



SINGING RIVER HEALTH SYSTEM  
Employees Retirement Plan and Trust

Meeting on November 16,  
2018

# Introductions



Traci Christian –  
Special Fiduciary



Troy Miller – McCloud -  
Plan Administrator



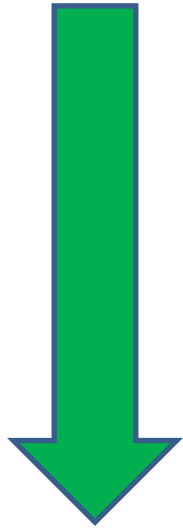
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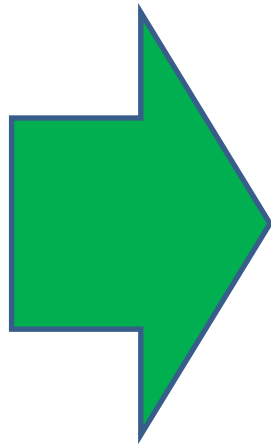
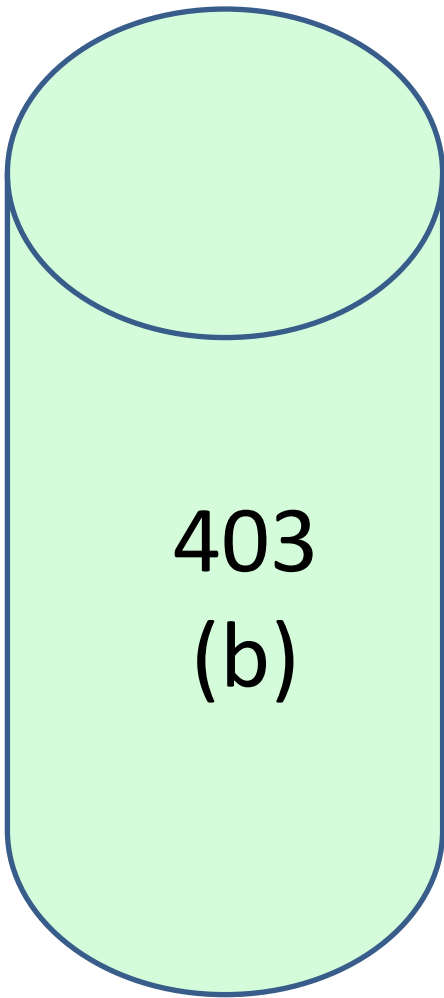
