	90,247	65,897	95,105	106,873	77,215
PPO	76,944	69,260	68,446	77,647	89,827	79,233	82,664	81,738	54,108	51,721	51,258	49,190
EAP	2,490	2,508	2,527	2,561	2,848	2,992	2,968	2,969	2,955	2,918	2,753	2,693
UM/DM	73,099	80,615	75,251	92,941	73,562	71,545	74,962	72,300	76,678	76,716	74,197	60,542
Operating Expenses	277,038	255,464	180,000	171,155	258,077	150,514	436,708	250,074	248,731	222,008	312,338	201,821
Total	**$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**	**$6,106,459**	**$6,523,297**	**$7,899,534**
Operating Surplus/(Deficit)	($172,057)	$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)
Other Operating Surplus/(Deficit)[1]	($735,293)	($3,307,999)	$143,372	($785,969)	($563,837)	($457,491)	($508,461)	($492,202)	($223,324)	$185,001	($244,058)	($120,025)
Total Fund Operating Surplus/(Deficit)	**($907,350)**	**($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)**
Quarterly Per Capita Expenses	$688.14	$654.59	$575.62	$641.67	$788.46	$688.42	$698.89	$788.42	$751.08	$707.26	$759.23	$926.20
Current 12-Month Per Capita Expenses	$680.01	$674.85	$658.20	$639.94	$665.78	$674.17	$704.47	$741.20	$731.60	$736.74	$751.96	$785.26
Prior 12-Month Per Capita Expenses	$652.49	$656.06	$672.89	$674.96	$680.01	$674.85	$658.20	$639.94	$665.78	$674.17	$704.47	$741.20
Year Over Year Change	4.2%	2.9%	-2.2%	-5.2%	-2.1%	-0.1%	7.0%	15.8%	9.9%	9.3%	6.7%	5.9%

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

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

Estimate of IBNR

- Claims that have been incurred but not yet paid are recorded as an obligation by the Fund. This obligation is called the Incurred But Not Reported Reserve (IBNR).
- The IBNR reserve represents an estimate of the liability of claims that have already been submitted, but for which payment has not been made, and incurred claims that have not yet been submitted. The following chart illustrates the Fund's Current Reserves Net of the IBNR.

Fund Reserves	
	As of August 31, 2019
Current Reserves	$6,212,623
Incurred But Not Reported Claims Reserve[1]	$1,553,000
Current Reserves Net of IBNR	$4,659,623

[1] *Based on an average medical IBNR utilizing actual claims lag and does not include prescription drug claims.*

Short-Term Projection
Standard Projection

- At the April Board of Trustees meeting, the Trustees asked to see additional information to review the reserve position given the recent changes that are occurring at Shoppers. The following chart provides a sensitivity analysis for a short-term projection of the continuation value based on approving the outstanding credits.
- **<u>This projection utilizes historical claims experience and projects the claims under standard conditions.</u>**
- If the credits are approved and experience is not adverse, the projection indicates that reserves will stay within the 3 to 4 month reserve corridor.

Projected Reserve Position

	8/31/2019	9/30/2019	10/31/2019	11/30/2019	12/31/2019	1/31/2020	2/29/2020	3/31/2020
A) PNC Statement (Beginning of Month)	$10,782,283	$10,392,971	$9,489,141	$8,573,280	$7,964,621	$7,343,776	$6,710,665	$6,065,210
B) PNC Receipts and Earnings	$1,920,139	$966,159	$966,159	$1,285,471	$1,285,471	$1,285,471	$1,285,471	$1,853,568
C) PNC Disbursements	($2,309,451)	($1,869,989)	($1,882,020)	($1,894,129)	($1,906,316)	($1,918,582)	($1,930,926)	($1,943,349)
D) Monthly Surplus/(Deficit) (B)+(C)	($389,312)	($903,830)	($915,861)	($608,658)	($620,845)	($633,111)	($645,455)	($89,782)
1) PNC Statement (End of Month) (A)+(D)	**$10,392,971**	**$9,489,141**	**$8,573,280**	**$7,964,621**	**$7,343,776**	**$6,710,665**	**$6,065,210**	**$5,975,429**
A) Kroger Roanoke Retirees Adjustment	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)
B) Unrealized Amortized Reserve Adjustments[2]	($4,047,206)	($3,159,797)	($2,272,388)	($1,704,291)	($1,136,194)	($568,097)	($0)	($0)
2) Total Adjustments (A)+(B)	**($4,180,348)**	**($3,292,939)**	**($2,405,530)**	**($1,837,433)**	**($1,269,336)**	**($701,239)**	**($133,142)**	**($133,142)**
3) Total MOB Assets After Adjustments (1)+(2)[1]	**$6,212,623**	**$6,196,202**	**$6,167,750**	**$6,127,188**	**$6,074,440**	**$6,009,426**	**$5,932,069**	**$5,842,287**
4) MOB Expenses[2]	**$20,859,172**	**$21,277,446**	**$21,277,446**	**$21,277,446**	**$21,286,237**	**$21,286,237**	**$21,286,237**	**$22,079,245**
5) Number of Reserve Months (3) / (4) * 12 [4]	**3.574**	**3.495**	**3.478**	**3.456**	**3.424**	**3.388**	**3.344**	**3.175**

