CHEIRON — CLASSIC VALUES, INNOVATIVE ADVICE

DRAFT

UFCW Unions and Participating Employers Pension Fund

PPA Zone Status and Rehabilitation Plan Discussion

March 21, 2014

Discussion Topics

- PPA Zone Status
- Rehabilitation Plan
- Recent Experience / Trends
- Contribution Projection
- Projections / Scheduled Progress
- Next Steps

PPA Zone Status

- Zone certifications began in 2008
- 2008 – green
- 2009 – would have been red / critical except WRERA permitted you to maintain 2008 status
- 2010 – certified as being in critical status due to projected funding deficiency within four years
- 2011, 2012, 2013 – certified as being in critical status since in critical status the prior year and not projected to maintain a positive credit balance for next 10 years
- 2014 – same as 2011-2013

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Notes About Zone Status Testing

- Not permitted to use amortization extensions when testing whether or not the plan enters critical status
- Are permitted to use amortization extensions when testing whether or not the plan emerges from critical status
- Only permitted to take into account contribution increases that have already been bargained

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Rehabilitation Plan Timeline

- First Rehabilitation Plan (RP) adopted in November, 2010
- Rehabilitation Period commences 1/1/2013
- RP required to be “updated” on an “annual basis” (not necessarily changed)
- Must avoid failing to meet scheduled progress in three consecutive years
- 2011 RP – no change
  - Basic agreement that the bargaining parties could accept higher contribution for the same benefit level
- 2012 RP – no change from 2010 EXCEPT revised rates from Shoppers’ bargaining were added
- 2013+ RP – is a change necessary / desired?

Rehabilitation Plan Details

- Rates developed on an employer by employer basis comprised of
  - Amortizing unfunded liability
  - Cost of benefit accruals
  - Administrative expenses
- Increases spread over 1, 3, 4, 11 years
- Updates based on
  - “true-up” the difference proportionally to reflect experience since 2010 RP
  - “re-apply” the original methodology based on current information
  - Whether or not to reflect year to date returns
  - Need to account for different employers / contracts being in different stages of the process

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Recent Experience / Trends

Plan Year	Beginning of Year Active Count	Beginning of Year Market Value	Beginning of Year Funding Ratio	Durring the Year Contributions	Durring the Year Return	Durring the Year MVA G/(L)
2010	8,711	$ 83,392,774	77%	$ 5,316,698	10.66%	$ 2,406,595
2011	8,204	$ 91,309,938	76%	$ 6,015,005	-2.28%	$ (9,058,090)
2012	7,875	$ 86,037,616	66%	$ 5,902,794	10.94%	$ 2,698,916
2013	7,358	$ 92,362,622	67%	$ 6,966,018	18.59%	$ 9,152,710
2014	6,473	$ 104,686,776	67%			

- Investment returns have been mostly positive but volatile
- Participation has declined significantly
- Contributions changes have been sporadic