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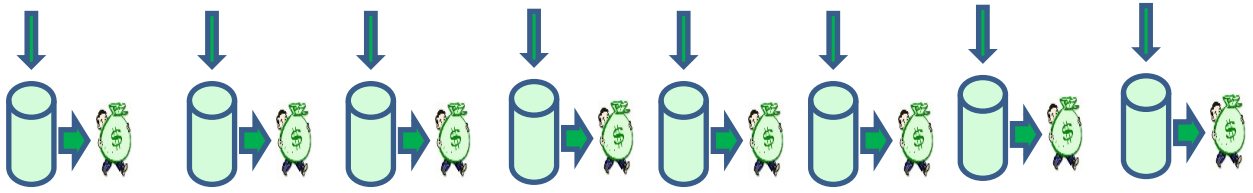
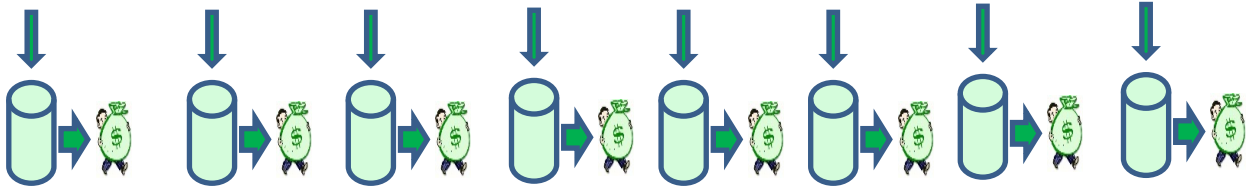
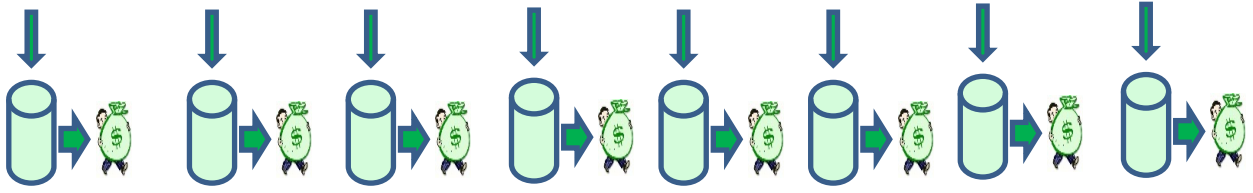
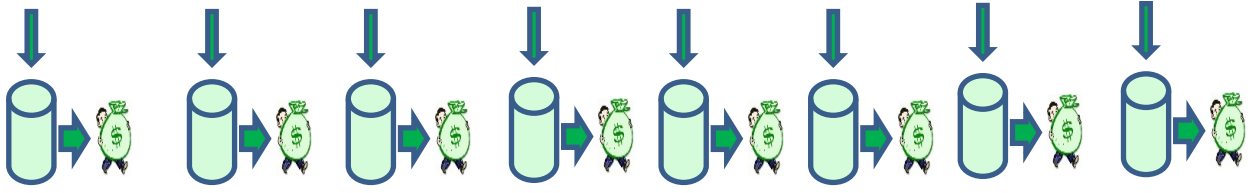
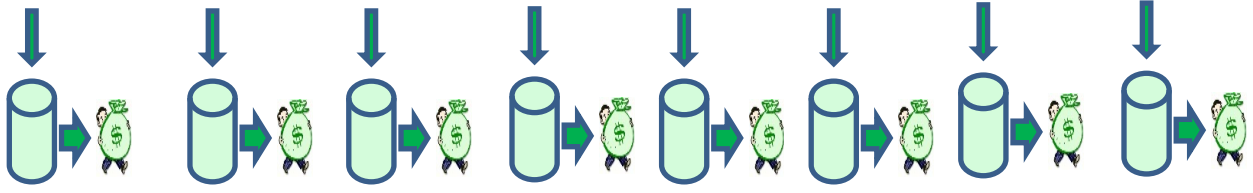
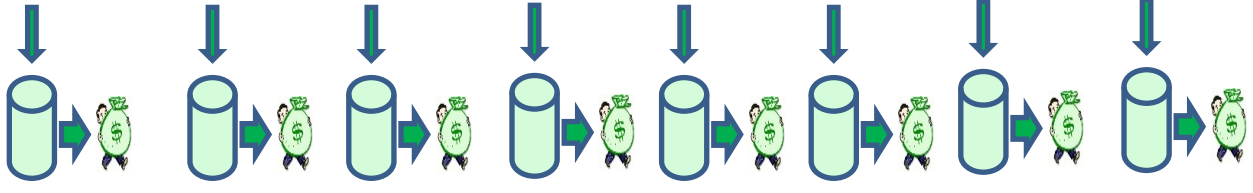
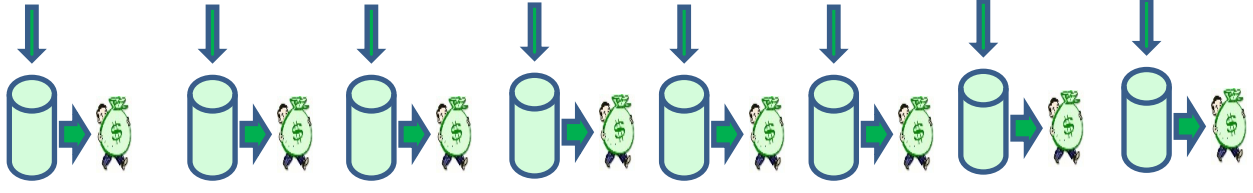
Traci – Ext 228

