UFCW Unions and Participating Employers Pension Fund

Classic Values, Innovative Advice.

Kroger Analysis

(modified 11/5/2014)

11/13/14

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Background

- Pension provisions of Kroger MOA provide:
  - Subject to the agreement of the Fund's Board of Trustees Kroger shall withdraw from the Fund in accordance with the Letter of Understanding (LOU)
  - If the Trustees do not agree Kroger shall continue to participate at specified rates

Letter of Understanding (LOU)

- Kroger withdraws effective December 31, 2014 under Fund's withdrawal liability rules
  (presumptive method using blended discount rate)
- Kroger satisfies its withdrawal liability to the Fund via a transfer of assets and liabilities attributable to actual Kroger participants (both active and inactive)
  - The Kroger participants' liability is measured consistent with the withdrawal liability assumptions (blended discount rate)
  - Assets transferred equals liabilities minus withdrawal liability minus $500,000.

Continuing Contributions (MOA)

- Current contribution rate = $0.20
- Effective
  - January 1, 2015 = $0.23 per hour
  - January 1, 2016 = $0.28 per hour
  - January 1, 2017 = $0.32 per hour
  - January 1, 2018 = $0.38 per hour
- However, increases are limited to maximum increases adopted by Board in connection with 2014 RP

Potential Asset Transfer (LOU)

- Kroger statutory withdrawal liability = $4,831,834
- Kroger participants' liability = $7,657,345
- Asset Transfer = $2,325,511

  ($7,657,345 - $4,831,834 - $500,000)
- *Above figures are estimates*

Impact on Plan (Funding Basis)

- Kroger participants' liability measured on funding basis = $5,309,630
- Asset Transfer = $2,325,511
- Net reduction in unfunded = $2,984,119

	Total Fund	Kroger Transfer	Remaining Fund
Liabilities (Accrued)	$ 167,557,884	$ 5,309,630	$ 162,248,254
Assets (Market)	$ 105,683,542	$ 2,325,511	$ 103,358,031
Unfunded	$ 61,874,342	$ 2,984,119	$ 58,890,223
Funded Percent	63.1%	43.8%	63.7%

For illustration. Adjustments have not been made for difference in timing between assets, liabilities, and transfer.

Observations

- Although the withdrawal liability is $4.8 million, the unfunded is only reduced by $3.0 million
  - Primarily due to different assumptions
  - Also due to actual vs pro-rata allocation of liabilities (presumptive method)
- Snap-shot does not consider the impact of reduction in contribution base and future contributions being used to pay off unfunded

Impact on Rehabilitation Plan

- Across the board increases required to emerge from Critical Status by the end of the Rehabilitation Period
  - With Kroger
    - 1-time = 85.7%
    - 3-year = 26.6%
    - 9-year = 13.5%
  - Without Kroger
    - 1-time = 92.3%
    - 3-year = 28.2%
    - 9-year = 14.2%

Projections

Status Quo, Current Contribution Levels

CHEIRON

MFD 2016
Insolvent PYB 2034
Emergence n/a

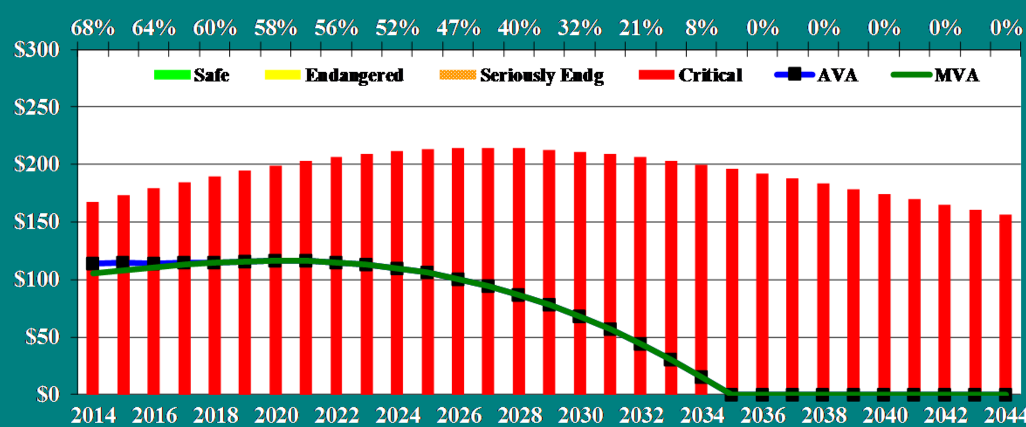
Discount Assump 8.00%
2014 Return #N/A

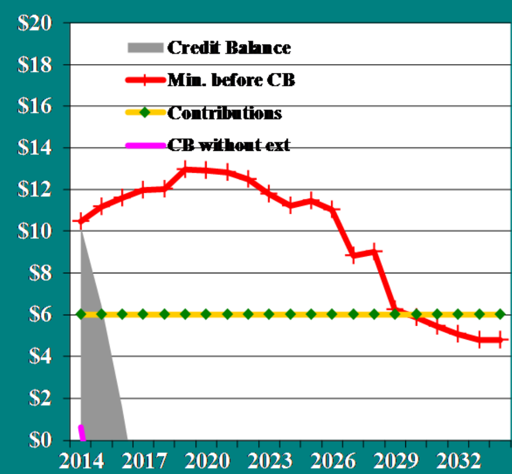
New Entrant Profile 1
run 1
Remove Kroger N

