

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 2018 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information		
For calendar plan year 2018 or fiscal plan year beginning <u>01/01/2018</u> and ending <u>12/31/2018</u>			
A	This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)	
	☒ a single-employer plan	☐ a DFE (specify) ____	
B	This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)	
C	If the plan is a collectively-bargained plan, check here. ☐		
D	Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ special extension (enter description)	☐ the DFVC program

Part II	Basic Plan Information —enter all requested information		
1a	Name of plan <u>THE KROGER CONSOLIDATED RETIREMENT BENEFIT PLAN SPIN OFF</u>	1b	Three-digit plan number (PN) ▶ <u>011</u>
		1c	Effective date of plan <u>09/01/2017</u>
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>THE KROGER CO.</u> <u>1014 VINE ST</u> <u>CINCINNATI, OH 45202-1141</u>	2b	Employer Identification Number (EIN) <u>31-0345740</u>
		2c	Plan Sponsor's telephone number <u>877-373-3397</u>
		2d	Business code (see instructions) <u>445110</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/11/2019	THERESA MONTI
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/11/2019	THERESA MONTI
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2018)
v. 171027

3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN 3c Administrator's telephone number <div style="background-color: #cccccc; height: 40px; width: 100%;"></div>
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN 4d PN
5 Total number of participants at the beginning of the plan year	5 19871
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1) 8667 6a(2) 7265 6b 4583 6c 7067 6d 18915 6e 621 6f 19536 6g 0 6h 0
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:

1A 1D 1C

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1)** ☒ **R** (Retirement Plan Information)
- (2)** ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3)** ☒ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1)** ☒ **H** (Financial Information)
- (2)** ☐ **I** (Financial Information – Small Plan)
- (3)** ☐ **A** (Insurance Information)
- (4)** ☐ **C** (Service Provider Information)
- (5)** ☒ **D** (DFE/Participating Plan Information)
- (6)** ☐ **G** (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2018 Form M-1 annual report. If the plan was not required to file the 2018 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

<div>SCHEDULE SB (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation</div>	<div>Single-Employer Defined Benefit Plan Actuarial Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).</div> <div>File as an attachment to Form 5500 or 5500-SF.</div>	<div>OMB No. 1210-0110</div> <div>2018</div> <div>This Form is Open to Public Inspection</div>
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For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018	
Round off amounts to nearest dollar.	
Caution: A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.	
A Name of plan THE KROGER CONSOLIDATED RETIREMENT BENEFIT PLAN SPIN OFF	B Three-digit plan number (PN) 011
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF THE KROGER CO.	D Employer Identification Number (EIN) 31-0345740
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B	F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500

Part I	Basic Information			
1	Enter the valuation date: Month 01 Day 01 Year 2018			
2	Assets:			
a	Market value	2a	2654887856	
b	Actuarial value	2b	2654887856	
3	Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target
a	For retired participants and beneficiaries receiving payment	4073	1233626065	1233626065
b	For terminated vested participants	7277	225368122	225368122
c	For active participants	8667	650119405	671703092
d	Total	20017	2109113592	2130697279
4	If the plan is in at-risk status, check the box and complete lines (a) and (b) ☐			
a	Funding target disregarding prescribed at-risk assumptions	4a		
b	Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b		
5	Effective interest rate	5	5.66 %	
6	Target normal cost	6	28700984	

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE		
	Signature of actuary	10/07/2019
DAREN L. ANDERSON	Date	17-06530
	Type or print name of actuary	Most recent enrollment number
MERCER		612-642-8600
	Firm name	Telephone number (including area code)
333 SOUTH 7TH STREET, SUITE 1400 MINNEAPOLIS, MN 55402-2427		
	Address of the firm	

Part II Beginning of Year Carryover and Prefunding Balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year)	0	480249440
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8)	0	480249440
10 Interest on line 9 using prior year's actual return of <u>4.66</u> %	0	22379624
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		120832842
b(1) Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of <u>5.88</u> %		7104971
b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return		0
c Total available at beginning of current plan year to add to prefunding balance		127937813
d Portion of (c) to be added to prefunding balance		45000000
12 Other reductions in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	547629064

Part III Funding Percentages

14 Funding target attainment percentage	14	98.89%
15 Adjusted funding target attainment percentage	15	125.70%
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	100.00%
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.	17	%

Part IV Contributions and Liquidity Shortfalls**18** Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
Totals ▶			18(b)	0	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contributions from prior years	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	0

20 Quarterly contributions and liquidity shortfalls:

- a** Did the plan have a "funding shortfall" for the prior year? ☐ Yes ☒ No
- b** If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☐ Yes ☐ No
- c** If line 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of quarter of this plan year			
(1) 1st	(2) 2nd	(3) 3rd	(4) 4th

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21	Discount rate:			
a	Segment rates:	1st segment: 3.92%	2nd segment: 5.52%	3rd segment: 6.29%
		☐ N/A, full yield curve used		
b	Applicable month (enter code)	21b	0	
22	Weighted average retirement age	22	62	
23	Mortality table(s) (see instructions)	Prior regulation:	☐ Prescribed - combined	☐ Prescribed - separate
		Current regulation:	☐ Prescribed - combined	☒ Prescribed - separate
			☐ Substitute	☐ Substitute

Part VI Miscellaneous Items

24	Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes	☐ No
25	Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes	☒ No
26	Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.	☒ Yes	☐ No
27	If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment	27	

Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years

28	Unpaid minimum required contributions for all prior years	28	0
29	Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)	29	0
30	Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31	Target normal cost and excess assets (see instructions):		
a	Target normal cost (line 6)	31a	28700984
b	Excess assets, if applicable, but not greater than line 31a	31b	0
32	Amortization installments:	Outstanding Balance	Installment
a	Net shortfall amortization installment	23438487	3826329
b	Waiver amortization installment	0	0
33	If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33	
34	Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)	34	32527313
		Carryover balance	Prefunding balance
35	Balances elected for use to offset funding requirement	0	32527313
36	Additional cash requirement (line 34 minus line 35)	36	0
37	Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	0
38	Present value of excess contributions for current year (see instructions)		
a	Total (excess, if any, of line 37 over line 36)	38a	0
b	Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0
39	Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0
40	Unpaid minimum required contributions for all years	40	0

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41	If an election was made to use PRA 2010 funding relief for this plan:			
a	Schedule elected	☐ 2 plus 7 years	☐ 15 years	
b	Eligible plan year(s) for which the election in line 41a was made	☐ 2008	☐ 2009	☐ 2010
		☐ 2011		

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2018 This Form is Open to Public Inspection
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For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018		
A Name of plan THE KROGER CONSOLIDATED RETIREMENT BENEFIT PLAN SPIN OFF	B Three-digit plan number (PN) ▶	011
C Plan sponsor's name as shown on line 2a of Form 5500 THE KROGER CO.	D Employer Identification Number (EIN) 31-0345740	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	148500000	
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)	2476409000	2462570000
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	2624909000	2462570000

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j	2241000	871000
k Total liabilities (add all amounts in lines 1g through 1j)	1k	2241000	871000

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	2622668000	2461699000
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)		
(B) Participants	2a(1)(B)		
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		0
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		-74838000
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		-74838000

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	136739000	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		136739000
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees.....	2i(1)		
(2) Contract administrator fees.....	2i(2)		
(3) Investment advisory and management fees.....	2i(3)		
(4) Other	2i(4)	12990000	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		12990000
j Total expenses. Add all expense amounts in column (b) and enter total	2j		149729000

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-224567000
l Transfers of assets:			
(1) To this plan.....	2l(1)		63598000
(2) From this plan.....	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: CLARK, SCHAEFER, HACKETT & CO.