Troy – Ext 237



Contributions





Employee \$

• Hospital \$

• Settlement \$

• Investment  
Earnings \$

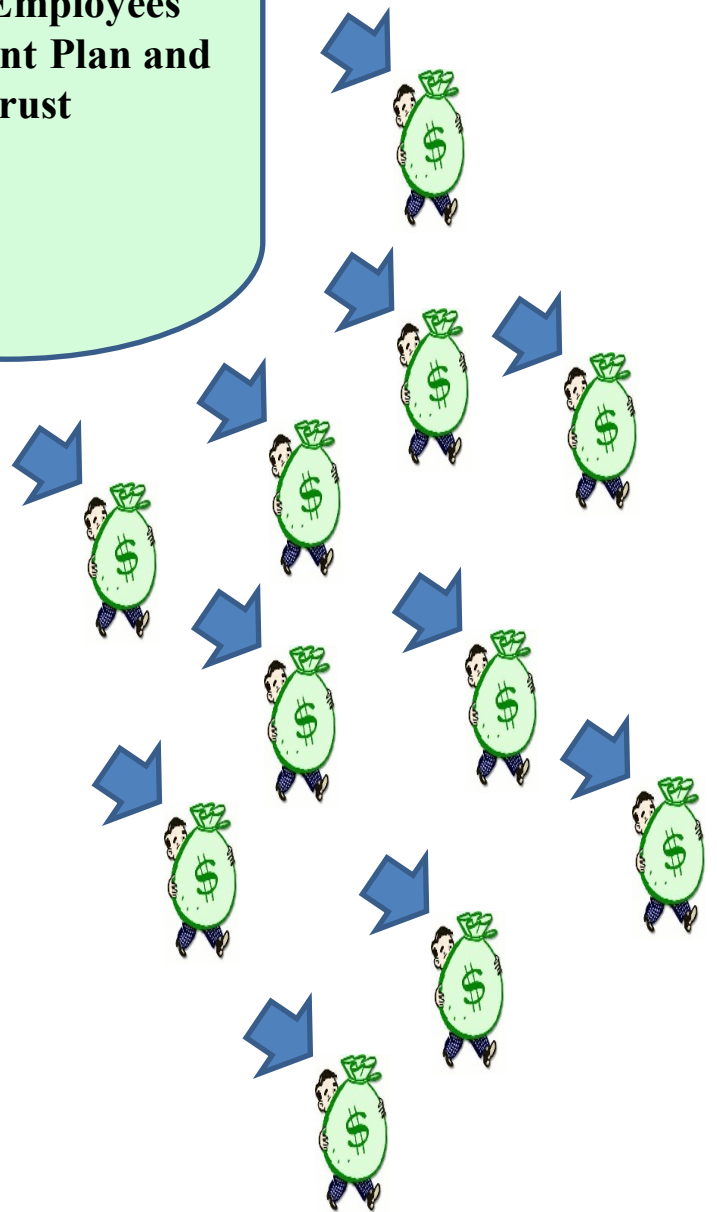


Employee \$

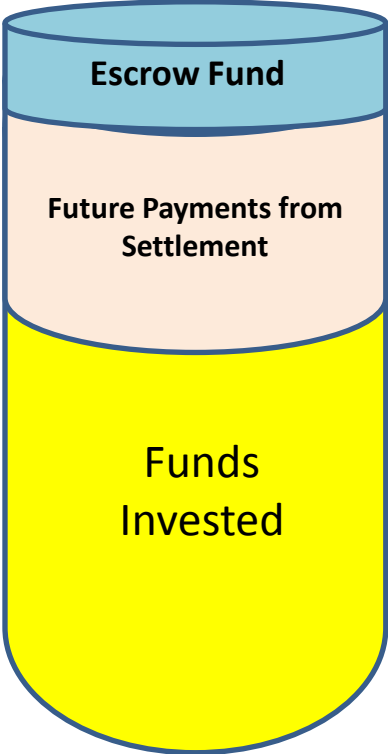
Hospital \$

Settlement \$

Investment  
Earnings \$



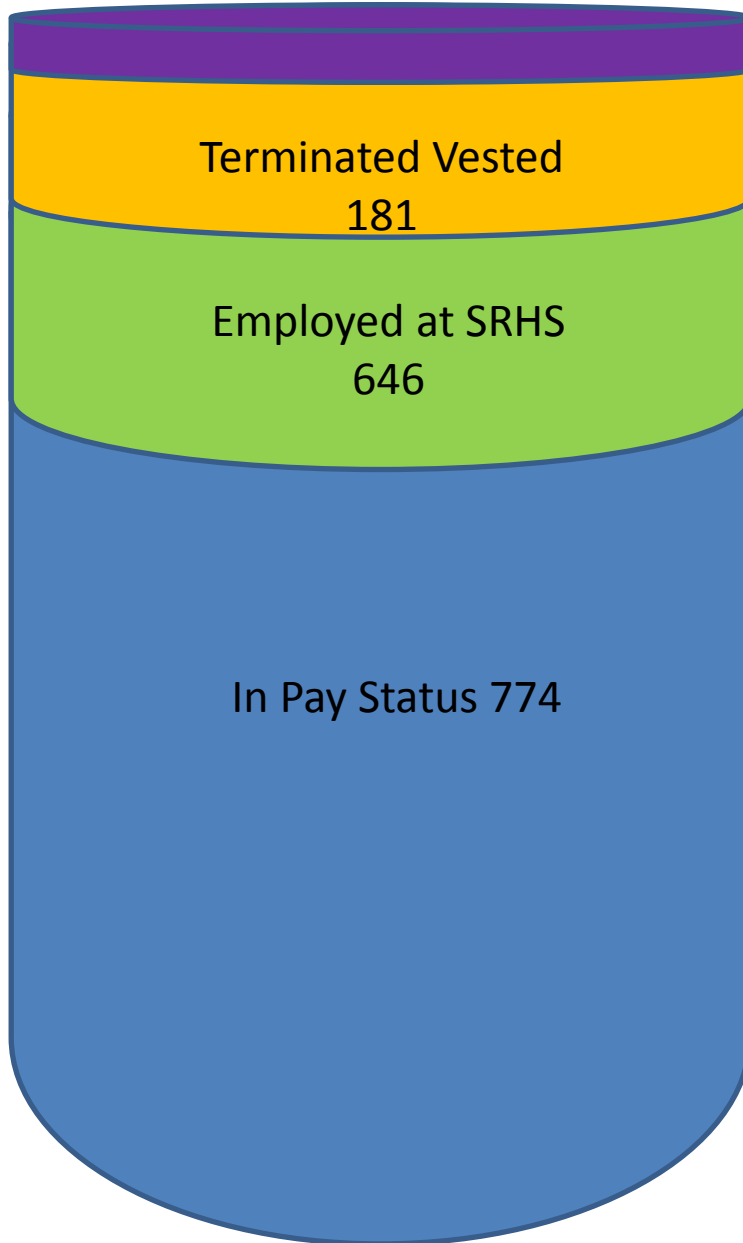




Projected  
Assets  
\$187.894M

Liabilities  
\$189.567M

Terminated Non-Vested  
902



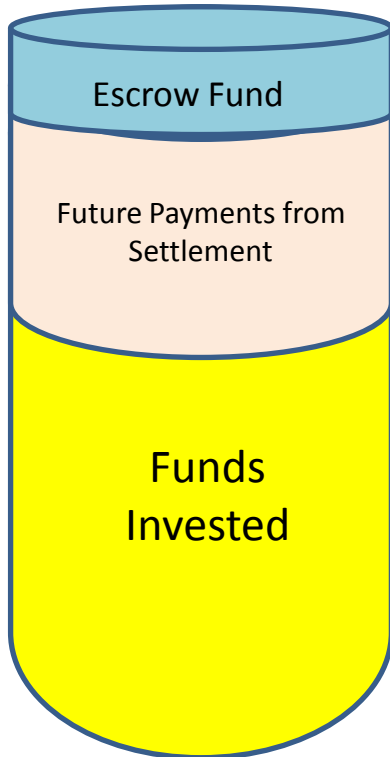
Prj Assets  
Liabilities



99%

Projected  
Assets  
\$187.894M

Liabilities  
\$189.567M



# ***Singing River Health System Employees' Retirement Plan and Trust***

Actuarial Valuation as of October 1, 2018

**McCloud & Associates, Inc.**

QUALIFIED PLAN CONSULTING AND ADMINISTRATION

November 12, 2018

**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**

This is a report on the actuarial valuation for the Singing River Health System Employees' Retirement Plan and Trust (The Plan), which was performed as of October 1, 2018. The purpose of the valuation is to:

- Compare the current value of Trust assets with accrued liabilities to assess the funded condition of the Plan,
- Compare the projected value of Trust assets with accrued liabilities to assess the long-term funded condition of the Plan,
- Provide a summary of projected cash flows for use in assessing the long-term health of the Plan.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. The participant data was provided by the former plan administrator, Transamerica, and the Plan asset data was provided by the Plan's investment advisor, Fiduciary Vest. This data has been reviewed for reasonableness, but no attempt has been made to audit this information. Participant data is snapshot data as of the valuation date.

**This valuation assumes that the settlement upheld in the 5<sup>th</sup> Circuit Court of Appeals on August 24, 2018 will be finalized and that the settlement payments including those held in escrow and those agreed upon in the settlement will become Plan assets. If this does not happen for any reason, the results shown in this report will be invalid and a new valuation will be required.**

Continued ...

**McCloud & Associates, Inc.**  
QUALIFIED PLAN CONSULTING AND ADMINISTRATION

Continued ...

The valuation was based on the provisions of the Plan as amended through the beginning of the Plan Year. Each actuarial assumption used in this valuation is reasonably related to the past experience of the Plan and represents reasonable expectations of future experience under the Plan. The Special Fiduciary with advice and approval of the actuary sets the assumptions and methods for the valuation.

The firm of McCloud & Associates is partially owned by the Special Fiduciary, Traci M. Christian. This relationship has been disclosed to the Chancery Court overseeing the administration of the Plan and has been deemed acceptable by court order. The signing actuary has no other conflict of interest that would impair the objectivity of the work reflected in this report. This report is intended for use by the Special Fiduciary and the Court and should not be used for any purpose other than as stated herein. This report is only valid when presented in its entirety. It must not be reproduced without permission.

The undersigned meets the Qualification Standards for Prescribed Statements of Actuarial Opinion promulgated by the American Academy of Actuaries.

