UFCW and FELRA Severance Fund

Actuarial Valuation Report
as of January 1, 2012

Produced by Cheiron

November 2012

Classic Values, Innovative Advice

Table of Contents

November 29, 2012

UFCW and FELRA Severance Fund
c/o Mr. William Jensen
Associated Administrators, LLC
4301 Garden City Drive, Suite 201
Landover, Maryland 29785-2210

Dear Trustees:

At your request, we have performed the January 1, 2012 Actuarial Valuation of the UFCW and FELRA Severance Fund. The purpose of this report is to present the annual actuarial valuation of the UFCW and FELRA Severance Fund. This report is for the use of the Trustees and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

Your attention is called to the introductory section in which we refer to the general approach employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions on which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief. The results of this report are only applicable to the 2012 plan year and rely on future plan experience conforming to the underlying assumptions. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

This report was prepared for UFCW and FELRA Severance Fund for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. This valuation report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

In preparing our report, we relied on information (some oral and some written) supplied by Associated Administrators, LLC and Bond Beebe. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

Trustees
UFCW and FELRA Severance Fund
November 29, 2012

We hereby certify that, to the best of our knowledge, this report 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.

Sincerely,
Cheiron

Christopher J. Mietlicki, ASA, EA	Gene M. Kalwarski, FSA, EA
Consulting Actuary	Principal Consulting Actuary

FOREWORD

Cheiron has performed the Actuarial Valuation of the UFCW and FELRA Severance Fund as of January 1, 2012. The purpose of this report is to:

1) **Measure and disclose**, as of the valuation date, the financial condition of the Fund; and
2) **Provide specific information** and documentation required by the auditors of the Fund.

An actuarial valuation establishes and analyzes fund assets, liabilities and contributions on a consistent basis, and traces the progress of both from one year to the next. It includes measurement of the Fund's investment performance as well as an analysis of actuarial liability, gains and losses.

Section I presents a summary of the valuation and compares this year's results to last year's results.

Section II contains exhibits relating to the valuation of assets.

Section III shows the various measures of liabilities.

Section IV contains a disclosure of recent employer contribution levels.

The appendices to this report contain a summary of the Fund's membership at the valuation date, a summary of the major provisions of the Fund, and the actuarial methods and assumptions used in the valuation. Since the prior valuation there have been no changes in the provisions of the Fund.

In preparing our report, we relied on information (some oral and some written) supplied by Associated Administrators, LLC and Bond Beebe. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

The actuarial assumptions reflect our understanding of the likely future experience of the Fund, and the assumptions as a whole, represent our best estimate for the future experience of the Fund. 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 Fund could vary from our results.

Finally, in preparing this report, we have conformed to generally 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.

SECTION I
SUMMARY

The table below sets out the principal results of this year's valuation and compares them to last year's results.

UFCW and FELRA Severance Fund
Summary of Principal Results

	1/1/2011	1/1/2012	Change
Participant Counts			
Full-Time Actives	6,239	5,719	-8.3%
Part-Time Actives	3,257	3,049	-6.4%
Total	9,496	8,768	-7.7%
Financial Information			
Total Present Value of Future Benefits and Expenses	$ 89,127,349	$ 79,216,034	-11.1%
Present Value of Future Employer Contributions	286,817	328,075	14.4%
Market Value of Assets	34,985,450	21,048,996	-39.8%
Surplus (Deficit)	(53,855,082)	(57,838,963)	
Normal Cost	$ 9,564,582	$ 8,252,998	
Gain/(Loss)	$ 2,671,109	$ (3,503,733)	
Contributions and Cash Flows			
Prior Year Employer Contributions	$ 79,380	$ 31,570	-60.2%
Prior Year Administrative Expenses	$ 389,618	$ 367,769	-5.6%
Prior Year Benefit Payments	$ 11,987,382	$ 14,194,331	18.4%

SECTION II
ASSETS

Assets at Market Value

Market values represent "snap-shot" or "cash-out" values which provide the principal basis for measuring financial performance from one year to the next.