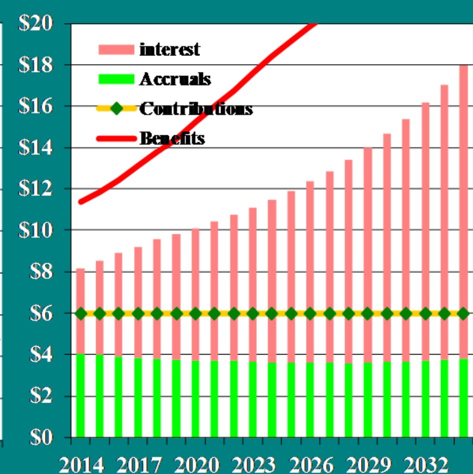
Contributions C
Kroger Assets 0.0

2008

PYB	Return	Cont	Ben	Mem grwth
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%
2033	8.00%	0.0%	0%	0%
AVE	8.00%			







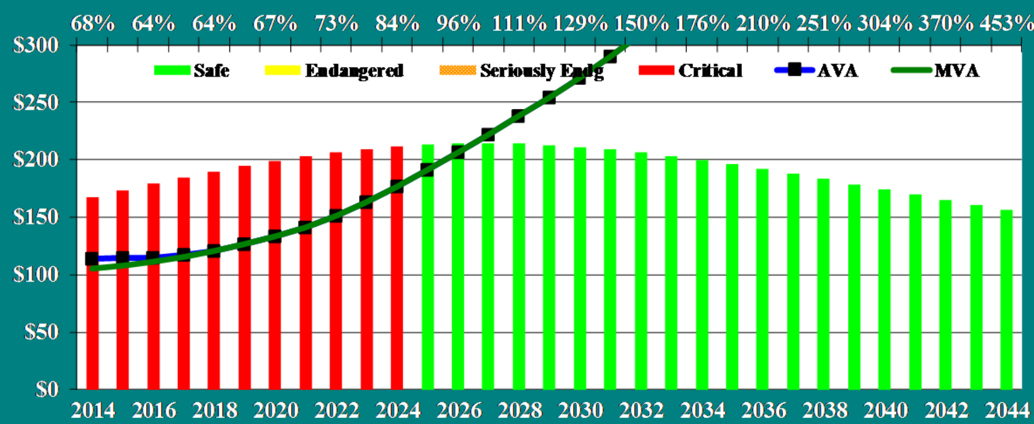
Required 9-year Increases with Kroger

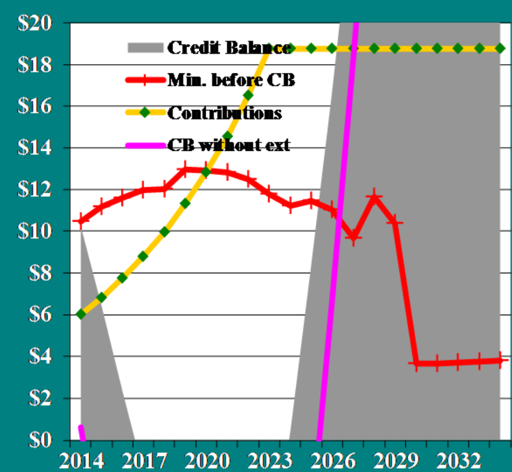
CHEIRON

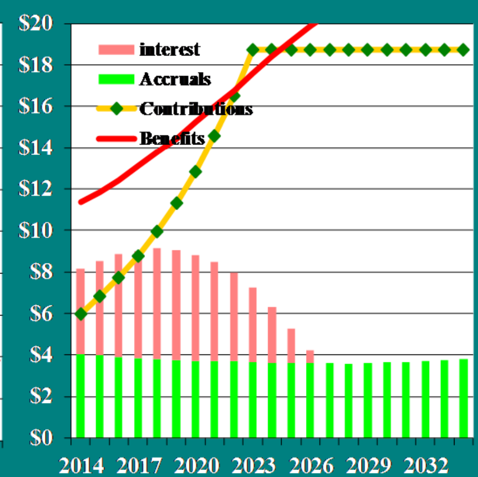
MFD	2016	Discount Assump	8.00%	New Entrant Profile	1		
Insolvent PYB	none	2014 Return	#N/A	run	1	Contributions	C
Emergence	2023			Remove Kroger	N	Kroger Assets	0.0