Respectfully submitted,



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John J. Naylor IV, ASA, MAAA



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***Section One:***

***Valuation Results***



This valuation assumes that the settlement upheld in the 5<sup>th</sup> Circuit Court of Appeals on August 24, 2018 will be finalized and that the settlement payments including those held in escrow and those agreed upon in the settlement will become Plan assets. If this does not happen for any reason, the results shown in this report will be invalid and a new valuation will be required.

## Valuation Results

**October 1, 2018**

### Number of Participants

Still Actively Employed at SRHS	646
In Pay Status	774
Vested Terminated	181
Non-Vested Terminated	902

**Total** **2,503**

### Actuarial Liability Associated with Each Participant Group

Still Actively Employed at SRHS	\$ 40,415,000
In Pay Status	134,353,000
Vested Terminated	12,475,000
Non-Vested Terminated	2,324,000

**Total** **\$189,567,000**

### Plan Assets

Funds Currently Invested	\$ 115,889,000
Funds in Escrow	8,892,000
Total Value of Current Assets	\$124,781,000

Percentage of Liability  
Currently Funded 66%

Present Value of Future  
Settlement Payments 63,113,000

**Total Value of Projected Assets** **\$187,894,000**

**Percentage of Liability  
Projected to be Funded 99%**

## **Pension Plan Experience**

The Plan experience is evaluated by comparing the current year's results with the prior year's results. If the actuarial assumptions are accurate, there should be predictable changes from one year to the next. Gains and losses measure deviations from the stated actuarial assumptions.

The assets of the Plan earned a rate of return of approximately 7.7%. This resulted in investment returns of approximately \$2.0 million more than anticipated by the 6.0% assumed rate of return. This return is net of all plan expenses – investment management and administrative.

On April 12, 2018, the Chancery Court of Jackson County, Mississippi ordered benefits in this Plan to be reduced in an effort to secure benefits for all Plan participants.

During the final quarter of the Plan Year, the Plan – per an order of the court – began to offer a return of employee contributions in lieu of a retirement benefit to participants still employed at Singing River Health System. For most of these participants, employee contributions with interest is less than the value of their earned retirement benefit. By electing to forgo retirement benefits and instead take a return of contributions, most of these participants chose to receive less from the Plan than they would otherwise be entitled. As of September 30, 2018, this program paid out \$1,924,351 in employee contributions. In exchange for these payouts, participants elected to forgo \$4.377 million in benefits. **This resulted in a savings to the Plan of almost \$2.5 million.** Additional elections continue to be made and those will be measured with the next valuation. The window for these elections will close on December 31, 2018. Subsequent similar windows may be offered in the future.

## Singing River Health System Employees' Retirement Plan and Trust

## Cash Flow Projection

Year Beginning Oct. 1	Expected Contribution	Benefit Payments	Assets	Liability	Unfunded Liability
2018	2,400,000	12,121,000	124,781,000	189,567,000	64,786,000
2019	4,200,000	12,392,000	122,200,000	187,883,000	65,683,000
2020	4,200,000	12,618,000	121,000,000	185,814,000	64,814,000
2021	4,200,000	12,855,000	119,500,000	183,387,000	63,887,000
2022	4,200,000	13,047,000	117,600,000	180,567,000	62,967,000
2023	5,700,000	13,177,000	115,400,000	177,378,000	61,978,000
2024	5,700,000	13,342,000	114,500,000	173,865,000	59,365,000
2025	4,500,000	13,441,000	113,300,000	169,970,000	56,670,000
2026	4,500,000	13,471,000	110,800,000	165,740,000	54,940,000
2027	4,500,000	13,539,000	108,100,000	161,229,000	53,129,000
2028	4,500,000	13,505,000	105,100,000	156,380,000	51,280,000
2029	4,500,000	13,478,000	102,000,000	151,279,000	49,279,000
2030	4,500,000	13,400,000	98,700,000	145,906,000	47,206,000
2031	4,500,000	13,276,000	95,300,000	140,297,000	44,997,000
2032	4,500,000	13,156,000	91,800,000	134,488,000	42,688,000
2033	4,500,000	12,969,000	88,300,000	128,461,000	40,161,000
2034	4,500,000	12,685,000	84,700,000	122,275,000	37,575,000
2035	4,500,000	12,391,000	81,200,000	116,023,000	34,823,000
2036	4,500,000	12,061,000	77,800,000	109,712,000	31,912,000
2037	4,500,000	11,655,000	74,500,000	103,376,000	28,876,000
2038	4,500,000	11,266,000	71,500,000	97,095,000	25,595,000
2039	4,500,000	10,821,000	68,700,000	90,854,000	22,154,000
2040	4,500,000	10,344,000	66,200,000	84,714,000	18,514,000
2041	4,500,000	9,853,000	64,000,000	78,715,000	14,715,000
2042	4,500,000	9,344,000	62,200,000	72,882,000	10,682,000
2043	4,500,000	8,828,000	60,800,000	67,241,000	6,441,000
2044	4,500,000	8,312,000	59,900,000	61,814,000	1,914,000
2045	4,500,000	7,793,000	59,400,000	59,400,000	-
2046	4,500,000	7,271,000	59,400,000	59,400,000	-
2047	4,500,000	6,758,000	60,000,000	60,000,000	-
2048	4,500,000	6,252,000	61,100,000	61,100,000	-
2049	4,500,000	5,760,000	62,800,000	62,800,000	-
2050	4,500,000	5,285,000	65,100,000	65,100,000	-
2051		4,829,000	68,100,000	68,100,000	-

The results presented here are ESTIMATES.

