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

Pursuant to the appointment of Traci M. Christian as Special Fiduciary of the Singing River Health System Employees' Retirement Plan and Trust (the "Plan"), the Court has requested a monthly report. The Special Fiduciary brings to the Court's attention the following items for the month of April, 2018.

1.

The Court requested that any possible sources of additional funds for the Plan be identified. The Special Fiduciary is not an attorney nor legal counsel to any party. She functions currently only in her role as Special Fiduciary. However she would point out the following for consideration: The State of Mississippi, unlike certain other states, does not govern the funding of public pension plans such as the SRHS Plan by state statute. Other states' statutes and laws require public employers to fund their pension plans and to honor and protect pension plan benefits as they are earned.

It may be a worthwhile endeavor for the participants of the Plan to petition their state legislators and request some relief from the state coffers in the form of a contribution to this Plan as well as newly drafted legislation perhaps modeled by the State of Missouri so as to prevent other similar plans in Mississippi from suffering the same fate.

The Special Fiduciary offers her services in the form of reporting and testimony should such an endeavor begin or should the petitioning of any other possible source of funds benefit from her reports or testimony.

2.

The Court requested the amount of funds necessary to fully fund the Plan. Currently the Plan, assuming no benefit changes, has approximately $310M in liabilities. Currently the Plan's assets are approximately $120M leaving a shortfall of $190M. The proposed settlement has a present value of approximately $71M. This leaves a shortfall of $119M.

Said another way: Even with the proposed settlement, and no other funds, the Special Fiduciary must find a way to reduce the benefits of the Plan by a present value of $119M in order to sustain the fund for the benefit of all participants. These calculations correspond to the claim in a previous report that with the settlement the Plan would be approximately 59% funded. These updated calculations put that percentage similarly at 61%.

It is for this reason that, as the Court points out, time is of the essence. Every month that passes at current benefit levels, the more difficult it will be to balance the fund with the benefits payable.

3.

In an effort to reduce plan administrative costs, the Special Fiduciary has begun the process of issuing "Requests for Proposals" for the following services: Investment Management, custodial, administrative, and actuarial.

With the approval of the Court, Requests for Proposals for plan auditing services will be conducted next year in conjunction with Singing River Hospital's process of issuing a similar search for auditing services in the hopes that coordinating this process and possibly utilizing the same auditing firm may result in additional cost savings.

4.

The Court directed the Special Fiduciary to immediately study the effect of implementing a "Return of Contribution Window" to active Plan participants (those still working for the hospital.) This would potentially allow, under the discretion of the Special Fiduciary and the Court, active participants to elect to receive their Employee contributions with interest while still employed in lieu of an annuity benefit from the Plan. While participants who voluntarily elect this option will ultimately receive much lower benefits from the Plan, they will do so at their own hand and in exchange have the advantage of full control of their money from this Plan and full knowledge of the benefits they will receive - and not receive.

Participants, prior to the Plan freeze, were required to contribute 3% of compensation each pay period. Employee contributions accumulate at a rate of return based on the 3-month U.S. Treasury Rate for September, credited once annually for active participants at September 30th. The rate is applied to the average balance in the account during the preceding 12 months.

Currently, the Employee Contributions for active Plan participants totals about $17.5M. Whereas the liability for active participants' benefits totals $89M (assuming no other plan changes.)

Certainly participation in such a program would not be 100%. As can be ascertained by the above two figures, trading a return of contributions for a lifetime monthly pension benefit – even one smaller than currently payable under the current terms of the Plan – would mean a significant reduction in benefits for anyone who were to voluntarily choose this option.

However, participation would likely be greater than 0%. That is to say, some participants, if given the choice, would voluntarily make this election even knowing the impact on their benefits. If as many as 1/3 to 1/2 of active participants were to choose this option, the Plan would be able to make these payments without jeopardizing long-term sustainability. It is likely that those nearer to retirement, with larger balances would be less likely to make this choice and more likely that younger, shorter service employees with smaller balances would be more likely to make such a choice. Attached is an approximation of the potential effect that such a program might have on the future outlook of the Plan if offered in addition to other reductions in benefits.

It is most important to note, when considering offering such a choice, that a program such as this would not be sufficient to sustain the Plan in and of itself. Other reductions in benefits would still have to be made. What such a window may be able to do, depending on the level of participation, is make it possible for the restoration of certain benefit cuts down the road once the window had closed and the effects on Plan benefits and long-term cash flows could be measured. Depending on the outcome of such a program, subsequent similar windows could be considered.

5.

It is again very important to note that the cost estimates prepared for this report are for discussion purposes only. They are based on estimated data, estimated participation in a potential "Return of Contributions window" and have not been peer reviewed or reviewed by any other party. The actual future of the Plan and the final benefit provisions necessary to sustain the fund cannot be known precisely. Regardless of the decisions of the Court regarding changes to the Plan, it will be of the utmost importance to have fully peer-reviewed studies and valuations performed for the Plan, to continue to monitor the asset and demographic experience of the Plan and for the Special Fiduciary to continue to make recommendations accordingly to the Court.

