

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 April, 2020.

Repeated - Ongoing Litigation

We now have four other lawsuits involving the Plan that are pending. Two cases in which the Plan is Petitioner. Those suits are against Transamerica and KPMG, former administrator and auditor respectively. In the third lawsuit, Beasley et al vs SRHS et al, the Plan is a Respondent. The lawsuit alleges benefits owed from the Plan that were not paid. In the fourth lawsuit, Barbour vs SRHSERPT, the Plan is the Respondent. This lawsuit also alleges benefits owed from the Plan that were not paid.

Plan Investments

Attached for the Court's review is a report showing asset positions and activity for the month ending March 31. Investment returns have come back slightly since March 31, but at the time of this report, the Plan's investments are most certainly down.

The Special Fiduciary with the advice of the investment professionals has done her best to position the portfolio to weather these types of economic storms. Reviews of the asset allocations and positions are always ongoing with the goal of meeting or exceeding our investment targets.

Repeated - Plan and Trust Documents

Discussions are underway with counsel for SRHS regarding the status of the legal Plan document and Trust Agreement. Both of these documents need to be updated to reflect law changes, court rulings and administrative practices. The Special Fiduciary expects to offer a motion to the Court in the coming weeks requesting permission to move forward with these updates.

Mid-Year Actuarial Valuation

The Special Fiduciary oversaw a mid-year actuarial valuation of the Plan as of April 1, 2020. These results were done at no additional cost to the Plan. The results of this interim valuation indicate that the Plan has fallen below the 90%-110% funding corridor on a projected basis as ordered by the Court.

As of April 1, 2020, the projected funded status of the plan has fallen to 86%. However – the Special Fiduciary will not be making a recommendation to the Court for any benefit changes at this time. The Special Fiduciary recommends waiting and reassessing the funded status for the following reasons:

- This is an interim valuation completed mid-year and not an official peer-reviewed report.
- This valuation was done at what may be – and hopefully will be – a short-term low point in the market.
- Prior to making any recommendation of benefit changes, the Special Fiduciary would conduct a full-scale study of any and all possible other remedies that could be implemented. Such a study has not taken place as of yet.

Hopefully, the economic environment calms soon and the Plan will be in a better funded position by the end of the Plan year. Subsequent reports will keep the Court apprised as to the investment performance in coming months.

For reference: In order to maintain the required funding corridor, the Plan will need to have \$97 million in the Trust as of October 1, 2020. As of the valuation date of April 1, we had \$89.241M. With a slight recovery so far in April, as of April 15, we had \$90.938M after paying benefits for the month of April.

Follow-up from March 25th Telephonic Hearing

During the telephonic hearing on March 25th, the Court asked the Special Fiduciary about the study that was done in 2019 regarding the retirement rate assumptions used for valuation purposes.

The Special Fiduciary has confirmed that indeed that study was completed and the results of the study were implemented with the October 1, 2019 Actuarial Valuation.

In short, the study found that since the Plan Freeze in 2014, active plan participants are not retiring at the previously assumed rates and are in fact, working a little longer. The Plan saves money when participants retire later.

Based on the results of this study, the actuarial assumption regarding the incidence of retirement was adjusted to better conform to observed experience. This change produced an actuarial gain to the Plan of about \$635 thousand on a projected basis.

Below is more detail about this assumption change excerpted from the October 1, 2019 Valuation Report, page 10:

The experience of the plan, with regard to the incidence of retirement, since benefit accruals were frozen in November 2014, was studied, and consequently the rates of retirement assumed in the valuation were changed as outlined in the following table.

Annual Probability of Retirement (Commencing Retirement Benefits)

| Ages | Previous Valuations | New assumption |
|--------------|---------------------|----------------|
| 60-63 | 25% | 15% |
| 64 | 25% | 20% |
| 65 | 100% | 25% |
| 66-67 | 100% | 30% |
| 68 and above | 100% | 100% |

A participant with 30 years of service is eligible for unreduced retirement benefits, and the probability for such participants beginning retirement is assumed to be 30%, if less than that on the table above. This assumption did not change.

Administration

All Plan benefits due and vendor invoices to date have been authorized for payment.

This concludes the report for the 20th day of April, 2020.