2008

PYB	Return	Cont	Ben	Mem grwth
2014	8.00%	0.0%	0%	0%
2015	8.00%	13.5%	0%	0%
2016	8.00%	13.5%	0%	0%
2017	8.00%	13.5%	0%	0%
2018	8.00%	13.5%	0%	0%
2019	8.00%	13.5%	0%	0%
2020	8.00%	13.5%	0%	0%
2021	8.00%	13.5%	0%	0%
2022	8.00%	13.5%	0%	0%
2023	8.00%	13.5%	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%
2033	8.00%	0.0%	0%	0%
AVE	8.00%			







Required 9-year Increases without Kroger

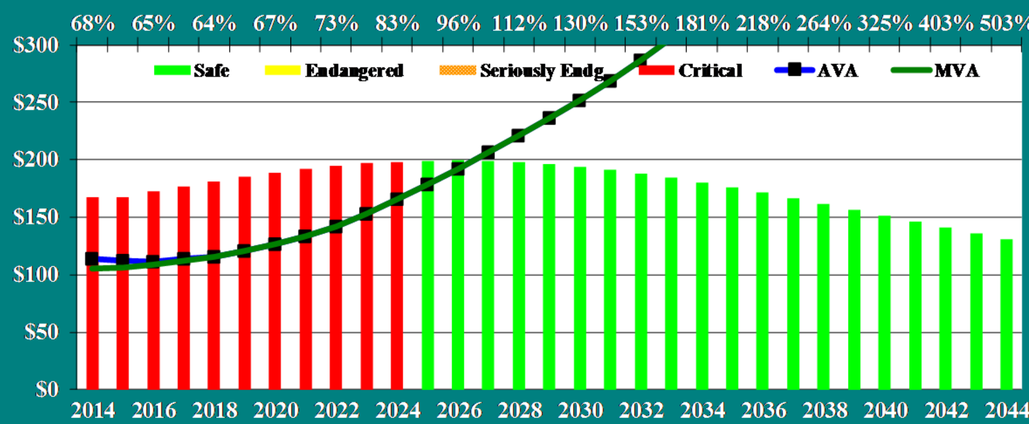
CHEIRON

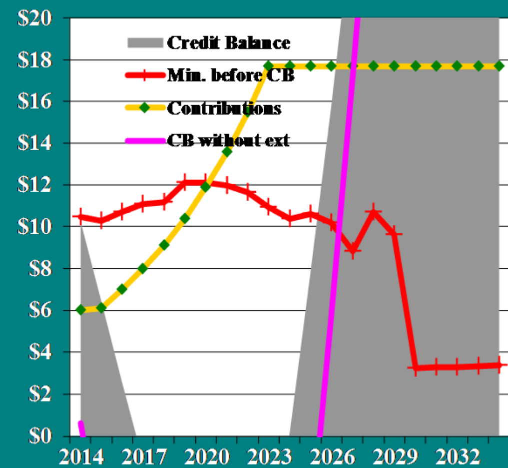
MFD	2016	Discount Assump	8.00%
Insolvent PYB	none	2014 Return	#N/A
Emergence	2023		

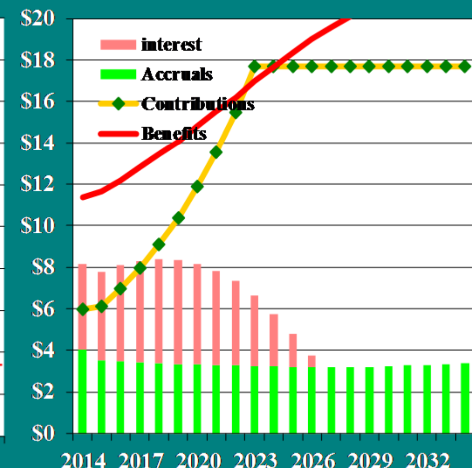
New Entrant Profile	1		
run	1	Contributions	C
Remove Kroger	Y	Kroger Assets	2.3

2008

PYB	Return	Cont	Ben	Mem grwth
2014	8.00%	0.0%	0%	0%
2015	8.00%	14.2%	0%	0%
2016	8.00%	14.2%	0%	0%
2017	8.00%	14.2%	0%	0%
2018	8.00%	14.2%	0%	0%
2019	8.00%	14.2%	0%	0%
2020	8.00%	14.2%	0%	0%
2021	8.00%	14.2%	0%	0%
2022	8.00%	14.2%	0%	0%
2023	8.00%	14.2%	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%
2033	8.00%	0.0%	0%	0%
AVE	8.00%			







Required Disclosures

In preparing this presentation, we relied without audit, on information supplied by the Fund Office and the Fund auditor.

The actuarial assumptions, data and methods are those used in the preparation of the January 1, 2014 actuarial valuation report.

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.

I certify that, to the best of my knowledge, this report and its contents, which are work products of Cheiron, Inc., are complete and 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 a credentialed actuary, I 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.

Cheiron's report was prepared solely for the Trustees of the UFCW Unions and Participating Employers Pension Fund for the purposes described therein, except that the plan auditor may rely on the report solely for the purpose of completing an audit related to the matters herein. Cheiron does not intend to benefit any other person who receives the report and assumes no duty or liability to such a person.