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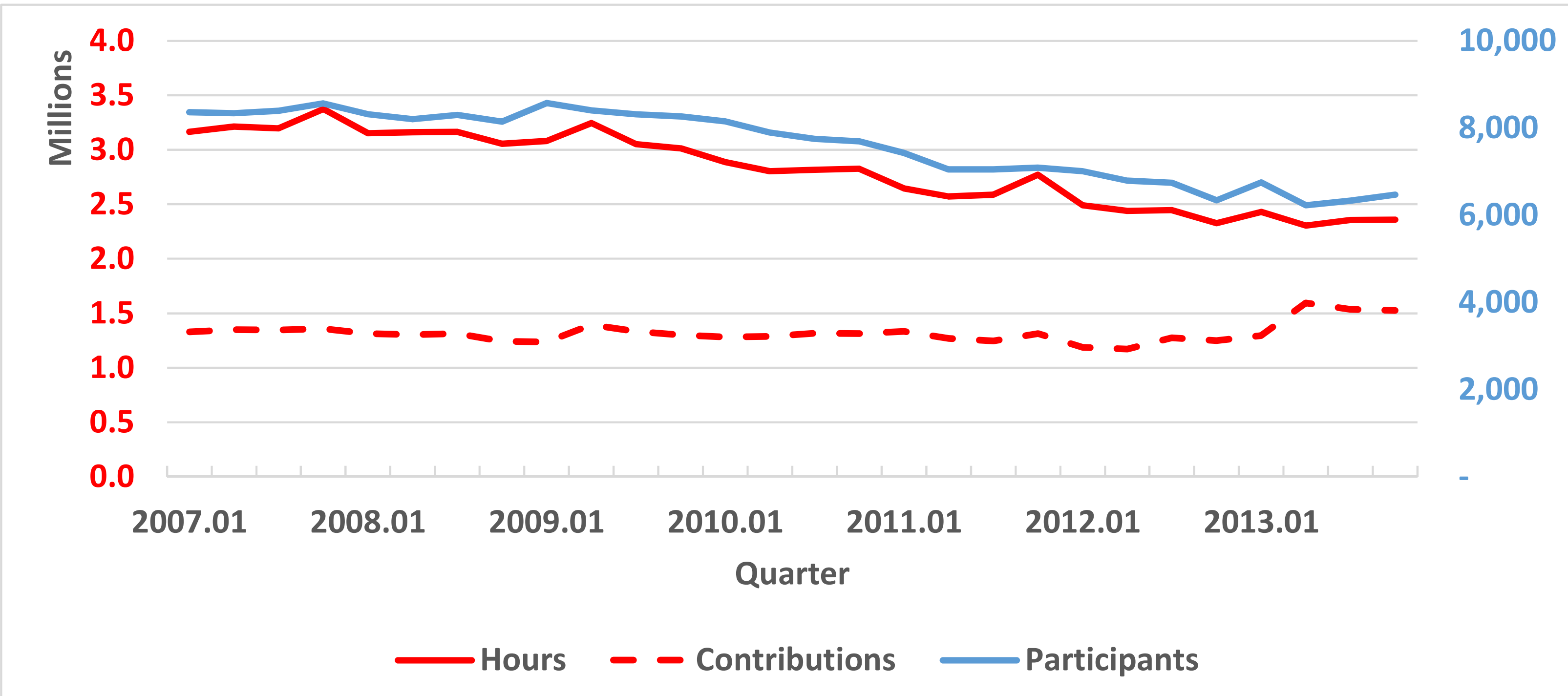
Recent Experience / Trends

- Hours have declined in step with participation
- Contributions have remained flat until recently