(2) EIN: 31-0800053

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)

	Yes	No	Amount
4a		X	
4b		X	

		Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....	4d		X	
e Was this plan covered by a fidelity bond?	4e	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?.....	4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?.....	4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i		X	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l Has the plan failed to provide any benefit when due under the plan?.....	4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?..... ☐ Yes ☒ No
 If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (See ERISA section 4021.)? ☒ Yes ☐ No ☐ Not determined
 If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year 4180117. (See instructions.)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2018 This Form is Open to Public Inspection.
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For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018

A Name of plan <u>THE KROGER CONSOLIDATED RETIREMENT BENEFIT PLAN SPIN OFF</u>	B Three-digit plan number (PN) ▶ <u>011</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>THE KROGER CO.</u>	D Employer Identification Number (EIN) <u>31-0345740</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions	1	
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>31-0345740</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	<u>553</u>

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
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4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☒ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes	☐ No	☒ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☒ No
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Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2018
v. 171027

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year

b The plan year immediately preceding the current plan year

c The second preceding plan year

14a**14b****14c**

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year

b The corresponding number for the second preceding plan year

15a**15b**

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year

b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers

16a**16b**

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

- a** Enter the percentage of plan assets held as:

Stock: 6.1% Investment-Grade Debt: 72.4% High-Yield Debt: 3.5% Real Estate: 2.9% Other: 15.1%

- b** Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☒ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

- c** What duration measure was used to calculate line 19(b)?

☐ Effective duration ☐ Macaulay duration ☒ Modified duration ☐ Other (specify):

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

December 31, 2018 and 2017

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
INDEX OF FINANCIAL STATEMENTS
December 31, 2018 and December 31, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Participants and the Pension Investment Committee of
The Kroger Consolidated Retirement Benefit Plan Spin Off

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of The Kroger Consolidated Retirement Benefit Plan Spin Off, which comprise the statements of net assets available for benefits as of December 31, 2018 and 2017, and the related statements of changes in net assets available for benefits for the year ended December 31, 2018 and the period September 1, 2017 to December 31, 2017 and the statement of accumulated plan benefits as of December 31, 2017 and the statement of changes in accumulated plan benefits for the period September 1, 2017 to December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Notes 6 and 7, which was certified by The Bank of New York Mellon, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2018 and 2017 and for the year ended December 31, 2018 and the period September 1, 2017 to December 31, 2017, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
October 10, 2019

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
as of December 31, 2018 and December 31, 2017
(in thousands)**

	<u>2018</u>	<u>2017</u>
ASSETS		
Investment in master trust, at fair value (Notes 6 and 7)	\$ 2,462,570	\$ 2,476,409
Employer contribution receivable	<u>-</u>	<u>148,500</u>
Total assets	<u>2,462,570</u>	<u>2,624,909</u>
LIABILITIES		
Accounts payable	<u>871</u>	<u>2,241</u>
Total liabilities	<u>871</u>	<u>2,241</u>
Net assets available for benefits	<u><u>\$ 2,461,699</u></u>	<u><u>\$ 2,622,668</u></u>

The accompanying notes are an integral part of the financial statements.

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the year ended December 31, 2018 and for the period September 1 to December 31, 2017
(in thousands)**

	<u>2018</u>	<u>September 1 to December 31, 2017</u>
Additions to Net Assets:		
Net income from investment in master trust (Notes 6 & 7)	\$ -	\$ 61,979
Transfers from other plans	63,598	2,632,936
Employer contributions	<u>-</u>	<u>148,500</u>
Total additions to net assets	<u>63,598</u>	<u>2,843,415</u>
Deductions From Net Assets:		
Net loss from investment in master trust (Notes 6 & 7)	74,838	-
Retirement benefits	136,739	215,521
Administrative expenses	<u>12,990</u>	<u>5,226</u>
Total deductions from net assets	<u>224,567</u>	<u>220,747</u>
Net increase (decrease)	(160,969)	2,622,668
Net assets available for benefits:		
Beginning of year	<u>2,622,668</u>	<u>-</u>
End of year	<u><u>\$ 2,461,699</u></u>	<u><u>\$ 2,622,668</u></u>

The accompanying notes are an integral part of the financial statements.

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
STATEMENT OF ACCUMULATED PLAN BENEFITS
December 31, 2017
(in thousands)**

Actuarial present value of accumulated plan
benefits (Notes 2 and 5):

Vested benefits:

Participants currently receiving payments	\$ 1,036,033
Other participants	<u>705,931</u>
	<u>1,741,964</u>

Nonvested benefits	<u>19,177</u>
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Total actuarial present value of accumulated plan benefits	<u><u>\$ 1,761,141</u></u>
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The accompanying notes are an integral part of the financial statements.

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
STATEMENT OF CHANGES IN ACCUMULATED PLAN BENEFITS
for the period ended December 31, 2017
(in thousands)**

Actuarial present value of accumulated plan benefits at September 1, 2017	\$ 1,855,463
Increase (decrease) during the period attributable to:	
Change in actuarial assumptions	(1,188)
Increase for interest due to decrease in discount period	44,658
Benefits paid	(215,521)
Benefits accumulated	<u>77,729</u>
Net decrease	<u>(94,322)</u>
Actuarial present value of accumulated plan benefits at end of year	<u><u>\$ 1,761,141</u></u>

The accompanying notes are an integral part of the financial statements.

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

1. DESCRIPTION OF THE PLAN:

Information about The Kroger Consolidated Retirement Benefit Plan Spin Off (the Spin Off Plan) document, the vesting and benefit provisions and the Pension Benefit Guaranty Corporation's (PBGC) benefit guarantee is contained in the Plan's Summary Plan Description. Copies of this document are available from The Kroger Co.'s (the Company) Total Rewards Department.

Pension Benefits

The Spin Off Plan was created, effective September 1, 2017, to provide benefits for certain participants who were former participants in The Kroger Consolidated Benefit Retirement Plan (the CRBP). In general, the following CRBP participants were transferred to this Spin Off Plan:

- Grandfathered participants not in pay status as of September 1, 2017;
- Vested participants who were no longer employed by the Company as of September 1, 2017 and who were not in pay status as of that date;
- Active participants in the CRBP as of August 31, 2017 who were not grandfathered participants, who were covered by a collective bargaining agreement and/or who were still accruing benefits under the CRBP as of August 31, 2017;
- Participants, beneficiaries (including surviving spouses) and alternate payees under a qualified domestic relations order who were receiving a monthly benefit of \$1,000 per month or more from the CRBP as of September 1, 2017;
- Participants in the CRBP who were eligible for benefits under The Kroger Co. Consolidated Retirement Excess Benefit Plan (the Excess Plan) as of August 31, 2017 if the time and form of payment of his or her benefit under the Excess Plan was controlled by the participant's election under the CRBP; and
- Participants in the CRBP as of August 31, 2017 who were not included on the list created and maintained by the plan committee pursuant to Appendix J of the CRBP.

Spin Off Plan participants are eligible for their Spin Off Plan benefit after termination of employment with vested rights. Spin Off Plan participants become vested in the Spin Off Plan upon the later of their 65th birthday or the completion of five years of participating service (or the fifth anniversary of participation in the CRBP). Upon termination of employment, the normal form of distribution is an annuity, with other optional forms available upon election.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following describes the significant accounting policies followed in the preparation of these financial statements. The policies conform to generally accepted accounting principles.

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and changes therein, disclosure of contingent assets and liabilities and the actuarial present value of accumulated plan benefits at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The actuarial present value of accumulated plan benefits is reported based on certain assumptions such as interest rates and employee demographics, which are subject to change. Inherent uncertainties in such assumptions in the near term could cause the values of actual accumulated plan benefits to differ materially from the amounts reported herein.

Risks and Uncertainties

The Spin Off Plan invests in various investment securities through a Master Trust. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that the values of investment securities in the near term could differ materially from the amounts reported herein.

Organization

The Spin Off Plan covers all employees, excluding leased employees, employees covered by a collective bargaining agreement that excludes participation, independent contractors, and employees covered by a separate defined benefit pension plan maintained by the Company or any affiliate employer. The Plan was closed to all new participants as of September 1, 2017.

Investment Valuation

Spin Off Plan investments consist of an ownership interest in the securities held in The Kroger Co. Master Retirement Trust (Master Trust) administered by a financial institution. The Spin Off Plan had an 83.54% ownership interest in the Master Trust at December 31, 2018 and 81.57% ownership at December 31, 2017. Securities held in the Master Trust, (U.S. government obligations, corporate bonds and common and preferred stocks) traded on a national securities

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

exchange were valued at the last reported sales price on the last business day of the year; listed securities for which no sale was reported on that date were valued at the last reported bid price. The fair values of alternative investments held in the Master Trust have been determined based on estimates using observable inputs, non-observable inputs, and information provided by the fund managers or general partners of the related investments.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, which were attributable under the Spin Off Plan's provisions to the services rendered by the employees to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, and (b) present employees or their beneficiaries. Benefits under the Spin Off Plan are based on employees' number of pension credit years earned. The accumulated plan benefits for active employees are based on the number of pension credit years earned on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances -- retirement, death, disability, and termination of employment -- are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial method used in determining normal costs and prior service costs is the Projected Unit Credit Method.

Derivative Financial Instruments

The Master Trust enters into swap contracts to manage market exposure and risk to achieve the investment objectives. These contracts involve elements of market risk in excess of amounts recognized in the statements of net assets available for benefits. The credit risk associated with these contracts is minimal because collateral is exchanged daily and the Master Trust deals only with high caliber counterparties.

During 2018 and 2017, the Master Trust had equity contracts and fixed income contracts. Payments are made or received by the Master Trust monthly, depending on the daily fluctuation in the value of the underlying contracts.

At December 31, 2018 and 2017, the Master Trust had equity futures contracts with notional amounts of approximately (\$28) million and (\$163) million, respectively. At December 31, 2018 and 2017, the Master Trust had fixed income future contracts with notional amounts of approximately \$621 million and \$2,150 million, respectively. Notional amounts do not quantify risk or represent assets or liabilities of the Master Trust but are used in the calculation of cash

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

settlements under the contracts.

The fair value of futures contracts included in the Master Trust is not material at December 31, 2018 and 2017 because settlements are made by cash monthly or quarterly. Collateral is exchanged daily. Collateral held is not reflected in the financials whereas collateral provided is reflected. Changes in fair value are accounted for as net appreciation/depreciation in fair value of investments.

Payment of Benefits

Benefits are recorded when paid.

Administrative Expenses

The Spin Off Plan's administrative expenses are paid by either the Spin Off Plan or the Company, as provided by the Spin Off Plan document. Expenses paid by the Company are excluded from these financial statements.

Other

Purchases and sales of securities are reflected on a trade date basis. Gain or loss on sales of securities is based on average cost. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned on an accrual basis.

In accordance with the policy of stating investments at fair value, net unrealized appreciation or depreciation for the year is reflected in the statement of changes in net assets available for benefits.

Subsequent Events

The Spin Off Plan has evaluated subsequent events through October 10, 2019, the date the financial statements were available to be issued.

3. FUNDING POLICY:

Funding for the Spin Off Plan is based upon a review of specific requirements and upon evaluation of the assets and liabilities of the Spin Off Plan.

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

Contributions are determined pursuant to actuarial calculations and are made to the Spin Off Plan in accordance with the funding requirements prescribed by the Employee Retirement Income Security Act of 1974 (ERISA). These requirements generally require a contribution sufficient to fund the current year service cost and a portion of any unfunded past service liability. The yield (interest, dividends, and net realized and unrealized gains and losses) on investment of the Spin Off Plan serves to reduce future contributions that would otherwise be required to provide for the defined level of benefits under the Spin Off Plan. The Spin Off Plan has met the ERISA minimum funding requirements. No contribution was made for the 2018 Plan year. A contribution of \$148.5 million was made for the 2017 plan year.

4. TERMINATION PRIORITIES:

While the Company has not expressed any intent to discontinue its contributions, it is free to do so at any time, subject to penalties set forth by ERISA. In the event such discontinuance results in the termination of the Plan, the Plan provides that the net assets of the Plan shall be allocated among the participants and beneficiaries of the Plan in the order provided for in ERISA, and any amounts remaining after said allocation will be returned to the Company. To the extent unfunded vested benefits exist, ERISA provides that such benefits are payable by the PBGC to participants, up to specified limitations, as described in ERISA.

5. ACCUMULATED PLAN BENEFITS:

Consulting actuaries from Mercer estimate the actuarial present value of accumulated plan benefits, which is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits earned by the participants to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The more significant assumptions underlying the actuarial computations are:

Interest rate7.50%.

Employee turnoverAnnual rate of termination is based on a study of the Company's actual experience.

Mortality basisMercer Modified RP-2014 mortality table (MRP-2007) for non-annuitants and the Mercer Industry Specific Consumer Goods & Food and Drink mortality table for annuitants, with generational

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
PLAN SPIN OFF
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

projection using the Mercer Modified Improvement Scale (MMP-2016). Blended 40% blue/60% white collar tables.

Retirement:

Normal retirement.....The first of month coinciding with or next following the attainment of age 65 with five years of participation service.

Early retirement.....The first of the month coinciding with or next following the attainment of age 55 with five years of participation service.

Asset valuation methodMarket value of assets.

Primary Social Security Benefits.....Primary Social Security Benefits are based on the law in effect on the valuation date. Future annual inflation is assumed at 2.2%.

The foregoing actuarial assumptions are based on the presumption that the Spin Off Plan will continue. Were the Spin Off Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Spin Off Plan benefits. The computations of the actuarial present value of accumulated plan benefits were made as of January 1, 2018. Had the valuation been performed as of December 31, 2018, there would be no material variances.

6. UNAUDITED INFORMATION:

The Spin Off Plan administrator has elected the method of compliance permitted by Section 2520.103-8 of the Department of Labor's Rules and Regulations for the Reporting and Disclosure under ERISA. Accordingly, the information with respect to investments and investment transactions at December 31, 2018 and 2017, and for the periods then ended, has not been audited by the independent auditors.

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The Bank of New York Mellon, the trustee for the Spin Off Plan as of December 31, 2018 and 2017, holds the Spin Off Plan's investment assets and executes transactions therein. The financial information relating to the assets is included in the accompanying financial statements and is based on information certified by the trustee. The information certified by the trustee, which has not been audited by independent public auditors, is summarized as follows (in thousands):

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Investments	<u>\$ 2,462,570</u>	<u>\$ 2,476,409</u>
Changes in Net Assets		
Additions/Deductions:		
Net unrealized appreciation (depreciation) in fair value of investments	\$ (224,714)	\$ 49,974
Interest, dividend & other income	55,449	10,054
Gain realized on disposition of investments	<u>94,427</u>	<u>1,951</u>
Net income (loss) from investment in Master Trust	<u>\$ (74,838)</u>	<u>\$ 61,979</u>

7. INVESTMENTS (Unaudited):

Investments held by the Spin Off Plan at December 31, 2018 and 2017 and the related income or loss for the years then ended are (in thousands):

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Fair Value</u>	<u>Loss on Investment in Master Trust</u>	<u>Fair Value</u>	<u>Income on Investment in Master Trust</u>
Interest in the Kroger Co. Master Retirement Trust	<u>\$ 2,462,570</u>	<u>\$ (74,838)</u>	<u>\$ 2,476,409</u>	<u>\$ 61,979</u>

The income or loss on the investment in the Master Trust is comprised mainly of changes in the fair value of the investments held in the Master Trust. The changes in net unrealized appreciation (depreciation) represent changes in the difference between cost and fair market value of investments held during 2018 and 2017.

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The Master Trust holds assets for trading purposes relating to this plan and four other employee defined benefit plans administered by the Company. The value of the Spin Off Plan's interest in the Master Trust is based on the beginning of year value of the Spin Off Plan's interest in the trust plus actual contributions and allocated investment income less actual distributions and allocated administrative expenses. The investment income and expenses of the Master Trust are allocated to each plan based on the relationship of the Plan's investment balances to the total Master Trust investment balances. At December 31, 2018 and 2017, the Spin Off Plan's ownership interest in the Master Trust was 83.54% and 81.57%, respectively. The following is summarized financial data related to the Master Trust at December 31, 2018 and 2017, and for the periods then ended (in thousands):

	2018		2017	
	Total Master Trust Balance	Plan's Interest in Master Trust Balances	Total Master Trust Balance	Plan's Interest in Master Trust Balances
Cash and cash equivalents	\$ 138,453	\$ 115,658	\$ 262,367	\$ 214,019
Corporate stocks	59,322	49,555	58,015	47,325
Corporate bonds	940,773	785,882	647,882	528,493
U.S. Government obligations	213,341	178,216	219,726	179,236
Mutual Funds	248,475	207,566	263,223	214,717
Collective Trusts/Comingled Funds	787,327	657,699	489,839	399,574
Hedge Funds	166,509	139,095	708,477	577,921
Private Equity	282,275	235,801	283,949	231,624
Real Estate	85,118	71,104	88,095	71,861
Other	109,403	91,390	86,634	70,669
Total investments at fair value	3,030,996	2,531,966	3,108,207	2,535,439
Plus:				
Net Receivables	8,583	7,170	58,990	48,119
Less:				
Net Payables	(91,657)	(76,566)	(131,355)	(107,149)
Total	<u>\$ 2,947,922</u>	<u>\$ 2,462,570</u>	<u>\$ 3,035,842</u>	<u>\$ 2,476,409</u>

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
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Change In The Kroger Co. Master Retirement Trust Assets (in thousands):

	For the year ended December 31, 2018	For the year ended December 31, 2017
	<hr/>	<hr/>
Net unrealized depreciation	\$ (274,937)	\$ (86,984)
Gain realized on disposition of assets	115,543	353,606
Interest and dividend income	81,874	34,880
Transfers from other plans	7,902	421,755
Employer contributions	185,000	1,000,000
	<hr/>	<hr/>
Net additions	115,382	1,723,257
	<hr/>	<hr/>
Transfers out for benefits paid	(172,232)	(1,396,126)
Transfers out for administrative expense	(19,801)	(22,186)
Transfers to other custodian	(11,269)	-
	<hr/>	<hr/>
Total deductions	(203,302)	(1,418,312)
	<hr/>	<hr/>
Net increase (decrease)	(87,920)	304,945
	<hr/>	<hr/>
Net assets at beginning of year	3,035,842	2,730,897
	<hr/>	<hr/>
Net assets at end of year	\$ 2,947,922	\$ 3,035,842
	<hr/>	<hr/>

**THE KROGER CONSOLIDATED RETIREMENT BENEFIT
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8. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles provide the framework for measuring fair value, and expand disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) regardless of whether an observable liquid market price exists.

Professional standards establish the fair value hierarchy that categorizes the inputs to valuation techniques that are used to measure fair value into three levels:

- Level 1 includes observable inputs which reflect quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 includes observable inputs for assets or liabilities other than quoted prices included in Level 1 and it includes valuation techniques which use prices for similar assets and liabilities.
- Level 3 includes unobservable inputs which reflect the reporting entity's estimates of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methods used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2018 and 2017.

- Cash and Cash Equivalents: The carrying value approximates fair value.
- Corporate Stocks: The fair values of these securities are based on observable market quotations for identical assets and are valued at the closing price reported on the active market on which the individual securities are traded.
- Corporate Bonds: The fair values of these securities are primarily based on observable market quotations for identical or similar bonds, valued at the closing price reported on the active market on which the individual securities are traded. When such quoted prices are not available, the bonds are valued using a discounted cash flows approach using current yields on similar instruments of issuers with similar credit ratings, including adjustments for certain risks that may not be observable, such as credit and liquidity risks.

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- **U.S. Government Securities:** Certain U.S. government securities are valued at the closing price reported in the active market in which the security is traded. Other U.S. government securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar securities, the security is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.
- **Mutual Funds/Collective Trusts/Comingled Funds:** Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held are deemed to be actively traded. The collective trust/comingled funds are public investment vehicles valued using a NAV as a practical expedient provided by the manager of each fund. The NAV is based on the underlying net assets owned by the fund, divided by the number of shares outstanding. The NAV's unit price is quoted on a private market that is not active. However, the NAV is based on the fair value of the underlying securities within the fund, which are traded on an active market, and valued at the closing price reported on the active market on which those individual securities are traded. The significant investment strategies of the funds are as described in the financial statements provided by each fund. There are no restrictions on redemptions from these funds.
- **Hedge Funds:** Hedge funds are private investment vehicles valued using a NAV provided by the manager of each fund. The NAV is based on the underlying net assets owned by the fund, divided by the number of shares outstanding. The NAV's unit price is quoted on a private market that is not active. The NAV is based on the fair value of the underlying securities within the fund, which are typically traded on an active market, and valued at the closing price reported on the active market on which those individual securities are traded. For investments not traded on an active market, or for which a quoted price is not publicly available, a variety of unobservable valuation methodologies, including discounted cash flow, market multiple and cost valuation approaches, are employed by the fund manager to value investments. Fair values of all investments are adjusted annually, if necessary, based on audits of the Hedge Fund financial statements; such adjustments are reflected in the Plan financial statements.
- **Private Equity:** Private equity investments are valued based on the fair value of the underlying securities within the fund, which include investments both traded on an active market and not traded on an active market. For those investments that are traded on an active market, the values are based on the closing price reported on the active market on which those individual securities are traded. For investments not traded on an active market, or for which a quoted price is not publicly available, a variety of unobservable valuation methodologies, including

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discounted cash flow, market multiple and cost valuation approaches, are employed by the fund manager to value investments. Fair values of all investments are adjusted annually, if necessary, based on audits of the private equity fund financial statements; such adjustments are reflected in the Plan financial statements.

- **Real Estate:** Real estate investments include investments in real estate funds managed by a fund manager. These investments are valued using a variety of unobservable valuation methodologies, including discounted cash flow, market multiple and cost valuation approaches, by the fund manager to value investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Master Trust assets at fair value as of December 31, 2018:

<u>(in thousands)</u>					
<u>Assets at Fair Value as of December 31, 2018 Using:</u>					
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Assets At NAV
	Total				
<u>Investments:</u>					
Cash and Cash Equivalents	\$ 138,453	\$ 138,453	\$ -	\$ -	\$ -
Corporate Stocks	59,322	59,322	-	-	-
Corporate Bonds	940,773	-	940,773	-	-
U.S. Government Obligations	213,341	-	213,341	-	-
Mutual Funds	248,475	248,475	-	-	-
Hedge Funds	166,509	-	-	52,031	114,478
Private Equity	282,275	-	-	-	282,275
Real Estate	85,118	-	-	66,734	18,384
Collective Trusts/Commingled Funds	787,327	-	-	-	787,327
Other	109,403	-	109,376	-	27
Total Investments	\$ 3,030,996	\$ 446,250	\$ 1,263,490	\$ 118,765	\$ 1,202,491

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The following table sets forth by level, within the fair value hierarchy, the Master Trust assets at fair value as of December 31, 2017:

(in thousands)					
<u>Assets at Fair Value as of December 31, 2017 Using:</u>					
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Assets At NAV
	Total				
<u>Investments:</u>					
Cash and Cash Equivalents	\$ 262,367	\$ 262,367	\$ -	\$ -	\$ -
Corporate Stocks	58,015	58,015	-	-	-
Corporate Bonds	647,882	-	647,882	-	-
U.S. Government Obligations	219,726	-	219,726	-	-
Mutual Funds	263,223	263,223	-	-	-
Hedge Funds	708,477	-	-	64,680	643,797
Private Equity	283,949	-	-	-	283,949
Real Estate	88,095	-	-	68,008	20,087
Collective Trusts/Commingled Funds	489,839	-	-	-	489,839
Other	86,634	-	86,607	-	27
	<u>3,108,207</u>	<u>583,605</u>	<u>954,215</u>	<u>132,688</u>	<u>\$ 1,437,699</u>
Total Investments	\$ 3,108,207	\$ 583,605	\$ 954,215	\$ 132,688	\$ 1,437,699

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For measurements using significant unobservable inputs (Level 3) during 2018, a reconciliation of the beginning and ending balances is as follows (in thousands):

	<u>Hedge Funds</u>	<u>Real Estate</u>
Beginning balance, January 1, 2018	\$64,680	\$68,008
Purchases	239	10,673
Realized/Unrealized gains	706	5,779
Sales	(13,569)	(17,419)
Other	(25)	(307)
Ending balance, December 31, 2018	<u>\$52,031</u>	<u>\$66,734</u>

For measurements using significant unobservable inputs (Level 3) during 2017, a reconciliation of the beginning and ending balances is as follows (in thousands):

	<u>Hedge Funds</u>	<u>Real Estate</u>
Beginning balance, January 1, 2017	\$71,810	\$65,510
Purchases	12,890	10,331
Realized/Unrealized gains	7,363	10,931
Sales	(27,011)	(18,736)
Other	(372)	(28)
Ending balance, December 31, 2017	<u>\$64,680</u>	<u>\$68,008</u>

Gains and losses (realized and unrealized) included in changes in net assets for the period above are reported in net gain from investments in the Master Trust in the statement of changes in net assets available for benefits of the Master Trust.

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Fair Value of Investments in Entities that Use Net Asset Value

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of December 31, 2018 and 2017, respectively.

Collective Trusts/Comingled Funds

December 31, 2018	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Collective Trusts/Comingled Funds	\$ 787,327	n/a	Daily - Weekly	2 to 60 Days

Hedge Funds

December 31, 2018	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge Funds	\$ 114,478	\$ 24,078	Quarterly - 2 Years	45 to 90 Days

Private Equity Funds

December 31, 2018	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private Equity Funds	\$ 282,275	\$ 70,641	n/a	n/a

Real Estate Funds

December 31, 2018	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Real Estate Funds	\$ 18,384	\$ 6,126	n/a	n/a

Other Funds

December 31, 2018	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Other Funds	\$ 27	n/a	Monthly	10 Days

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Collective Trusts/Comingled Funds

December 31, 2017	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Collective Trusts/Comingled Funds	\$ 489,839	n/a	Daily - Monthly	1 to 60 Days

Hedge Funds

December 31, 2017	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Hedge Funds	\$ 643,797	\$ 40,700	Monthly - 2 Years	2 to 180 Days

Private Equity Funds

December 31, 2017	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Private Equity Funds	\$ 283,949	\$ 97,309	n/a	n/a

Real Estate Funds

December 31, 2017	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Real Estate Funds	\$ 20,087	\$ 6,926	n/a	n/a

Other Funds

December 31, 2017	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Other Funds	\$ 27	n/a	Monthly	10 Days

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Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Spin Off Plan's level 3 financial instruments, the valuation techniques used to measure the fair value of those instruments, and the significant unobservable inputs and the ranges of values for those inputs, as of December 31, 2018.

Instrument	Fair Value (in thousands)	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Hedge Funds	\$ 52,031	Discounted Cash Flows	Asset Backed Securities (ABS)	N/A	N/A
		Discounted Cash Flows	Bank Debt/Loans	N/A	N/A
		Broker / Dealer Quotes	Collateralized Debt Obligation (CDO)	N/A	N/A
		Broker / Dealer Quotes	Collateralized Loan Obligations (CLO)	N/A	N/A
		Broker / Dealer Quotes	Collateralized Mortgage Obligations (CMO)	N/A	N/A
		Broker / Dealer Quotes	Commercial Mortgage-Backed Securities (CMBS)	N/A	N/A
		Broker / Dealer Quotes	Credit Default Swap (CDS)	N/A	N/A
		Market Approach	Investments in affiliated funds	N/A	N/A
		Discounted Cash Flows	Mortgage Backed Securities (MBS)	N/A	N/A
		Market Approach	Private Debt	N/A	N/A
		Market Approach	Private Equity	N/A	N/A
		Discounted Cash Flows	Real Estate	N/A	N/A
		Discounted Cash Flows	Total Return Swaps	N/A	N/A
		Market Approach	Trade Claims	N/A	N/A
		Market Approach	Warrants	N/A	N/A

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Instrument	Fair Value (in thousands)	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Real Estate	\$ 66,734	Discounted cash flow	Projection of future cash flows discounted back to a net present value of the asset – assumptions made with regard to exit cap rate and discount rate	N/A	N/A
		Direct Capitalization	Observed market capitalization rate applied to current net operating income – Assumptions made with regard to current market cap rate	N/A	N/A
		Market comparable analysis	Observe specific recent transactions for properties of similar location, property type and quality and apply a similar price per square foot or price per unit – Assumptions made with regard to property quality, location and lease terms of comparables	N/A	N/A
		Broker quotes (predominantly for illiquid debt instruments)	Receive quotes from broker(s) for identical or similar loans/properties recently traded – Assumptions made with regard to liquidity and comparability of the loan terms	N/A	N/A
		Transaction pricing	When a property is currently under letter of intent (“LOI”) to be sold at a specific price but the transaction has not yet closed – Assumption is that the transaction will close, and at the stated price	N/A	N/A

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The following table represents the Plan's level 3 financial instruments, the valuation techniques used to measure the fair value of those instruments, and the significant unobservable inputs and the ranges of values for those inputs, as of December 31, 2017.

Instrument	Fair Value (in thousands)	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Hedge Funds	\$ 64,680	Discounted Cash Flows	Asset Backed Securities (ABS)	N/A	N/A
		Discounted Cash Flows	Bank Debt/Loans	N/A	N/A
		Broker / Dealer Quotes	Collateralized Debt Obligation (CDO)	N/A	N/A
		Broker / Dealer Quotes	Collateralized Loan Obligations (CLO)	N/A	N/A
		Broker / Dealer Quotes	Collateralized Mortgage Obligations (CMO)	N/A	N/A
		Broker / Dealer Quotes	Commercial Mortgage-Backed Securities (CMBS)	N/A	N/A
		Broker / Dealer Quotes	Credit Default Swap (CDS)	N/A	N/A
		Market Approach	Investments in affiliated funds	N/A	N/A
		Discounted Cash Flows	Mortgage Backed Securities (MBS)	N/A	N/A
		Market Approach	Private Debt	N/A	N/A
		Market Approach	Private Equity	N/A	N/A
		Discounted Cash Flows	Real Estate	N/A	N/A
		Discounted Cash Flows	Total Return Swaps	N/A	N/A
		Market Approach	Trade Claims	N/A	N/A
		Market Approach	Warrants	N/A	N/A

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Instrument	Fair Value (in thousands)	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Real Estate	\$ 68,008	Discounted cash flow	Projection of future cash flows discounted back to a net present value of the asset – assumptions made with regard to exit cap rate and discount rate	N/A	N/A
		Direct Capitalization	Observed market capitalization rate applied to current net operating income – Assumptions made with regard to current market cap rate	N/A	N/A
		Market comparable analysis	Observe specific recent transactions for properties of similar location, property type and quality and apply a similar price per square foot or price per unit – Assumptions made with regard to property quality, location and lease terms of comparables	N/A	N/A
		Broker quotes (predominantly for illiquid debt instruments)	Receive quotes from broker(s) for identical or similar loans/properties recently traded – Assumptions made with regard to liquidity and comparability of the loan terms	N/A	N/A
		Transaction pricing	When a property is currently under letter of intent (“LOI”) to be sold at a specific price but the transaction has not yet closed – Assumption is that the transaction will close, and at the stated price	N/A	N/A

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9. TAX STATUS:

The Spin Off Plan obtained its latest determination letter dated September 10, 2018, in which the Internal Revenue Service stated that the Spin Off Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). The Spin Off Plan has been amended since receiving the determination letter. Plan management and Spin Off Plan's tax counsel believe that the Spin Off Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Spin Off Plan's financial statements.

10. RELATED PARTY TRANSACTIONS:

The Bank of New York Mellon is the trustee of the Spin Off Plan as well as the Master Trust. The Spin Off Plan pays trustee fees through the Master Trust to the Bank of New York Mellon. As described in Note 2, the Spin Off Plan paid certain expenses related to operations and investment activity to various service providers. These transactions are party-in-interest transactions under ERISA.

For the periods presented, the Spin Off Plan sponsor provided administrative services to the Spin Off Plan without charge.

SCHEDULE SB (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Single-Employer Defined Benefit Plan Actuarial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500 or 5500-SF.	OMB No. 1210-0110 2018 This Form is Open to Public Inspection
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For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018

► **Round off amounts to nearest dollar.**

► **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan The Kroger Consolidated Retirement Benefit Plan Spin Off	B Three-digit plan number (PN) ►	<u>011</u>
C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF The Kroger Co.	D Employer Identification Number (EIN) 31-0345740	
E Type of plan: ☒ Single ☐ Multiple-A ☐ Multiple-B		
F Prior year plan size: ☐ 100 or fewer ☐ 101-500 ☒ More than 500		

Part I Basic Information			
1 Enter the valuation date: Month <u>01</u> Day <u>01</u> Year <u>2018</u>			
2 Assets:			
a Market value.....	2a	2,654,887,856	
b Actuarial value	2b	2,654,887,856	
3 Funding target/participant count breakdown	(1) Number of participants	(2) Vested Funding Target	(3) Total Funding Target
a For retired participants and beneficiaries receiving payment	4,073	1,233,626,065	1,233,626,065
b For terminated vested participants	7,277	225,368,122	225,368,122
c For active participants	8,667	650,119,405	671,703,092
d Total	20,017	2,109,113,592	2,130,697,279
4 If the plan is in at-risk status, check the box and complete lines (a) and (b)..... ☐			
a Funding target disregarding prescribed at-risk assumptions	4a		
b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been in at-risk status for fewer than five consecutive years and disregarding loading factor	4b		
5 Effective interest rate	5	5.66%	
6 Target normal cost	6	28,700,984	

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE	<u>DAREN L ANDERSON 224</u> Signature of actuary	<u>10/07/2018</u> Date
	DAREN L. ANDERSON Type or print name of actuary	1706530 Most recent enrollment number
	MERCER Firm name	612-642-8600 Telephone number (including area code)
	333 SOUTH 7TH STREET, SUITE 1400 MINNEAPOLIS MN 55402-2427 Address of the firm	

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

For Paperwork Reduction Act Notice, see the Instructions for Form 5500 or 5500-SF.

Schedule SB (Form 5500) 2018
v. 171027

Part II Beginning of Year Carryover and Prefunding Balances

	(a) Carryover balance	(b) Prefunding balance
7 Balance at beginning of prior year after applicable adjustments (line 13 from prior year).....	0	480,249,440
8 Portion elected for use to offset prior year's funding requirement (line 35 from prior year)	0	0
9 Amount remaining (line 7 minus line 8).....	0	480,249,440
10 Interest on line 9 using prior year's actual return of <u>4.66%</u>	0	22,379,624
11 Prior year's excess contributions to be added to prefunding balance:		
a Present value of excess contributions (line 38a from prior year)		120,832,842
b(1) Interest on the excess, if any, of line 38a over line 38b from prior year Schedule SB, using prior year's effective interest rate of <u>5.88%</u>		7,104,971
b(2) Interest on line 38b from prior year Schedule SB, using prior year's actual return.....		0
c Total available at beginning of current plan year to add to prefunding balance		127,937,813
d Portion of (c) to be added to prefunding balance.....		45,000,000
12 Other reductions in balances due to elections or deemed elections	0	0
13 Balance at beginning of current year (line 9 + line 10 + line 11d – line 12)	0	547,629,064

Part III Funding Percentages

14 Funding target attainment percentage	14	98.89%
15 Adjusted funding target attainment percentage	15	125.70%
16 Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	100.00%
17 If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.	17	%

Part IV Contributions and Liquidity Shortfalls**18** Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
Totals ▶			18(b)	0	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contributions from prior years.....	19a	0
b Contributions made to avoid restrictions adjusted to valuation date	19b	0
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....	19c	0

20 Quarterly contributions and liquidity shortfalls:**a** Did the plan have a "funding shortfall" for the prior year? ☐ Yes ☒ No**b** If line 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ☐ Yes ☐ No**c** If line 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th

Part V Assumptions Used to Determine Funding Target and Target Normal Cost

21 Discount rate:				
a Segment rates:	1st segment: 3.92 %	2nd segment: 5.52 %	3rd segment: 6.29 %	☐ N/A, full yield curve used
b Applicable month (enter code)				21b 0
22 Weighted average retirement age				22 62
23 Mortality table(s) (see instructions)	Prior regulation:	☐ Prescribed - combined	☐ Prescribed - separate	☐ Substitute
	Current regulation:	☐ Prescribed - combined	☒ Prescribed - separate	☐ Substitute

Part VI Miscellaneous Items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☒ Yes	☐ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes	☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.	☒ Yes	☐ No
27 If the plan is subject to alternative funding rules, enter applicable code and see instructions regarding attachment	27	

Part VII Reconciliation of Unpaid Minimum Required Contributions For Prior Years

28 Unpaid minimum required contributions for all prior years	28	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (line 19a)	29	0
30 Remaining amount of unpaid minimum required contributions (line 28 minus line 29)	30	0

Part VIII Minimum Required Contribution For Current Year

31 Target normal cost and excess assets (see instructions):			
a Target normal cost (line 6)	31a	28,700,984	
b Excess assets, if applicable, but not greater than line 31a	31b	0	
32 Amortization installments:	Outstanding Balance	Installment	
a Net shortfall amortization installment	23,438,487	3,826,329	
b Waiver amortization installment	0	0	
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	33		
34 Total funding requirement before reflecting carryover/prefunding balances (lines 31a - 31b + 32a + 32b - 33)....	34	32,527,313	
	Carryover balance	Prefunding balance	Total balance
35 Balances elected for use to offset funding requirement	0	32,527,313	32,527,313
36 Additional cash requirement (line 34 minus line 35)	36	0	
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (line 19c)	37	0	
38 Present value of excess contributions for current year (see instructions)			
a Total (excess, if any, of line 37 over line 36)	38a	0	
b Portion included in line 38a attributable to use of prefunding and funding standard carryover balances	38b	0	
39 Unpaid minimum required contribution for current year (excess, if any, of line 36 over line 37)	39	0	
40 Unpaid minimum required contributions for all years	40	0	

Part IX Pension Funding Relief Under Pension Relief Act of 2010 (See Instructions)

41 If an election was made to use PRA 2010 funding relief for this plan:				
a Schedule elected	☐ 2 plus 7 years	☐ 15 years		
b Eligible plan year(s) for which the election in line 41a was made	☐ 2008	☐ 2009	☐ 2010	☐ 2011

Schedule SB, line 26 — Schedule of Active Participant Data

DISTRIBUTION OF ACTIVE PARTICIPANTS AS OF JANUARY 1, 2018

ATTAINED AGE	YEARS OF CREDITED SERVICE										TOTAL
	< 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & UP	
Under 25											
25-29			1								1
30-34			4	105	28						137
				47,308	47,358						
35-39		1	4	183	285	41					514
				54,668	49,927	41,619					
40-44			2	117	295	145	30				589
				55,246	57,928	51,970	39,241				
45-49			3	140	342	150	162	26			823
				51,687	51,867	59,761	51,806	54,384			
50-54			6	123	398	157	165	415	224		1,488
				48,167	45,589	51,048	51,676	70,312	84,064		
55-59			2	147	479	274	387	495	637	121	2,542
				50,597	45,030	56,855	62,090	74,061	75,908	84,581	
60-64			5	121	364	234	291	231	349	257	1,852
				41,920	45,449	55,503	56,465	65,413	68,217	74,846	
65-69				73	178	71	79	70	68	59	598
				43,073	43,991	52,399	51,714	56,708	52,887	69,313	
70 & up				16	62	9	12	13	3	8	123
					35,716						
Total		1	27	1,025	2,431	1,081	1,126	1,250	1,281	445	8,667
											58,436

In each cell, the top number is the count of active participants for each age/service combination and the bottom number is average pay for 2017 limited to \$ 270,000. Average pay is not shown for cells with fewer than 20 participants.

*Schedule SB, line 26 — Schedule of Active Participant Data***DISTRIBUTION OF ACTIVE PARTICIPANTS WITH CASH BALANCE AS OF JANUARY 1, 2018**

ATTAINED AGE	YEARS OF CREDITED SERVICE										TOTAL
	< 1	1–4	5–9	10–14	15–19	20–24	25–29	30–34	35–39	40 & UP	
Under 25											
25–29			1								1
30–34			4	102	21						127
				4,481	2,300						
35–39			4	175	261	29					469
				5,070	9,064	9,848					
40–44			2	116	289	121	18				546
				7,069	12,227	16,865	10,990				
45–49			3	139	338	139	123	21			763
				5,060	9,635	20,083	17,426	12,157			
50–54			6	121	368	139	124	62	13		833
				4,583	9,504	16,230	19,140	15,623			
55–59			1	143	453	118	96	39	51	8	909
				4,617	9,876	15,208	18,627	18,598	21,662	16,673	
60–64			4	121	337	74	43	38	42	25	684
				4,830	10,009	16,469	20,149	29,059	29,878	40,597	
65–69				70	175	29	21	11	9	14	329
				6,451	11,838	14,872	17,568				
70 & up				16	56	4	3	4		2	85
					6,500						
Total			25	1,003	2,298	653	428	175	115	49	4,746
											11,695

In each cell, the top number is the count of active participants for each age/service combination and the bottom number is average cash balance as of January 1, 2018. Average cash balance is not shown for cells with fewer than 20 participants.

*Schedule SB, Part V — Statement of Actuarial Assumptions/Methods***ACTUARIAL ASSUMPTIONS FOR JANUARY 1, 2018 FUNDING VALUATION****DISCOUNT RATE SPONSOR ELECTIONS**

• Segment rates or full yield curve	Segment		
• Look-back months	0		
	<u>Stabilized</u>	<u>Nonstabilized</u>	
• First 5 years	3.92%	1.81%	
• Next 15 years	5.52%	3.68%	
• Over 20 years	6.29%	4.53%	

MORTALITY SPONSOR ELECTIONS

• Healthy and disabled participants	Section 430(h)(3) prescribed separate static annuitant and nonannuitant mortality tables. These tables are based on RP-2014 mortality tables with improvements beyond 2006 removed with static mortality improvement based on the IRS methodology and projection scale MP-2016.
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CASH BALANCE PLANS

• Interest accumulation rate	Graded assumption														
	<table> <tr> <th><u>Year</u></th><th><u>Rate</u></th></tr> <tr> <td>2017</td><td>2.86%</td></tr> <tr> <td>2018</td><td>2.80%</td></tr> <tr> <td>2019</td><td>3.10%</td></tr> <tr> <td>2020</td><td>3.40%</td></tr> <tr> <td>2021</td><td>3.70%</td></tr> <tr> <td>2022+</td><td>4.00%</td></tr> </table>	<u>Year</u>	<u>Rate</u>	2017	2.86%	2018	2.80%	2019	3.10%	2020	3.40%	2021	3.70%	2022+	4.00%
<u>Year</u>	<u>Rate</u>														
2017	2.86%														
2018	2.80%														
2019	3.10%														
2020	3.40%														
2021	3.70%														
2022+	4.00%														
• Whipsaw calculations	No														
• Annuity conversion	Not Applicable – all cash balance participants are assumed to elect a lump sum														

*Schedule SB, Part V — Statement of Actuarial Assumptions/Methods***OTHER ECONOMIC ASSUMPTIONS**

• Salary increases	See table of sample rates. These rates apply to the prior year base earnings and then the target bonus percentage is added to determine the valuation pay. If no target bonus percentage is provided then the salary increase rates are applied to the prior year plan compensation.
• Social Security taxable wage base increases	3.00% per year
• Inflation	2.20% per year
• Grandfathered profit sharing balance interest credit	7.50% per year
• Expected investment return	7.04% per year for 2017 and 5.23% per year for 2018.
• Expenses	\$3,659,000 added to current year normal cost.

DEMOGRAPHIC ASSUMPTIONS

• Withdrawal	Percentages		
	Attained Age	Hourly	Salaried
	25	16.40%	7.10%
	30	11.60%	5.80%
	35	8.60%	4.80%
	40	7.00%	3.90%
	45	6.30%	3.40%
	50	6.10%	3.40%
	55	6.10%	4.00%
• Disability incidence	See table of sample rates.		

Schedule SB, Part V — Statement of Actuarial Assumptions/Methods

• Retirement age	Percentage		
	Attained age	Hourly	Salaried
	55	8%	5%
	56	8%	5%
	57	8%	6%
	58	8%	6%
	59	8%	8%
	60	8%	9%
	61	13%	10%
	62	18%	19%
	63	16%	15%
	64	16%	15%
	65	25%	22%
	66	20%	22%
	67	20%	22%
	68	20%	22%
	69	20%	22%
	70+	100%	100%
• Benefit commencement age for			
— Annuity Benefits			
— Future vested deferred	65		
— Current vested deferred	65, or attained age if later		
— Cash Balance Lump Sums			
— Future vested deferred	60% take immediate lump sum upon termination		
— Current vested deferred	60% take lump sum within one year of termination, 10% of remaining take a lump sum each year until age 65		

Schedule SB, Part V — Statement of Actuarial Assumptions/Methods

• Spouse assumptions	<u>Male participants</u>		<u>Female participants</u>	
– Percentage married	80%		70%	
– Spouse age difference	3 years younger		3 years older	
Form of payment	<u>Lump sum</u>	<u>Single life</u>	<u>50% J&S</u>	<u>100% J&S</u>
• Grandfathered actives expected to retire	0%	65%	20%	15%
• Cash balance actives expected to retire	100%	0%	0%	0%
• Grandfathered future vested deferred	0%	65%	20%	15%
• Cash balance future vested deferred	100%	0%	0%	0%
• Grandfathered future disabilities	0%	65%	20%	15%
• Cash balance future disabilities	100%	0%	0%	0%
• Grandfathered current vested deferred	0%	65%	20%	15%
• Cash balance current vested deferred	100%	0%	0%	0%
Unpredictable contingent event assumptions	Not applicable			

*Schedule SB, Part V — Statement of Actuarial Assumptions/Methods***Table of Sample Rates**

ATTAINED AGE	PERCENTAGE		
	DISABILITY INCIDENCE		SALARY INCREASES
	MALE	FEMALE	
20	0.112%	0.112%	10.52%
25	0.112%	0.112%	9.12%
30	0.138%	0.138%	7.63%
35	0.164%	0.164%	6.38%
40	0.227%	0.227%	5.33%
45	0.290%	0.290%	4.46%
50	0.600%	0.600%	3.73%
55	0.910%	0.910%	3.12%
60	1.220%	1.220%	2.61%
65	0.000%	0.000%	2.50%

RATIONALE FOR ECONOMIC ASSUMPTIONS

- **Funding segment rates** – These are IRS prescribed rates. The plan sponsor elected this methodology (segment rates with no look-back months) from alternative IRS prescribed options.
- **Cash balance crediting rate** – The interest crediting rate for a plan year is based on the 30-year Treasury Rate for the month of November of the prior plan year. This assumption is set as a long term assumption with reference to the 30-year treasury assumption periodically published by Mercer Investment Consulting in their Capital Markets Outlook, and evaluated periodically for reasonability.
- **Salary increase** – This assumption is based on an experience study performed in 2010. Assumption is applied to base earnings or, if target bonus is not provided, is applied to prior year plan compensation.
- **Inflation** – This assumption is made with reference to the inflation assumption periodically published by Mercer Investment Consulting in the Capital Markets Outlook.

Schedule SB, Part V — Statement of Actuarial Assumptions/Methods

- **Expected investment return** – The expected rate of return on plan assets is based on the median simulated investment return using capital market assumptions published in Mercer Investment Consulting's Capital Markets Outlook for the plan's target asset mix, net of an adjustment of 20 basis points for expenses assumed to be paid from plan assets.
- **Expense load** – Expected 2018 expenses based on expected 2018 PBGC premium plus estimated administrative expenses as provided by The Kroger Co., rounded to the nearest hundred thousand.

RATIONALE FOR DEMOGRAPHIC ASSUMPTIONS

- **Funding mortality** – Prescribed by the IRS and based on The Kroger Co.'s election.
- **Withdrawal incidence** – The withdrawal rates are based on an experience analysis completed in 2013 covering the period January 1, 2007 to January 1, 2012 and the expectation that future withdrawal patterns and circumstances of the employer will not differ significantly from the period studied.
- **Retirement incidence** – The retirement rates are based on an experience analysis completed in 2013 covering the period January 1, 2007 to January 1, 2012 and the expectation that future retirement patterns and circumstances of the employer will not differ significantly from the period studied.
- **Benefit commencement age** – The benefit commencement age for cash balance participants is based on an experience study completed in 2013 covering the period January 1, 2007 to January 1, 2012 which showed about 60% of terminating participants elected an immediate lump sum upon termination.
- **Form of payment** – The form of payment assumption is based on an experience study completed in 2013 covering the period January 1, 2007 to January 1, 2012. 100% of cash balance participants are assumed to elect a lump sum of their cash balance account based on the analysis that shows less than 1% of participants elect an annuity.
- **Spouse assumptions** – The assumptions regarding percent married/spouse age difference at death or benefit commencement are based on the actuary's experience with many plans. This assumption does not impact participants covered under the cash balance provisions as lump sums are assumed to be paid upon termination, retirement, or death.

Schedule SB, Part V — Statement of Actuarial Assumptions/Methods

ACTUARIAL METHODS FOR FUNDING

Asset Methods

The asset valuation method is an average of the adjusted market value for each year during the last 2 years preceding the valuation date. The adjusted market value is the market value at each determination date adjusted to the valuation date based on actual cash flows and expected interest at the lesser of the expected rate of return and the third segment rate. This amount is adjusted to be no greater than 110% and no less than 90% of the fair market value, as defined in IRC Section 430.

A characteristic of this asset method is that, over time, it is slightly more likely to produce an actuarial value of assets that is less than the market value of assets than an actuarial value that is greater than the market value.

Participant Methods

Participants or former participants are included or excluded from the valuation as described below:

- **Participants included:** The plan sponsor provides us with data on all employees as of the valuation date, but only those employees who have completed the plan's eligibility requirements are included in the valuation of liabilities.
- **Participants excluded:** No actuarial liability is included for nonvested participants who terminated prior to the valuation date. For this purpose, participants with a break in service on the valuation date are treated as terminated participants.
- **Insurance contracts:** The plan does not have any insurance contracts.

*Schedule SB, Part V — Statement of Actuarial Assumptions/Methods***Minimum Funding Methods**

The funding target for minimum funding calculations is computed using the traditional unit credit method of funding. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

A detailed description of the calculation follows:

- The plan's valuation date is the beginning of the plan year.
- An individual's **funding target** is the present value of future benefits based on credited service and average pay as of the beginning of the plan year, and an individual's **target normal cost** is the present value of the benefit expected to accrue in the plan year. If multiple decrements are used, the funding target and the target normal cost for an individual are the sum of the component funding targets and target normal costs associated with the various anticipated separation dates.
- The plan's **target normal cost** is the sum of the individual target normal costs, and the plan's **funding target** is the sum of the individual funding targets for all participants under the plan.

Schedule SB, line 24 — Change in Actuarial Assumptions

The following changes were made since the January 1, 2017 valuation:

- The expense component of normal cost decreased from \$3,833,333 to \$3,659,000 to reflect our expectations for the current plan year.
- Expected investment return for 2018 was updated to 5.23%.
- The cash balance interest crediting rate graded assumption was updated from 2.86% for 2017, 3.15% for 2018, 3.50% for 2019, and 3.85% for 2020 and 4.20% for 2021 and later years to 2.86% for 2017, 2.80% for 2018, 3.10% for 2019, 3.40% for 2020, and 3.70% for 2021 and 4.00% for later years

*Schedule SB, Part V — Summary of Plan Provisions***SUMMARY OF MAJOR PLAN PROVISIONS**

Effective date and plan year	Prior plan: December 27, 1968 Restated plan: September 1, 2017 (spin off date) Plan year: January 1 – December 31
Most recent amendment	Amendment Number Two effective September 1, 2017
Status of the plan	The Plan is frozen for cash balance participants with respect to pay credits; interest credits continue to accrue. All grandfathered participants continue to accrue benefits under the final average salary plan. Certain union groups continue to accrue cash balance pay credits or benefits under the final average salary plan.
Significant events	None
Sponsoring employer	The Kroger Co.

Schedule SB, Part V — Summary of Plan Provisions

Following is a summary of the major plan provisions for cash balance employees of the Retirement Benefit Plan used to determine the plan's financial position. It should not be used in determining plan benefits.

DEFINITIONS	
<ul style="list-style-type: none"> Participating employees 	All employees, excluding leased employees, employees covered by a collective bargaining agreement that excludes participation, independent contractors, and employees covered by a separate defined benefit pension plan maintained by Kroger or any affiliate employer.
<ul style="list-style-type: none"> Type of plan 	Cash Balance
<ul style="list-style-type: none"> Employers included 	The Kroger Co. and any affiliate that elects to adopt the plan.
<ul style="list-style-type: none"> Eligibility 	The first date on which an employee has both completed 1,000 Hours of Service in a twelve-month period and attained age 21.
<ul style="list-style-type: none"> Cash Balance Formula 	<p>Pay Credit: Five percent of annual earnings during the plan year.</p> <p>Interest Credit: Annual rate of interest on 30 year Treasury Bonds for the month of November of the preceding year. Interest will be credited annually on the beginning of year account balance.</p> <p>Effective January 1, 2007, the cash balance formula is frozen with respect to future pay credits. Interest credits will continue to be credited to the account balance. Certain Dillon and Delaware union employees will continue to earn pay credits.</p> <p>For participants on April 1, 1999, who were covered under the prior Ralph's Grocery Company Retirement Plan, an additional 7% of the opening pay credit account balance under the prior Fred Meyer Plan is added each year.</p>
<ul style="list-style-type: none"> Accrued Benefit 	Greater of the Benefit Account converted to a monthly annuity or the participant's predecessor plan benefit plus a life annuity actuarial equivalent of the Pay Credit Account. Actuarial equivalent conversions use the current 417(e) mortality table and an interest rate equal to the average rate of return for 30-year Treasury securities for the month of November immediately preceding the Plan Year in which the Annuity Starting Date occurs.
<ul style="list-style-type: none"> Participant contributions 	None

Schedule SB, Part V — Summary of Plan Provisions

• Service considered	Credited Service: One year after each year of continuous service following the later of 1,000 Hours of Service or attainment of age 21. Vested Service: One year for each year of continuous service following the later of employment or attainment of age 18.
• