

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

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 October, 2018.

1. Update - Request for Proposals for Investment Management Services

In an effort to more efficiently manage the Plan's assets and reduce costs, the Special Fiduciary on June 11, 2018 issued a "Requests for Proposals" (RFP) for the following services: Custody, Benefit Payments, Expense Disbursements, and/or Investment Management.

Four finalist firms as well as the current investment advisory firm of Fiduciary Vest gave secondary presentations of their proposals. After review of all proposals and discussions with the current advisor, the Special Fiduciary has concluded that the current investment advisory firm should be retained and the current practice of selecting investment manager(s) for each investment class should be continued. It is anticipated that investment costs can be saved within the current structure while maintaining an appropriate balance of risk and return.

Within the authority as Trustee granted by the court to the Special Fiduciary, certain classes of investments will be managed by FCI Advisors in an effort to reduce investment expenses. Other classes of investments have already been repositioned to new managers over the past year under the guidance of Fiduciary Vest. Fiduciary Vest will also remain in their reporting role.

Assets not managed by FCI and/or guided by Fiduciary Vest will remain invested with their current managers as recommended by both FCI and Fiduciary Vest and approved of by the Special Fiduciary as Trustee. These assets are illiquid and a change to the investment vehicles for these funds would be costly to the portfolio. These investments will be continually monitored and may be reallocated in the future as appropriate to the fund.

Within the authority as Trustee granted by the court to the Special Fiduciary, the services of Fifth Third will be retained for custody and benefit payment services. Fifth Third will replace Trustmark as custodian and Transamerica as custodian and benefit payment processor. Fifth Third has a good reputation in the industry for service and the change will result in significant savings in fees to the fund.

In conclusion, no additional motion to replace Fiduciary Vest nor to hire a single firm to take over the full management and custody of the fund will be forthcoming. After a thorough review of all responses to the Request for Proposals, the Special Fiduciary is satisfied that changes within the investment portfolio to lower cost managers and custodians as well as a lower cost service provider to replace the remaining services performed by Transamerica will position the Plan well for the long term.

2. Cost Saving Measures

Over the past seven months, the Special Fiduciary has reviewed the services and fees of every firm providing services to the Plan. Redundant custodial services have been eliminated. Two Requests for Proposals were conducted. Where appropriate, new firms have been hired at a lower cost to the Plan for administrative, custodial, and benefits processing. A thorough review of the Plan's asset allocations and investment managers and investment vehicles has been conducted in conjunction with the Request for Proposal process which began in June and changes within the terms of the investment policy statement have been made and are in process. The goal of this process was to reduce the ongoing administrative and investment costs to the Plan by a target of \$500,000 per year while maintaining a high level of service to the Plan participants. The Special Fiduciary expects that the changes already made and currently in process will exceed that goal and reduce costs by over \$600,000 per year ongoing.

Attached to this report is a summary of Plan costs for the previous two years and the anticipated costs for the upcoming two years.

3. Actuarial Valuation as of October 1, 2018

The Special Fiduciary is planning to present the results of the October 1, 2018 Actuarial Funding Valuation on November 16, 2018 to the committee at Singing River Hospital as well as to Plan participants in two open meetings that same day/evening.

This report will contain information related to the Court's order of April 12, 2018 that "The Special Fiduciary shall institute the 90% to 110% funding level corridor ..." Preliminary calculations show that the Plan will be within that corridor as of the October 1, 2018 valuation date and that no recommendation for changes to benefits will be forthcoming.

The Special Fiduciary plans to file the Actuarial Valuation Report with the court in early November prior the participant meetings.

This concludes the report for the 17th day of October, 2018.

Respectfully submitted,



TRACI M. CHRISTIAN