IN THE CHANCERY COURT OF JACKSON COUNTY, MISISSIPPI

IN RE: Singing River Health System Employees' Retirement Plan and Trust
Almond, et al. v. Singing River Health System, et al.; Cause No. 2014-2653
Thompson, et al. v. Singing River Health System, et al.; Cause No. 2014-2695
Bosarge, et al. v. Singing River Health System, et al.; Cause No. 2014-2729
Aguillar, et al. v. Singing River Health System, et al.; Cause No. 2014-2753
Drury, et al. v. Singing River Health System, et al.; Cause No. 2015-0001
Broun, et al. v. Singing River Health System, et al.; Cause No. 2015-0027
Eiland, et al. v. Singing River Health System, et al.; Cause No. 2015-0030
Lay, et al. v. Singing River Health System, et al.; Cause No. 2015-0060

REPORT BY SPECIAL FIDUCIARY

Traci M. Christian, Special Fiduciary of the Singing River Health System Employees' Retirement Plan and Trust (the "Plan") files this Report with the Court and would show as follows:

1.

The Court requested on November 13, that I make a report as soon as practicable regarding the proposed Settlement Agreement and provide an explanation as to the settlement's consequences for the class members. The goal of this report is to address the first of four issues raised by the Fifth Circuit:

"How and how much, the future stream of Singing River's payments into the Trust, together with existing Plan assets and prospective earnings, will intersect with future claims of Plan Participants, including, but not limited to what effect the Settlement has on current retirees."

As Special Fiduciary, I make this report to the Court concerning the status of the Trust and its ability to meet its obligations to its beneficiaries.

2.

I have conferred with the Plan's actuary, Francis Carberry of Transamerica, regarding the current funded status of the Plan and the impact of the proposed settlement on the Trust. At my request, Mr. Carberry performed actuarial analyses of the Plan's obligations and discussed the results of his calculations with me. I believe Mr. Carberry is currently in the best position to assist in the analysis of the Plan's benefit obligations and I believe his results are credible and can be relied upon for purposes of this report.

3.

The Plan is currently paying monthly annuity benefits to approximately 725 retired participants and beneficiaries. The Plan has also promised future retirement benefits to over 1,000 participants still employed at Singing River Health System and just under 200 participants formerly employed who are not yet eligible to retire. In addition, the Plan owes a return of employee contributions to over 900 participants who left employment prior to becoming vested in their earned benefit.

It is an important fact that employees have been contributing to this Retirement Plan over the years via payroll deduction. Contributions were mandatory until the Plan freeze in 2014. Should this plan become insolvent, participants stand to not only lose employer provided retirement benefits, but their own money as well.

4.

Based upon the analysis and conversations between Mr. Carberry and myself, I conclude that the current status of the Plan is dire. The assets of the Plan were $123.6 Million as of the end of December, 2017. As of the last valuation date, the Plan was less than 28% funded. Without additional contributions, at current benefit levels, the Trust will likely be depleted by the year 2025. After that point, no funds would be left to pay benefits to any participant.

Not only would monthly benefits cease for those currently in pay status, but no money at all would be left to pay the over 2,000 participants who have earned benefits in the Plan. Those participants would not even have a benefit paid based on their own contributions to the Plan.

5.

Based upon the analysis and conversations between Mr. Carberry and myself, I conclude that the proposed settlement is not sufficient to allow the Trust to pay 100% of the benefits currently promised to all Plan participants. The addition of $156.4M between now and the year 2051 could fund the Plan to an approximate level of 59%

6.

To reiterate: The terms of the proposed settlement could leave the Plan underfunded by as much as 41%. That is, for each dollar of promised benefits, the Plan may have as little as 59 cents to pay. Payments to current payees of the Plan and earned benefits to current participants of the Plan who are not yet of retirement age would have to be reduced in order to sustain the Trust for the long term benefit of all participants.

7.

It is important to note that the exact funded status of the Plan at any point and the Trust's final ability to pay promised benefits is impossible to calculate precisely. Many factors will impact the Trust over time in the way of asset investment performance and demographic experience. It is possible that the Plan's funded status could improve if actual experience proves to be more favorable than assumed. However, if the settlement is approved, measures would need to be taken to amend the Plan to reduce benefits for all Plan participants to insure that the Plan remained sustainable albeit at a lower level of benefits for all of those affected.

8.

It is also important to note that making changes to the Plan such as removing the Cost-of-Living Adjustment, changing the retirement age, and removing the early retirement subsidy, in and of themselves, constitute a reduction of benefits. These are simply a few of many ways that benefits in the Plan can possibly be reduced in order to sustain the Trust for the equitable benefit of all participants.

9.

If the settlement is approved, I will, as the Special Fiduciary, conduct an in depth analysis of the Plan and Trust to determine an equitable way to reduce current and future benefit payments so as to sustain the Trust for all participants.

10.

If the settlement is approved, I will, as the Special Fiduciary, make recommendations to the Chancery Court to amend the Plan to reduce benefits for all Plan participants; those who are currently receiving monthly retirement annuities as well as those who have earned benefits in the Plan and are not yet eligible to receive them.

THIS, the 16th day of January 2018

Respectfully submitted,

TRACI M. CHRISTIAN
SPECIAL FIDUCIARY