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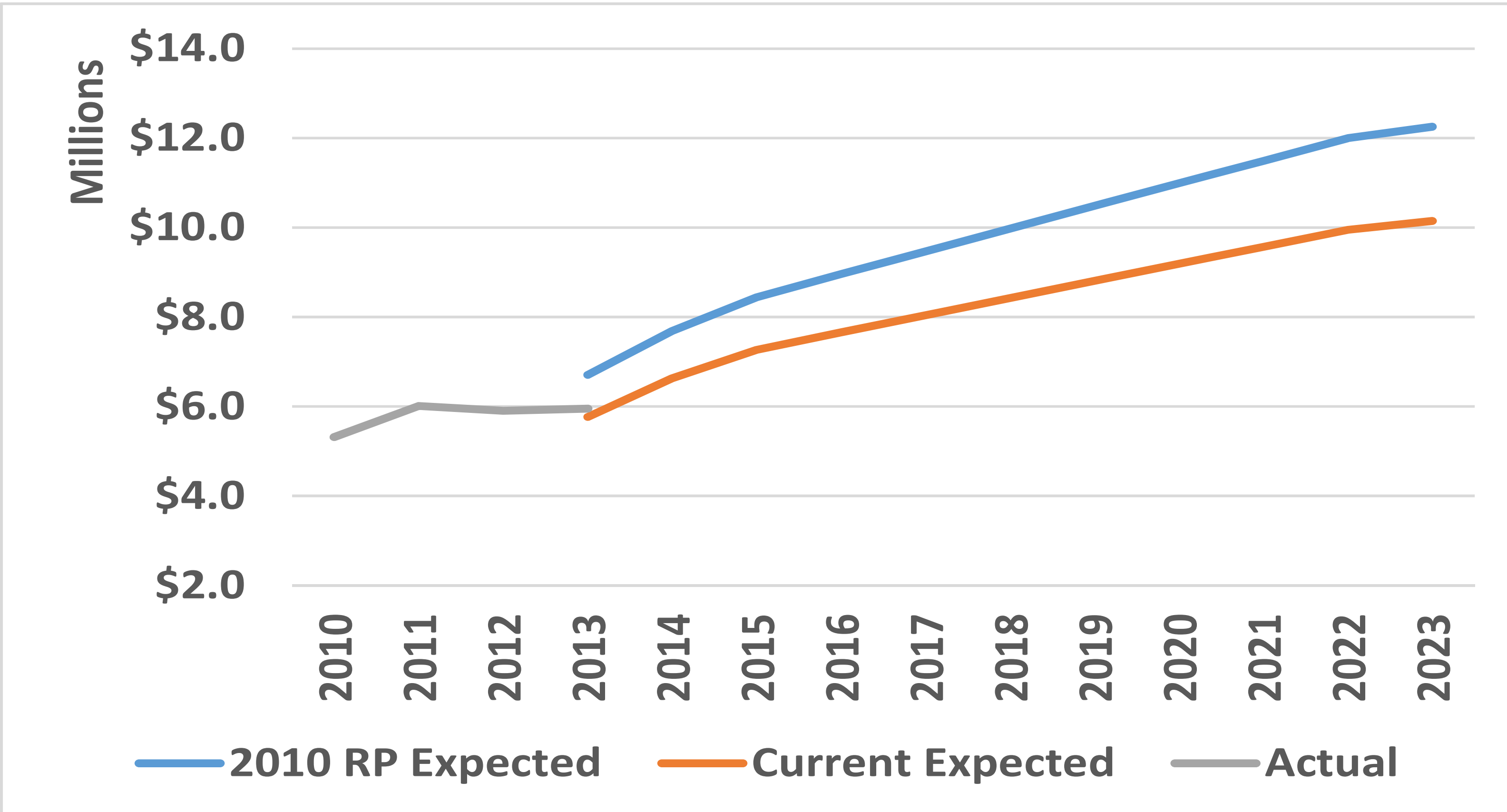
Recent Experience / Trends

- Impact of hours decrease, 2010 RP vs Today



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Contribution Projection

- Based on hours as reported in fourth quarter 2013 draft AMR

Year	Current	Currently Bargained	Full Compliance
2013	$ 6,966,018	$ 6,966,018	$ 6,966,018
2014	6,106,840	6,109,860	6,628,287
2015	6,106,840	6,120,980	7,264,330
2016	6,106,840	6,120,980	7,663,138
2017	6,106,840	6,120,980	8,043,669
2018	6,106,840	6,120,980	8,424,376
2019	6,106,840	6,120,980	8,810,365
2020	6,106,840	6,120,980	9,188,452
2021	6,106,840	6,120,980	9,566,619
2022	6,106,840	6,120,980	9,950,469
2023	6,106,840	6,120,980	10,146,256

2013 = actual, including withdrawal liability payments

Projections / Scheduled Progress

- Fund will remain in critical status for 2014
  - Not expected to maintain a positive credit balance for the next ten years without extension
- Fund is not meeting scheduled progress
  - Fund is projected to emerge from critical status in 2032 (vs. 2023 target)
- The Fund could achieve scheduled progress next year if
  - 2014 return is 23%
  - Contributions increase by 17% overall
  - Other positive experience
- Additional declines in contribution base, inability to negotiate scheduled increases, or failure to meet assumptions will cause additional strains

Projected Status – Bargained

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MFD	2016
Insolvent PYB	2041
Emergence	n/a