Statement of Assets at Market Value

	January 1, 2011	January 1, 2012
Invested Assets		
Short-Term Investments	$ 10,405,500	$ 10,444,433
Allocated Share of Investements[1]	24,646,556	10,613,711
Total Investments	$ 35,052,056	$ 21,058,144
Other Assets		
Cash or Cash Equivalent	$ -	$ (53)
Interfund Transfers	(2,575)	(2,575)
Accrued Interest and Dividends Receivable	59	27
Contributions Receivable	3,654	2,749
Due from broker for investments sold	-	-
Accounts Payable	(67,744)	(9,296)
Total Non-Invested Assets	$ (66,606)	$ (9,148)
Net Assets Available for Benefits	$ 34,985,450	$ 21,048,996

[1] In conjunction with the April 2000 bargaining improvements, the assets of the Health and Welfare, Severance, Legal, and Scholarship funds were commingled. This represents the Severance Fund's share of the asset pool as reported in the audited Financial Statements of the combined Health and Welfare Fund.

Assets at Actuarial Value

This Fund does not employ an actuarial asset smoothing technique. Accordingly, the actuarial value of the Fund's assets equals the market value.

Changes in Market Value

The components of asset change are:

- Contributions
- Benefit payments
- Expenses
- Investment income (realized and unrealized)

The specific changes during 2011 are presented below.

Changes in Market Values

Value of Assets - January 1, 2011	$	34,985,450
Employer Contributions	$	31,570
Net Investment Return		594,076
Benefit Payments		(14,194,331)
Administrative Expenses		(367,769)
Value of Assets - January 1, 2012	$	21,048,996

Investment Performance

The Market Value of Assets (MVA) returned a positive 2.1% for the 2011 plan year as compared to the 2010 plan year return of positive 12.2%. The Fund experienced an investment loss of $1.4 million due to the return for 2011 being less than the assumption of 7% per year. These are dollar weighted returns based on simplified timing and may differ from returns provided in other reports.

SECTION III
LIABILITIES

In this section, we present detailed information on fund liabilities including:

- **Disclosure** of fund liabilities as of January 1, 2011 and January 1, 2012; and
- A **projection** of future liabilities.

During 2011, the liabilities experienced a loss of $1.6 million.

As of the January 1, 2012 valuation, the mortality tables were revised to comply with the revised Actuarial Standards of Practice #35. The mortality table was changed from Basic (Unloaded) Group Annuity Table for 1951 projected to 1965 by Scale C, set back five years for females to RP-2000 Combined Healthy Table projected to 2015 with Scale AA. This resulted in a decrease in total liabilities of $0.3 million or 0.3%.

The assumed retirement age was also changed from age 60 or age at valuation date if greater than 60 to individual retirement rates based on age and service (see Appendix B). This change was made to better reflect plan experience. This resulted in a decrease in total liabilities of $2.9 million or 3.7%.

Combined, the change in mortality and retirement rate assumptions resulted in a liability decrease of $3.2 million or 4.1%.

The following table summarizes the liability changes over the past year.

Changes in Total Liability		
Total Liability as of January 1, 2011	$	89,127,349
Benefit Payments		(14,194,331)
Administrative Expenses		(367,769)
Interest		5,737,861
Impact of Assumption Changes	$	(3,235,871)
Experience (Gain) / Loss		2,148,795
Total Liability as of January 1, 2012	$	79,216,034

SECTION III
LIABILITIES

Disclosure

The **Total Future Obligations** calculated and presented in this report are used for analyzing the financial outlook of the Fund. This represents the amount of money needed today to fully pay off all future benefits and expenses of the Fund, assuming participants continue to accrue benefits.

The following table discloses total obligations for the current valuation and the prior one. The difference between the **Total Resources** and **Total Future Obligations** yields a Net Surplus/(Deficit).

Liabilities/Net Surplus (Unfunded)

	1/1/2011	1/1/2012
Contribution Account Balance	$ 59,665,487	$ 53,182,448
Past Service Benefits	1,128,992	777,373
Cash Bonus Benefits	13,618,724	11,937,945
Death Benefits	3,278,001	3,153,868
Benefit Taxes	6,867,902	6,104,164
Administrative Expenses	4,568,243	4,060,236
Total Future Obligations	$ 89,127,349	$ 79,216,034
Market Value of Assets	$ 34,985,450	$ 21,048,996
Future Negotiated Contribution on Behalf of Current Participants	286,817	328,075
Total Resources	$ 35,272,267	$ 21,377,071
Net Surplus/(Deficit)	$ (53,855,082)	$ (57,838,963)