[1] *Total MOB Assets include the full value of the Unrealized Amortized Reserve Adjustments, including the credits calculated, but not yet approved by the Trustees. Assets are projected utilizing the calculated cost of benefits effective January 1, 2019 based on Segal's Maintenance of Benefit (MOB) Rates.*

[2] *Based on paid expenses as provided in Associated's AMRs and Segal's projected expenses for the prior twelve-month period.*

Short-Term Projection - High Cost Projection based on Most Recent 3 Months of Experience

- At the April Board of Trustees meeting, the Trustees asked to see additional information to review the reserve position given the recent changes that are occurring at Shoppers. The following chart provides a sensitivity analysis for a short-term projection of the continuation value based on approving the outstanding credits.
- **Under this higher cost projection, we have utilized the most recent 3 months of expenses based on the PNC statements.** Note that smaller experience periods are more volatile and are not necessarily effective for projection.
- The Fund has had average expenses (disbursements) for the most recent 3 months of PNC statements through August of $2.0 million. According to the most recent AMR through June, the Fund's average expenses for the most recent 12 months is $1.7 million.
- If credits are approved and expenses continue at the same level as the most recent 3 months, the reserve position would fall below the 3 to 4 month reserve corridor.

Projected Reserve Position

	8/31/2019	9/30/2019	10/31/2019	11/30/2019	12/31/2019	1/31/2020	2/29/2020	3/31/2020
A) PNC Statement (Beginning of Month)	$10,782,283	$10,392,971	$9,305,471	$8,204,758	$7,410,059	$6,601,975	$5,780,422	$4,945,312
B) PNC Receipts and Earnings	$1,920,139	$966,159	$966,159	$1,285,471	$1,285,471	$1,285,471	$1,285,471	$1,853,568
C) PNC Disbursements	($2,309,451)	($2,053,659)	($2,066,872)	($2,080,170)	($2,093,554)	($2,107,024)	($2,120,581)	($2,134,225)
D) Monthly Surplus/(Deficit) (B)+(C)	($389,312)	($1,087,500)	($1,100,713)	($794,699)	($808,083)	($821,553)	($835,110)	($280,657)
1) PNC Statement (End of Month) (A)+(D)	**$10,392,971**	**$9,305,471**	**$8,204,758**	**$7,410,059**	**$6,601,975**	**$5,780,422**	**$4,945,312**	**$4,664,655**
A) Kroger Roanoke Retirees Adjustment	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)	($133,142)
B) Unrealized Amortized Reserve Adjustments[2]	($4,047,206)	($3,159,797)	($2,272,388)	($1,704,291)	($1,136,194)	($568,097)	($0)	($0)
2) Total Adjustments (A)+(B)	**($4,180,348)**	**($3,292,939)**	**($2,405,530)**	**($1,837,433)**	**($1,269,336)**	**($701,239)**	**($133,142)**	**($133,142)**
3) Total MOB Assets After Adjustments (1)+(2)[1]	**$6,212,623**	**$6,012,532**	**$5,799,228**	**$5,572,626**	**$5,332,639**	**$5,079,183**	**$4,812,170**	**$4,531,513**
4) MOB Expenses[2]	**$20,859,172**	**$21,461,116**	**$21,461,116**	**$21,461,116**	**$22,028,037**	**$22,028,037**	**$22,028,037**	**$23,390,019**
5) Number of Reserve Months (3) / (4) * 12 [4]	**3.574**	**3.362**	**3.243**	**3.116**	**2.905**	**2.767**	**2.621**	**2.325**

[1] *Total MOB Assets include the full value of the Unrealized Amortized Reserve Adjustments, including the credits calculated, but not yet approved by the Trustees. Assets are projected utilizing the average expenses from the PNC statement for the 3 most recent months through August 31, 2019.*

[2] *Based on paid expenses as provided in Associated's AMRs and Segal's projected expenses for the prior twelve-month period.*