Discount Assump	8.00%
2013 Return	17.11%

New Entrant Profile: 1

Contributions: B

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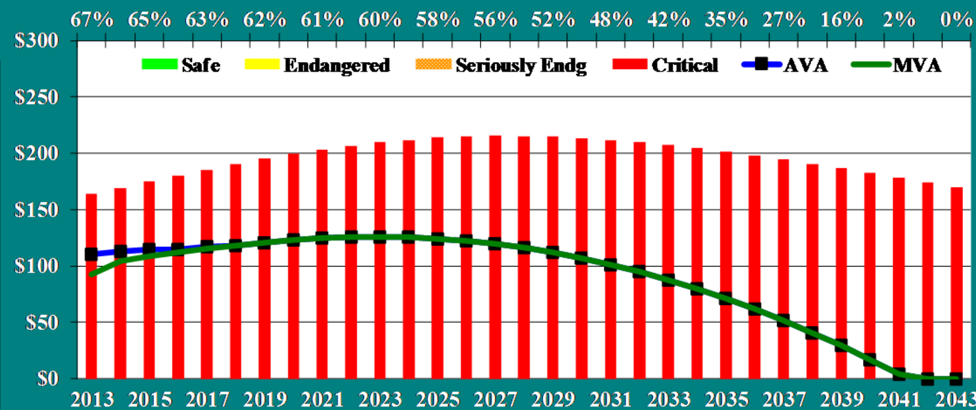
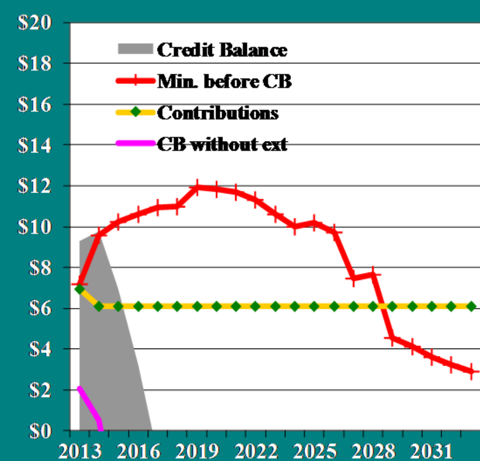
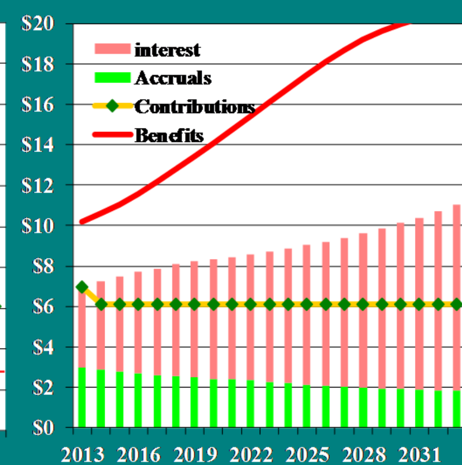
PYB	Return	Cont	Ben	Mem grwth
2013	17.11%	0.0%	0%	0%
2014	8.00%	0.0%	0%	0%
2015	8.00%	0.0%	0%	0%
2016	8.00%	0.0%	0%	0%
2017	8.00%	0.0%	0%	0%
2018	8.00%	0.0%	0%	0%
2019	8.00%	0.0%	0%	0%
2020	8.00%	0.0%	0%	0%
2021	8.00%	0.0%	0%	0%
2022	8.00%	0.0%	0%	0%
2023	8.00%	0.0%	0%	0%
2024	8.00%	0.0%	0%	0%
2025	8.00%	0.0%	0%	0%
2026	8.00%	0.0%	0%	0%
2027	8.00%	0.0%	0%	0%
2028	8.00%	0.0%	0%	0%
2029	8.00%	0.0%	0%	0%
2030	8.00%	0.0%	0%	0%
2031	8.00%	0.0%	0%	0%
2032	8.00%	0.0%	0%	0%
AVE	8.30%			







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Projected Status - Full Compliance