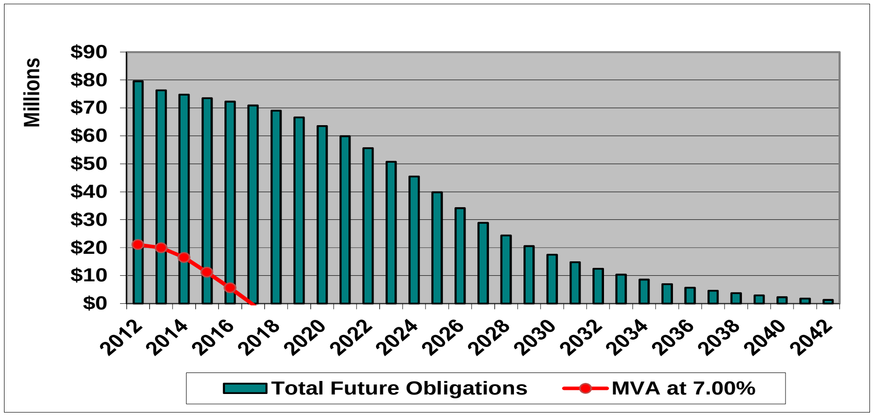
SECTION III
LIABILITIES

Projection

Since the 2000 collective bargaining agreement, poor investment returns have produced a significant deficit.

To assist the Trustees in their financial management of the Fund, we prepared two projections of the Fund's solvency as shown in the chart below. These projections are based upon the long-term funding assumptions, which do not reflect short-term economic or demographic conditions.

The chart shows a baseline projection of Total Future Obligations of the Fund. This represents, at any given point in time, the present value of all future benefit obligations and expenses of the Fund, including future benefit accruals. This projection assumes that all future experience conforms exactly to the actuarial assumptions.



The chart also shows a projection of the market value of assets. The asset projection does not take into account any future employer contributions since contributions have ceased on behalf of the vast majority of participants except that lump sum contributions of $6 million and $2 million as of July 1, 2012 and July 1, 2013, respectively, are reflected. The impact of these expected future contributions on the long-term solvency of the Fund is negligible.

SECTION IV
CONTRIBUTIONS

In this section, we present detailed information on fund contributions from two perspectives:

- **Actuarially determined** contributions, based on the Aggregate funding method; and
- **Collectively bargained** contributions.

To begin this section, we present a summary of past contributions.

Summary of Past Contribution Amounts	
Year	**Contribution Made**
2011	$ 31,570
2010	79,380
2009	34,988
2008	36,106
2007	37,474
2006	50,147
2005	(139,694) [1]
2004	78,362
2003	66,580
2002	104,413

[1] This represents the net contribution resulting from $62,483 regular contributions offset by a refund of $202,177 to Local 27 for contributions made to the Fund after such contributions were no longer required.

Effective with the March 26, 2000 collective bargaining agreement, future contributions to the Severance Fund were essentially eliminated with the exception of a few small employers.

We expect contributions for the 2009 plan year and beyond to be less than $0.1 million per year in total for these groups.

Actuarial Contributions

In the process of evaluating the financial condition of any plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions are needed to properly maintain the Fund. Typically, the actuarial process will utilize a funding scheme that will result in a pattern of contributions that are both stable and predictable.

For this Fund, the funding scheme employed is the **Aggregate Cost Method**. The normal cost is determined by calculating the excess of total obligations over the assets and spreading that amount over the remaining average future service of active employees. The Fund currently has a $57,838,963 expected unfunded total obligation resulting in an estimated normal cost of $8,252,998 per year. Given the fact that contributions have been all but eliminated going forward, this Normal Cost will need to be covered by future investment (or experience) gains in order to avoid a potential shortfall and/or need for additional contributions.

Collectively Bargained Contributions

Under a collectively bargained plan, the actuary's role is even more critical. The actuary must work with the Trustees to develop a stable contribution rate, which will adequately fund the plan and meet the bargained benefit amount.

As of the 2000 bargaining agreement, the Fund was well-funded. This, and the fact that the Fund is essentially closed to new

SECTION IV
CONTRIBUTIONS

participants, led to the elimination of contributions for all but a few small groups. Although a “contribution account balance” benefit still exists, it is not based on any actual cash contributions going forward, rather, it is based on the hours worked and related prior contribution rate levels.

As a result of the 2012 bargaining, the primary employers have agreed to contribute lump sums of $6 million and $2 million on July 1, 2012 and July 1, 2013, respectively.