6.

During the hearing on March 27, the issue was raised about participants who may be due a return of contributions as a result of their vested or nonvested terminated status. Concern was expressed by Mr. Barton about participants who had not received such distributions despite the claim that they had been requested. The Special Fiduciary has confirmed with Transamerica that "these are still being paid to former participants who so elect and request a refund as well as to any Vested Terminated participants who may so elect".

Concern was also expressed about participants who may be due disability benefits but were not currently receiving them. The Special Fiduciary, after conferring with Transamerica both by phone and e-mail is satisfied that the Plan is being administered by Transamerica in accordance with the current governing Plan document. She reiterates her offer that any participant may contact her directly if they believe they are entitled to benefits that are not being paid in accordance with the Plan and she will assist in an investigation.

7.

The Special Fiduciary reiterates her willingness to study any idea or suggestion put forth by the Court or counsel that may have an impact on the long-term sustainability of the Plan.

THIS, the 3rd day of April, 2018

Respectfully submitted,

TRACI M. CHRISTIAN

Projection of Funded Status and Cash Flow - Eliminate COLA, Tiered Reduction of Benefits
Plus 30 - 50% participation in a Return of Contributions window.

Year	Expected Contribution	Benefit Payments	Assets	Accrued Liability	Unfunded Liability	Funded Ratio
2018	8,800,000	12,080,000	125,000,000	197,600,000	72,600,000	63.3%
2019	2,400,000	***16,078,000***	128,900,000	197,500,000	68,600,000	65.3%
2020	4,200,000	12,273,000	122,500,000	188,200,000	65,700,000	65.1%
2021	4,200,000	12,594,000	121,400,000	186,400,000	65,000,000	65.1%
2022	4,200,000	12,855,000	119,900,000	184,300,000	64,400,000	65.1%
2023	4,200,000	13,083,000	118,100,000	181,700,000	63,600,000	65.0%
2024	5,700,000	13,353,000	115,900,000	178,700,000	62,800,000	64.9%
2025	5,700,000	13,531,000	114,800,000	175,300,000	60,500,000	65.5%
2026	4,500,000	13,645,000	113,500,000	171,500,000	58,000,000	66.2%
2027	4,500,000	13,775,000	110,800,000	167,300,000	56,500,000	66.2%
2028	4,500,000	13,822,000	107,800,000	162,800,000	55,000,000	66.2%
2029	4,500,000	13,868,000	104,500,000	157,900,000	53,400,000	66.2%
2030	4,500,000	13,808,000	101,000,000	152,600,000	51,600,000	66.2%
2031	4,500,000	13,736,000	97,300,000	147,200,000	49,900,000	66.1%
2032	4,500,000	13,690,000	93,500,000	141,400,000	47,900,000	66.1%
2033	4,500,000	13,533,000	89,500,000	135,400,000	45,900,000	66.1%
2034	4,500,000	13,264,000	85,400,000	129,200,000	43,800,000	66.1%
2035	4,500,000	12,999,000	81,400,000	122,900,000	41,500,000	66.2%
2036	4,500,000	12,650,000	77,400,000	116,500,000	39,100,000	66.4%
2037	4,500,000	12,255,000	73,500,000	110,000,000	36,500,000	66.8%
2038	4,500,000	11,835,000	69,800,000	103,700,000	33,900,000	67.3%
2039	4,500,000	11,377,000	66,300,000	97,300,000	31,000,000	68.1%
2040	4,500,000	10,896,000	63,100,000	91,100,000	28,000,000	69.3%
2041	4,500,000	10,405,000	60,200,000	85,000,000	24,800,000	70.8%
2042	4,500,000	9,901,000	57,600,000	79,100,000	21,500,000	72.8%
2043	4,500,000	9,388,000	55,400,000	73,400,000	18,000,000	75.5%
2044	4,500,000	8,870,000	53,600,000	67,800,000	14,200,000	79.1%
2045	4,500,000	8,351,000	52,200,000	62,500,000	10,300,000	83.5%
2046	4,500,000	7,834,000	51,200,000	57,400,000	6,200,000	89.2%
2047	4,500,000	7,322,000	50,700,000	52,500,000	1,800,000	96.6%
2048	4,500,000	6,818,000	50,700,000	47,900,000	(2,800,000)	105.8%
2049	4,500,000	6,325,000	51,200,000	43,500,000	(7,700,000)	117.7%
2050	4,500,000	5,847,000	52,300,000	39,500,000	(12,800,000)	132.4%
2051	4,500,000	5,386,000	53,900,000	35,600,000	(18,300,000)	151.4%

The results presented here are ESTIMATES.

These results are for **discussion purposes only** and should not be relied upon for any other purpose.