MFD 2017
Insolvent PYB none
Emergence 2032

Discount Assump 8.00%
2013 Return 17.11%
New Entrant Profile 1
Contributions F

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PYB	Return	Cont	Ben	Mem grwth
2013	17.11%	0.0%	0%	0%
2014	8.00%	0.0%	0%	0%
2015	8.00%	0.0%	0%	0%
2016	8.00%	0.0%	0%	0%
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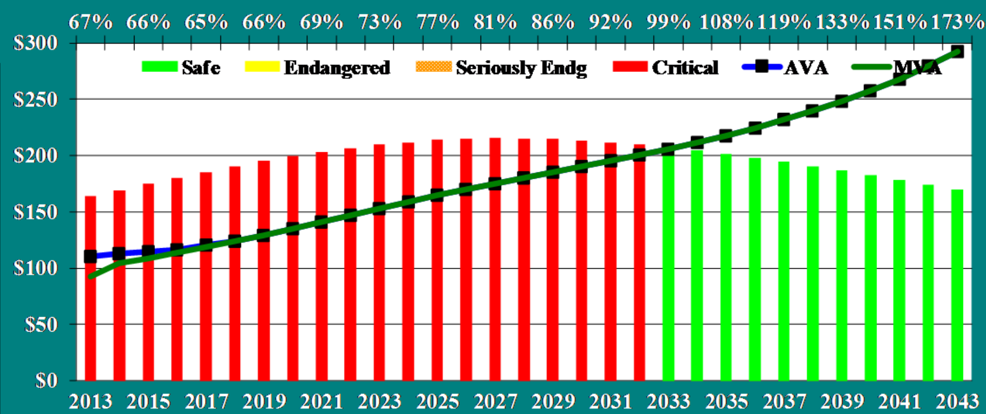

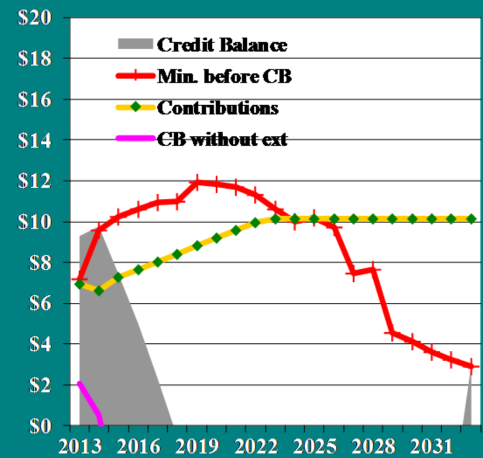

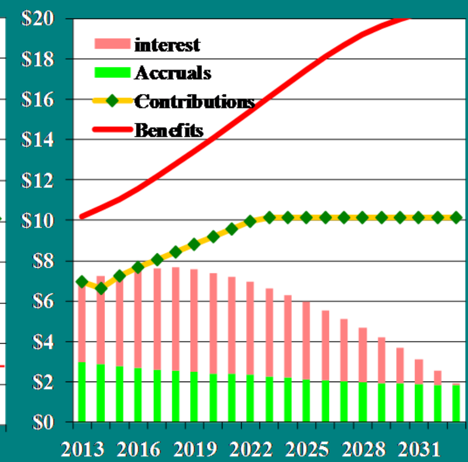

Possible Next Steps

- Develop detailed rates based on current contract expirations for RP
- Modify 11 year option to conform to end of Rehabilitation Period (2023)
- Continue under current framework or explore alternatives?
- Reminder – PPA “sunsets” after 2014
- Investment experience and participation level will ultimately drive the future funding level

Assumptions and Methods/Reliance

The assumptions reflect our understanding of the likely future experience of the Plan, and the assumptions as a whole represent our best estimate for the future experience of the Plan. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the plan could vary from our results.

For complete details on the assumptions and methods, refer to the final January 1, 2013 actuarial valuation report.

In preparing our report, we relied without audit, on information (some oral and some written) supplied by the auditor and plan administrator. This information includes, but is not limited to, the plan provisions, employee data, and financial information.

To the best of our knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.