APPENDIX A
MEMBERSHIP INFORMATION

The January 1, 2012 data for this valuation was provided by Associated Administrators, LLC (AA). We also received the check register showing all those who were paid out through January 2012. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23. Below is a list of assumptions Cheiron made in using the data this year.

Date of Birth for Active Employees

There were eleven participants with bad or missing dates of birth. For all of these, we were able to refer to last year's data.

There was one participant whose date of hire was prior to their date of birth, and we used the service amount given to determine date of hire.

Full-Time/Part-Time Status

Full-time versus part-time status is included in the data provided to Cheiron.

On the next page, we show two charts summarizing the data provided for the valuation:

- Age/Service Distribution for Full-Time Active Participants
- Age/Service Distribution for Part-Time Active Participants

APPENDIX A
MEMBERSHIP INFORMATION

AGE/SERVICE DISTRIBUTION OF ACTIVE PARTICIPANTS

FULL-TIME PARTICIPANTS AS OF JANUARY 1, 2012

	COMPLETED YEARS OF SERVICE										
AGE	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Up	Total
Under 25	0	0	0	0	0	0	0	0	0	0	0
25-29	0	0	4	38	0	0	1	0	0	0	43
30-34	0	0	1	129	83	0	0	0	0	0	213
35-39	0	0	3	83	223	103	1	0	0	0	413
40-44	0	0	8	91	162	262	234	0	0	2	759
45-49	0	0	4	116	123	180	431	310	1	2	1,167
50-54	0	0	5	105	118	181	277	465	130	2	1,283
55-59	0	0	6	86	118	121	180	194	238	83	1,026
60-64	0	0	3	50	62	92	94	71	108	110	590
65-69	0	0	2	10	27	29	37	23	20	37	185
70 & Up	0	0	1	4	6	9	10	2	3	5	40
Total	0	0	37	712	922	977	1,265	1,065	500	241	**5,719**

Average Age = 50.7 Completed Years of Service = 25.04

PART-TIME PARTICIPANTS AS OF JANUARY 1, 2012

	COMPLETED YEARS OF SERVICE										
AGE	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Up	Total
Under 25	0	0	10	1	0	0	0	0	0	0	11
25-29	0	0	9	75	0	0	0	0	0	0	84
30-34	0	0	8	160	42	0	0	0	0	0	210
35-39	0	0	7	101	142	36	0	0	0	0	286
40-44	0	0	7	105	80	140	58	0	0	0	390
45-49	0	0	7	146	85	94	138	57	0	0	527
50-54	0	0	5	108	97	123	96	87	21	0	537
55-59	0	0	3	120	78	80	53	54	43	7	438
60-64	0	0	3	99	52	78	41	20	16	14	323
65-69	0	0	1	54	32	30	25	7	4	3	156
70 & Up	0	0	0	31	21	14	15	3	1	2	87
Total	0	0	60	1,000	629	595	426	228	85	26	**3,049**

Average Age = 50.0 Completed Years of Service = 19.47

APPENDIX B
SUMMARY OF MAJOR PLAN PROVISIONS

1. Eligibility

All employees within bargaining units represented by UFCW Locals 27, 400, and 1776, where the collective bargaining agreement calls for contributions to this Fund on behalf of such employees. This Fund was originally closed to new participants effective January 1, 1993. However, an exemption was made to add in active employees in eligible classifications hired September 12, 1992 through March 26, 2000 who were still actively employed.

2. Vesting Schedule

Benefits under the Fund vest at the rate of 10% per year of credited service. This service is measured according to the participant's service under the FELRA and UFCW Pension Fund.

3. Benefits Upon Termination of Service

When a participant's service terminates (other than by death), the vested portion of his earned severance benefit will be paid. The earned severance benefit equals the sum of A, B, and C below.

A. The account balance equal to the sum of contributions made on his/her behalf.

Effective for severance from service on or after January 1, 1993, a participant's account balance will be increased for years of service in excess of 20, according to the following schedule:

Current Contribution Rate	Additional Contribution for Years of Service in Excess of 20
10¢ per hour	10¢
15¢ per hour	15¢
25¢ per hour	25¢
35¢ per hour	35¢

B. A past service benefit based upon years of credited service prior to becoming a participant in the Fund, according to the following schedule:

	Past Service Benefit Rate/Year Service		
Contribution Rate	Full-Time	Part-Time	
10¢ per hour	$ 100.00	$ 50.00	(max. 10 years)
15¢ per hour	133.00	66.50	
25¢ per hour	200.00	100.00	
35¢ per hour	250.00	125.00	

Note: Former participants in the UFCW Local #117 and FELRA Severance Fund are entitled to a past service benefit according to the following schedule:

	Past Service Benefit Rate/Year Service	
Contribution Rate	Full-Time	Part-Time
10¢ per hour	$ 125.00	$ 62.50
15¢ per hour	140.00	70.00
25¢ per hour	220.00	110.00
35¢ per hour	275.00	137.00

APPENDIX B
SUMMARY OF MAJOR PLAN PROVISIONS

C. A cash bonus (not applicable to former participants in the UFCW Local #117 and FELRA Severance Fund) equal to the cash surrender value at termination of hypothetical individual whole life polices having an aggregate face amount equal to the participant's scheduled death benefits under the Fund. Those cash surrender values are determined by reference to policies available from the Northwestern National Life Insurance Company.

Effective April 1, 2000, there shall be a 10% increase in the final benefit calculation for severance benefits payable on or after that date.

4. Death Benefits

Upon the death of a participant, other than former participants in the UFCW Local #117 and FELRA Severance Fund, the benefit will be the greater of:

A. A death benefit according to the following schedule:

Contribution Rate	Full-Time	Part-Time
Under 35¢ per hour	$ 5,000	$ 2,500
35¢ per hour	10,000	5,000

B. The participant's earned severance benefit. (This is also the death benefit for former participants in the UFCW Local #117 and FELRA Severance Fund.)

5. FICA and FUTA Tax

In addition to the benefits described above, the Fund also pays the employer portion of the FICA tax and the FUTA tax attributable to distributions under the plan.

APPENDIX C
ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

1. Rate of Investment Return

7.00% compounded annually.
All investment returns are net of investment expenses.

2. Rate of Mortality

Active: RP-2000 Combined Healthy mortality table for males and females.

Healthy Inactive: RP-2000 Healthy Annuitant mortality table set forward one year for males and no adjustment for females.

3. Rates of Turnover

Termination of employment for reasons other than death or retirement are assumed to be in accordance with annual rates as shown below for illustrative ages.

Age	Number Expected to Terminate Annually Per 1,000
25	199
30	139
35	99
40	58
45	37
50	14
55 and over	0

4. Rates of Retirement

	Number Expected to Retire Annually Per 1,000	
Age	Less than 30 years of Service	Over 30 years of Service
50	0	200
51	0	200
52	0	200
53	0	200
54	0	200
55	85	200
56	85	200
57	85	200
58	85	200
59	85	200
60	150	200
61	150	250
62	300	350
63	200	400
64	200	400
65	300	400
66	300	400
67	200	400
68	200	400
69	200	400
70 and over	1,000	1,000

5. Provision for Expenses Other Than Investment Expenses

The present value of administrative expenses was calculated by multiplying the present value of benefits by 5.88%.

FICA, FUTA, and state unemployment taxes paid by the Plan are assumed to total 8.84% of distributions.

APPENDIX C
ACTUARIAL ASSUMPTIONS AND METHODS

6. Contribution Hours

Full-time employees are assumed to work 1,800 hours per year, and Part-time employees are assumed to work 1,200 hours per year.

7. Changes in Assumptions Since Last Valuation

Retirement age changed from age 60 or age at valuation date if greater than 60 to the individual retirement rates based on age and service as shown on the prior page. This change was made to better reflect experience.

Mortality changed from Basic (Unloaded) Group Annuity Table for 1951 projected to 1965 by scale C, set back five years for females. For actives the table was changed to RP-2000 Combined Healthy Table and the inactive mortality was changed to RP-2000 Combined Healthy Table set forward one year for males and no adjustment for females. The table was updated to reflect anticipated mortality improvements to comply with the revised Actuarial Standards of Practice #35.

B. Actuarial Methods

1. Asset Valuation Method

The Actuarial Value of Assets is set equal to the actual Market Value of Assets as of the valuation date.

2. Funding Method: Aggregate Actuarial Cost Method

Under the Aggregate Actuarial Cost Method, the excess of the actuarial present value of projected benefits over the actuarial value of assets is funded on a level basis over the future working lifetime of active employees. The portion of this excess allocated to the current year is called the Normal Cost.