

IN THE CHANCERY COURT OF JACKSON COUNTY, MISSISSIPPI

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

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REPORT BY SPECIAL FIDUCIARY TRACI M. CHRISTIAN

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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 May, 2018.

**1. Meetings Regarding the Plan**

On May 14, 2018, the Special Fiduciary met with members of the Singing River Health System Retirement Plan committee for a quarterly session on the status of the Plan. Afterward, the Special Fiduciary, with assistance from hospital staff held two town hall meetings in an effort to answer various questions and address issues of concern for plan participants. The first meeting took place at the hospital and was attended by participants still working for the health system. The second meeting took place at a nearby community center and was attended primarily by retired participants. Attorneys Harvey Barton and Charles Mikhail were also in attendance.

**2. Videos Added to Website**

The website maintained by the Special Fiduciary has been updated to include video recordings of the town hall meetings noted above. For reference, the web address is [www.singingriverretirement.com](http://www.singingriverretirement.com).

**3. Saving Fees**

The Special Fiduciary was presented with two invoices for expenses related to benefit studies conducted in October of last year. These invoices totaled \$35,000. After discussion with hospital staff regarding the nature and purpose of the work, the hospital has agreed to pay these expenses and thus, the Plan will not be charged.

**4. Plan Audit**

The Special Fiduciary has been presented with a service agreement for plan auditing services to be conducted by the current hospital auditing firm of Dixon Hughes. It appears that some of the fees outlined in the service agreement may not be for the sole

benefit of the Plan itself and may be more appropriately paid for by the hospital. Further discussion with hospital staff is needed in order to make that determination.

#### 5. Actuarial and Administrative Services

In an effort to reduce plan administrative costs, the Special Fiduciary has completed the search for a firm to replace Transamerica as the Plan's actuary and benefits administrator.

The Request for Proposals (RFP) for actuarial and administrative services was released on Friday April 6. Interested firms had six weeks to respond. One respondent requested and was granted four additional business days to respond. In addition to McCloud and Associates, ten other firms were directly invited to bid. The RFP was also posted on the Singing River Hospital website as well as sent to three other websites for governmental RFP's.

Several of the invited firms called or e-mailed to express interest and ask questions. Two firms responded with an interest in providing other related Plan services, but opted not to respond directly to this Request for Proposal.

In all, three firms responded with proposals to provide actuarial and/or administrative services. All complete proposals are attached to this report. A summary of each is as follows:

##### **Retirement Horizons Incorporated of The Woodlands, Texas (RHI)**

RHI is a full-service retirement consulting firm offering customized actuarial services and ongoing plan administration. They currently employ a staff of 30, including several credentialed actuaries. Their resume is impressive and no concerns exist as to their understanding of the projects and their ability to provide both actuarial and administrative services to the Plan.

RHI's fees for actuarial work would be \$25,000 annually plus expenses. This fee is guaranteed for two years.

RHI's fees for administrative work would be expected to range from \$100,800 to \$111,600 annually plus expenses and includes benefit certifications. RHI would also charge a one-time fee of \$25,000 to cover the cost of transitioning the work to them.

Out of scope projects would be billed at \$170-\$360 per hour.

##### **Swerdlin and Company of Atlanta, Georgia**

Swerdlin is a retirement plan consulting firm offering actuarial services. Their resume is also impressive and no concerns exist as to their understanding of the projects and their ability to provide actuarial services to the Plan. Jeffrey Groves, the lead actuary, was previously retained by Singing River Health Systems and served as an expert witness at the Fairness Hearing in January. While this in-depth knowledge of the history of the Plan and the surrounding litigation would be a definite plus, Swerdlin and Company does not currently offer administrative services. Their proposal is for actuarial services only.

Swerdlin's fees for actuarial work would be \$22,000 annually plus expenses. This fee is guaranteed for three years.

Swerdlin's fees for benefit certifications would be about \$22,500 annually plus expenses.

Out of scope projects would be billed at \$130-\$350 per hour.

**McCloud & Associates, Inc of Liberty, Missouri**

As the Court is aware, the Special Fiduciary is one of three owners of the firm of McCloud & Associates. By moving the services to M&A, the Special Fiduciary would have direct oversight of the actuarial and administrative services for the Plan. This will save time and ultimately save the Plan significantly in fees.

McCloud's fees for actuarial work would be \$25,000 annually plus expenses. This fee is guaranteed for three years.

McCloud's fees for benefit certifications would be about \$15,000 annually plus expenses.

McCloud's fees for administrative work would be \$100,000 annually plus expenses. No additional fees would be charged for transition.

Out of scope projects would be billed at \$150-\$300 per hour.

The Special Fiduciary reiterates her proposal that the actuarial and administrative services of the Plan be transitioned from Transamerica and provided by McCloud & Associates, Inc. of Liberty, Missouri effective July 1, 2018. **A motion for the Court's consideration of this proposal will be filed promptly by the Special Fiduciary.**

**6. Investment Policy Statement**

The Special Fiduciary has taken some action and is currently in communications with Fiduciary Vest to make changes in the coming months and years to decrease exposure to investment sectors where the fund is over-weighted and to increase under-weighted classes so that the fund remains soundly invested for the long term.

These changes may require amendments to the Investment Policy statement. The Special Fiduciary requests the Court's approval to make changes to the Investment Policy statement in conjunction with quarterly reports to the Court on such recommended changes. **A motion for the Court's consideration of this request will be filed promptly by the Special Fiduciary.**

**7. Plan Participant Suggestions**

The Special Fiduciary has received requests from Plan participants about the possibility of making certain other changes to the Plan and has committed to bringing these to the attention of the Court.

**The first suggestion** is that Retired Participants in pay status be given a one-time option to change their form of benefit payment from the Plan.

Background: When a participant retires from the Plan and begins receiving monthly payments, he or she makes an election as to the form of benefit payment desired. Options include "Joint and Survivor" forms which pay a reduced amount to the participant and then also continue paying a portion of the benefit to a surviving spouse in the event that the participant dies first. Other forms include lifetime benefits with a certain number of payments guaranteed.

Suggestion: In light of the benefit reduction, participants could be given the opportunity to change their form of payment going forward. This would allow participants to increase their monthly payments in lieu of spousal benefits or guaranteed payments.

Impact on the Plan: A change of this nature would not impact the funded status or the long-term viability of the Plan. Any adjustments made to monthly payments would be made prospectively only and would be actuarially adjusted so as to be cost-neutral to the Plan.

**The second suggestion** is that active participants who are currently still working for the Health System but who have reached retirement eligibility age be given the option to commence retirement under the Plan while continuing to work for the Health System.

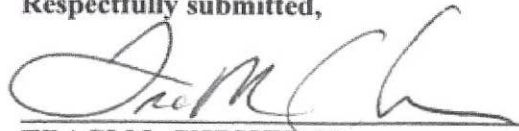
Background: Currently the Plan does not allow monthly annuity benefits to begin until a participant terminates employment with the Health System. While the Court has ordered that a return of employee contributions be made available as an option to current active participants, no such provision has been ordered for annuity benefits.

Suggestion: In light of the benefit reduction, active participants could be given the opportunity to begin receiving annuity benefits from the Plan while continuing to work for the Health System.

Impact on the Plan: A change of this nature would increase liabilities for the Plan as subsidized Early Retirement benefits would be paid in greater numbers.

**This concludes the report for the 29th day of May, 2018**

Respectfully submitted,



TRACI M. CHRISTIAN