Respectfully submitted,



TRACI M. CHRISTIAN

| In (\$000's) | Beginning Market Value | Deposits | Withdrawals | Net Transfers | Fees | Expenses | Net Cash Flow | Income | Asset Value Change | Net Performance | Ending Market Value |
|--|---------------------------|-------------|-------------------|------------------|----------|----------------|-------------------|--------------|-----------------------|--------------------|------------------------|
| Total | \$ 103,262 | \$ 1 | \$ (1,079) | \$ 0 | - | \$ (11) | \$ (1,089) | \$ 86 | \$ (13,018) | \$ (12,931) | \$ 89,241 |
| Cash | 1,627 | 1 | (1,079) | 500 | - | (10) | (588) | 1 | - | 1 | 1,040 |
| Cash in Mutual Fund Account | 77 | - | - | 475 | - | (0) | 474 | 0 | 0 | 0 | 551 |
| Lord Abbett Short Duration Income I | 2,057 | - | - | (475) | - | - | (475) | 6 | (141) | (136) | 1,446 |
| FCI Advisors Fixed Income | 8,936 | - | - | - | - | (0) | (0) | 21 | (65) | (44) | 8,892 |
| Regiment Capital ¹ | 179 | - | - | - | - | - | - | - | - | - | 179 |
| III Credit Opportunities Fund ² | 6,983 | - | - | - | - | - | - | - | (2,255) | (2,255) | 4,728 |
| Coho Partners | 5,584 | - | - | - | - | (0.13) | (0.13) | 21 | (489) | (468) | 5,116 |
| Schwab S&P 500 Index Fund | 4,961 | - | - | - | - | - | - | - | (613) | (613) | 4,348 |
| Sustainable Growth Advisers | 6,223 | - | - | - | - | (0.15) | (0.15) | 7 | (568) | (561) | 5,663 |
| Disciplined Growth Investors | 5,963 | - | - | - | - | - | - | - | (1,077) | (1,077) | 4,886 |
| Wedge Capital | 5,990 | - | - | - | - | (0.14) | (0.14) | 20 | (1,760) | (1,740) | 4,250 |
| Westfield Capital | 12,600 | - | - | (500) | - | (0.29) | (500) | 12 | (2,192) | (2,180) | 9,920 |
| Invesco Global Real Estate R5 | 3,691 | - | - | - | - | - | - | - | (1,093) | (1,093) | 2,598 |
| Fidelity Total International Index | 8,044 | - | - | - | - | - | - | - | (1,272) | (1,272) | 6,772 |
| DFA International Small Cap Value | 1,680 | - | - | - | - | - | - | - | (382) | (382) | 1,297 |
| Fidelity Emerging Markets Index Prem | 2,413 | - | - | - | - | - | - | - | (388) | (388) | 2,025 |
| Oppenheimer Developing Markets | 2,087 | - | - | - | - | - | - | - | (322) | (322) | 1,765 |
| Gramercy Distressed Opportunities Fund II ² | 1,756 | - | - | - | - | - | - | - | (49) | (49) | 1,706 |
| Invesco Balanced Risk Allocation | 5,959 | - | - | - | - | - | - | - | (456) | (456) | 5,503 |
| Elliott International Ltd. ² | 5,823 | - | - | - | - | - | - | - | 6 | 6 | 5,829 |
| Invesco Mortgage Recovery Fund-Loans ¹ | 178 | - | - | - | - | - | - | - | - | - | 178 |
| Invesco US Income | 4,727 | - | - | - | - | - | - | - | 97 | 97 | 4,825 |
| Eastern Timberland Opportunities II ¹ | 5,725 | - | - | - | - | - | - | - | (0) | (0) | 5,725 |

¹Valuation date: 12/31/2019

²Valued using estimated monthly investment performance

³Fifth Third fee shown include both fees deducted from the Distribution account and expenses deducted from the manager accounts.

⁴Investment services credit represents the reimbursement to the Plan of the revenue sharing associated with certain mutual funds.

⁵Direct cost. Fees deducted from Fifth Third account by investment manager.

⁶Indirect cost. Fees deducted from ending dividend or ending market value.

Withdrawals represent "Employee Benefit Payments".

Fees represent investment management fees.

Expenses represent withdrawals from manager accounts for custodian fees and additional plan services expenses.

Beg market value may vary from previous month ending market values due to adjustments made during current month.

All values are preliminary.

Monthly Fee Overview (in \$000's):

| | | |
|--------------------------|----------|----------------------|
| Fifth Third ³ | \$ (6.1) | custody fee |
| BKD | \$ (7.5) | audit services |
| CAPIS | \$ 6.3 | commission recapture |