Segal

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Memorandum

Via Email

To: Board of Trustees
Minneapolis Retail Meat Cutters and Food Handlers Pension Plan
3001 Metro Drive, Suite 500
Bloomington, Minnesota 55425

From: Bruce A. Johnson, MAAA, EA

Date: January 13, 2023

Re: Supplemental Contributions

In the presentation *Updated Review of Rehabilitation Plan, Scheduled Progress, and Alternative Contribution Schedules* dated December 16, 2022, we determined the annual contribution rate increase required through March 1, 2030 for the Plan to emerge from critical status by the end of the Rehabilitation Period to be 14.4%.

We have been informed that there may be a source of supplemental contributions available to the Plan. As requested, we developed the supplemental contributions for the next three Plan Years that would be needed in addition to the base contribution rate increases to make up the shortfall from 14.4%. We developed these under both 3.0% and 6.0% base contribution rate increase scenarios:

Supplemental Contributions Needed to Support 14.4% Annual Increases if the Baseline Increases are:

	3.0% Increases	6.0% Increases
2023 Plan Year	$1.6 million	$1.2 Million
2024 Plan Year	$3.4 million	$2.6 million
2025 Plan Year	$5.6 million	$4.2 million
Present Value of Above 2023 – 2025 Plan Year Payments at a 7% Interest Rate as of March 1, 2023	$9.7 million	$7.3 million
Present Value of Above 2023 – 2024 Plan Year Payments at a 7% Interest Rate as of March 1, 2023	$4.8 million	$3.6 million

Please note that 3.0% base contribution rate increases alone (without supplemental contributions) would not comply with the current Rehabilitation Plan which was amended in May 2022 to change the required annual contribution rate increases from 3.0% per year through March 1, 2027 to 6.0% per year through March 1, 2030.

In addition, even though the above schedules would be equivalent to 14.4% contribution increases for the 2023 – 2025 Plan Years, the Pension Plan may still be certified as not meeting scheduled progress in the next zone certification since projections will assume the contribution rate will only increase by 6.0% for the 2026 – 2030 Plan Years as required by the Rehabilitation Plan. However, if the Rehabilitation Plan is amended to require 14.4% contribution rate increases for the 2023 – 2030 Plan Years, the Plan would be projected to be certified as meeting scheduled progress in the next zone certification.

Assumptions

All assumptions, methods, and plan provisions are the same as those found in the March 1, 2022 actuarial valuation report dated November 11, 2022, except as noted, and the following:

- Market return for the Plan Year ending February 28, 2023 will be -7.50%. The Plan earns a market rate of return equal to 7.00% for the Plan Year ending February 28, 2024 and each year thereafter.
- Administrative expenses are $1.4 million, payable monthly, for 2022, increasing by 2% each year thereafter, with an extra 10% increase in 2031 for the PBGC premium increase under ARPA.
- Experience emerges as assumed and there are no future changes in actuarial assumptions
- Contributions for the Plan Year beginning 2022 are based on the industry activity assumption of 61,700 full-time weeks and 95,000 part-time weeks in each Plan Year thereafter.
- The weekly contribution rate for the Plan Year beginning 2022 is $149.13 for full-time and $48.64 for part-time.
- All withdrawn employers make their withdrawal liability payments as scheduled.
- All employers increase their contribution rates indicated in the Rehabilitation Plan as described for each scenario.
- There are no future changes in plan of benefits and law/regulations.

These calculations were performed under the supervision of Benjamin Holle, MAAA, EA.

The projections and estimated results included in this correspondence are based on specific assumptions. However, there is a risk that emerging experience may differ from these assumptions, which could affect the projected values of the funding metrics. In particular, these risks include investment experience (actual returns will be different than assumed), demographic experience (participant experience, primarily mortality and retirement, will be different than assumed), and employment experience (the number of active participants and hours of contributions may be different than assumed). The Trustees may want a detailed assessment of these risks.

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Segal does not practice law and, therefore, cannot and does not provide legal advice. Any statutory interpretations reflected in the modeling are subject to review and opinion of Fund Counsel.

Please feel free to contact me if you have any questions.

cc: Mr. Benjamin Holle
Ms. Laurie Coleman