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

**History of Assets and Liabilities**

<b>Valuation Date October 1:</b>	<b>Plan Assets and Future Contributions*</b>	<b>Present Value of Benefits</b>	<b>Projected Funded Ratio</b>
2018	187,894,000	189,567,000	99%

\*Includes the present value of contributions included in the proposed settlement, discounted at the same 6% rate as are the plan benefits.

**History of Market Value Asset Returns**

<b>Year Ended Sept. 30</b>	<b>Rate of Investment Return</b>
2018	7.7%

**Valuation History**

**2018**

The assets of the Plan earned a rate of return of approximately 7.7%. This resulted in investment returns of approximately \$2.0 million more than anticipated by the 6.0% assumed rate of return. This return is net of all plan expenses – investment management and administrative.

On April 12, 2018, the Chancery Court of Jackson County, Mississippi ordered benefits in this Plan to be reduced in an effort to secure benefits for all Plan participants.

During the final quarter of the Plan Year, the Plan – per an order of the court – began to offer a return of employee contributions in lieu of a retirement benefit to participants still employed at Singing River Health System. For most of these participants, employee contributions with interest is less than the value of their earned retirement benefit. By electing to forgo retirement benefits and instead take a return of contributions, most of these participants chose to receive less from the Plan than they would have otherwise be entitled. As of September 30, 2018, this program paid out \$1,924,351 in employee contributions. In exchange for these payouts, participants elected to forgo \$4.377 million in benefits. This resulted in a savings to the Plan of almost \$2.5 million. Additional requests for return of contributions may be made until December 31, 2018. The effects of contributions returned after the valuation date will be measured in the next valuation. Similar windows may be offered in the future.

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***Section Two:***

***Retirement Plan  
Benefit Provisions***

## **Benefit Provision Summary**

### **Effective Date**

February 17, 1983. The Plan was amended in 2014 to freeze accruals and employee contributions. The Plan was further amended in 2018 per Court order to decrease all Plan benefits.

### **Eligibility**

All employees are eligible to participate on the first day of the month coincident with or next following three months of employment and authorization of payroll deduction for required contributions. No employees hired or rehired on or after October 1, 2011 will be eligible to participate in the Plan.

### **Credited Service**

A participant will receive Credited Service for the whole number of years and quarter years worked excluding any period of unpaid leave or period when he or she did not contribute to the Plan. No Credited Service will accrue for purposes of determination of the accrued benefit after the conclusion of the pay period which corresponds to paychecks distributed to employees on December 4, 2014. Credited Service will continue to accrue for eligibility for Early Retirement and Thirty Year Service Early Retirement.

### **Vesting Service**

A participant will receive Vesting Service for any period worked adjusted for any period greater than 12 months excluded from Credited Service or period when he or she did not contribute to the Plan.

### **Compensation**

Total compensation, including overtime, bonus, commissions, incentive compensation, employee contributions to the Plan, elective contributions under the cafeteria plan, and elective contributions to any plan qualified under Section 132(f), 401(k), 403(b) and 457 of the Code. Compensation excludes contributions to the Plan by the Employer not related to "pick-up". No compensation shall be recognized after the conclusion of the pay period which corresponds to paychecks distributed to employees on December 4, 2014.

### **Average Compensation**

The highest average during any nineteen consecutive quarters of compensation during the forty consecutive quarters of employment immediately preceding date of termination, plus the last quarter of employment compensation.

### **Employee Contributions**

Participants are required to contribute 3% of compensation each pay period. No employee contributions will be made after the conclusion of the pay period which corresponds to paychecks distributed to employees on December 4, 2014.

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.

**Normal Retirement Date**

The first day of the month coinciding with or next following the later of the Participant's 65th birthday and the attainment of 10 years of Vesting Service.

**Normal Retirement Benefit**

The sum of (a), (b) and (c), not less than (d):

- (a) 1.625% of the Average Monthly Compensation multiplied by Credited Service, up to 20 years,
- (b) 1.75% of the Average Monthly Compensation multiplied by Credited Service in excess of 20 years up to 30 years,
- (c) 2% of the Average Monthly Compensation multiplied by Credited Service in excess of 30 years
- (d) Credited Service multiplied by \$5

Effective October 1, 2011, the benefit for those participants with less than 20 years of Credited Service as of September 30, 2011 will be limited to 50% of Average Monthly Compensation.

Effective April 12, 2018 all benefits calculated in accordance with the above formula will be reduced by 25%.

**Early Retirement Date**

The first day of the month coinciding with or next following the Participant's 60th birthday and the attainment of 10 years of Credited Service.

**Early Retirement Benefit**

Equal to the Normal Retirement Benefit reduced 3% for each year commencement precedes Normal Retirement Date.

**Thirty Year Service Early Retirement**

A Participant with 30 or more years of Credited Service may commence benefit without Early Retirement reduction.

**Late Retirement**

A Participant may retire at any time after his Normal Retirement Date with a benefit equal to the benefit earned through the Participant's actual retirement date.

**Disability Retirement**

A Participant must have at least 10 years of Credited Service and be eligible for Social Security Disability to be eligible for the disability benefit. The disability benefit is equal to the accrued benefit using final average earnings at date of disability and the amount of service that would have been accrued if the Participant worked to the later of age 60 or the date of disability, reduced 3% for each year commencement precedes Normal Retirement Date, up to 15%.

**Vested Termination**

A Participant is 100% vested after completing 10 or more Years of Vesting Service and is entitled to receive their accrued benefit at the time of termination payable at their normal retirement date or earlier in accordance with early retirement provisions above.

A Participant is always 100% vested in their employee contributions.

**Normal Form of Payment**

Life Annuity.

**Pre-Retirement Death Benefit**

The surviving spouse will receive a benefit equal to the amount that would have been paid had the participant separated from service on his date of death and retired with a 100% qualified joint and survivor annuity, reduced 3% for each year date of death precedes Normal Retirement Date.

**Cost of Living Adjustment**

Cost of Living increases are suspended until further order of the Court.





***Section Three:***

***Actuarial Assumptions  
And Methods***

**Actuarial Assumptions**

**Economic Assumptions**

Interest Rate 6.0% (net of all expenses)

**Demographic Assumptions**

Mortality RP-2014 Employee and Healthy Annuitant tables adjusted back to 2006 and then projected with generational improvements using the most recently available scale - MP-2017 for this valuation.

Termination of Employment None

Retirement Age A participant is assumed to retire in accordance with annual rates as illustrated below:

<u>Age</u>	<u>Annual Rates of Retirement</u>
60-64	25%
65	100%

For participants with 30 years of service (regardless of age), rates are increased to 30%.

Disability

Sample Rates of Disability are as follows:

<u>Age</u>	<u>Annual Rates of Disability</u>
20	0.08%
30	0.11%
40	0.21%
50	0.29%
60	0.59%

## **Marital Assumption**

100% of active participants are assumed to be married. Husbands are assumed to be three years older than their wives.

## **Actuarial Funding Method – Traditional Unit Credit**

The actuarial present values of all benefits allocated to all valuation years preceding the actuarial valuation date is the actuarial accrued liability.

The actuarial gain (loss) is a measure of the difference between actual experience and that expected based upon the actuarial assumptions between two actuarial valuation dates. Under this actuarial cost method, the actuarial gains (losses) are directly calculated and reduce (increase) the unfunded actuarial accrued liability.

The expected rate of return and the corresponding discount rate is expected to be net of all Plan expenses.

## **Uncertainty and risks with respect to the results, assumptions, methods, etc.**

The results presented in this report are based upon actuarial assumptions and methods. The assumptions represent the expected experience for the Plan and the methods allocate costs to past and future service. When the actual experience of the Plan is different from what is assumed in the valuation, volatility in the funded status of the Plan and the contribution recommendations can result.



***Section Four:***  
***Valuation Data***

**Summary of Asset Information**

As of October 1, 2018, the market value of the Plan Trust Fund was reported to be \$115,889,000.

Market Value as of October 1, 2017	\$125,011,000
a. Revenues	
Investment Income (Net of all plan expenses)	8,889,000
b. Disbursement to Members	
Benefits Paid	(18,011,000)
<b>c. Market Value as of October 1, 2018</b>	<b>115,889,000</b>
d. Value of Funds held in Escrow	8,892,000
<b>e. Current Value of Assets as of October 1, 2018</b>	<b>\$124,781,000</b>
f. Present Value of Future Settlement Payments	\$63,113,000
<b>g. Projected Value of Assets as of October 1, 2018</b>	<b>\$187,894,000</b>

**Rate of Return**

On an actuarial value basis, the fund earned a rate of return of approximately 7.7%. This approximation reflects the timing of contributions and withdrawals.

**This valuation assumes that the settlement upheld in the 5th Circuit Court of Appeals on August 24, 2018 will be finalized and that the settlement payments including those held in escrow and those agreed upon in the settlement will become Plan assets. If this does not happen for any reason, the results shown in this report will be invalid and a new valuation will be required.**

## Participant Summary

### Retirees and Beneficiaries Included in the Valuation

There were 774 retirees and beneficiaries included in the valuation, with annual pensions totaling \$11,705,000. The breakdown by age division is as follows:

<b>Attained Ages</b>	<b>Number</b>	<b>Average Annual Pensions</b>
40-44		
45-49	1	\$7,610
50-54	9	17,560
55-59	53	21,078
60-64	172	19,722
65-69	193	15,693
70-74	160	14,670
75-79	98	9,998
Over 80	88	7,663
<b>Total</b>	<b>774</b>	<b>\$15,123</b>

### Vested Terminated Members Included in the Valuation

There were 181 vested terminated members included in the valuation, with annual pensions totaling \$2,082,000. The breakdown is as follows:

<b>Attained Ages</b>	<b>Number</b>	<b>Average Annual Pensions</b>
30-34	5	\$4,134
35-39	5	5,335
40-44	24	9,040
45-49	36	12,968
50-54	44	11,737
55-59	51	12,553
60-64	15	12,748
65-70	1	3,190
<b>Total</b>	<b>181</b>	<b>\$11,504</b>

**Active Members – Age and Service Distribution**

Age	Service							Total
	5-9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	Over 35	
20 - 24								7
25 - 29	3	4						7
30 - 34	19	13						32
35 - 39	16	31	13	1				61
40 - 44	11	23	37	7				78
45 - 49	15	39	26	42	8			130
50 - 54	15	23	31	28	23	4		124
55 - 59	11	19	32	29	22	6		119
60 - 64	9	13	18	12	8	4	2	66
65+	<u>        </u>	<u>    6    </u>	<u>    8    </u>	<u>    9    </u>	<u>    4    </u>	<u>    2    </u>	<u>        </u>	<u>    29    </u>
Total	99	171	165	128	65	16	2	646

**Total Active Participant Information**

	2018	2017
Active Members	646	910
Average Age (yrs.)	50.3	48.6
Average Service (yrs.)	17.0	15.5

**Reconciliation With Prior Year**

	<b>Actives</b>	<b>Retirees &amp; Beneficiaries</b>	<b>Vested Terminations</b>	<b>Non -Vested Terminations</b>
October 1, 2017 Participants	910	750	174	905
Corrections	(1)	(4)	(1)	1
New Participants				
Returned to Active	4			(4)
Retirements	(27)	35	(8)	
Deaths		(11)	(2)	
New Beneficiaries		4		
Benefits Expire				
Terminations				
- Vested	(32)		32	
- Non-vested	(21)			21
- Lump Sums	(187)		(14)	(21)
October 1, 2018 Participants	646	774	181	902



	10/1/2016 - 9/30/2017	10/1/2017 - 9/30/2018	Expected 10/1/2018 - 9/30/2019	Expected 10/1/2019 - 9/30/2020	Long-Term Savings
Actuarial - Transamerica	64,200	14,000	-	-	
Actuarial - McCloud		-	40,000	40,000	
Administration - Transamerica (Includes some custody and BP fees)	402,076	318,496	50,000	-	
Administration - McCloud		47,000	100,000	100,000	
Special Fiduciary - Simpson	99,577	37,255	-	-	
Special Fiduciary - Christian		78,578	92,000	92,000	
Audit - DHG	76,237	62,966	30,000	20,000	
Legal - Mikhail	12,105	47,676	5,000	5,000	
SF - Insurance	30,914	31,668	31,299	31,000	
Website		1,513	1,500	1,500	
<b>SUBTOTAL</b>	<b>685,109</b>	<b>639,152</b>	<b>349,799</b>	<b>289,500</b>	<b>395,609</b>
Approximate Custodial fees					
Custody - Trustmark	70,000	70,000	17,500	-	
Custody and BP fees - Fifth Third	-	-	28,500	45,000	
<b>TOTAL ADMIN FEES</b>	<b>755,109</b>	<b>709,152</b>	<b>395,799</b>	<b>334,500</b>	<b>420,609</b>
<b>Investment Management Fees</b>					
<b>Approximated</b>	<b>926,000</b>	<b>900,000</b>	<b>800,000</b>	<b>744,000</b>	<b>182,000</b>
<b>TOTAL PLAN FEES - ALL INCLUSIVE</b>	<b>1,681,109</b>	<b>1,609,152</b>	<b>1,195,799</b>	<b>1,078,500</b>	<b>602,609</b>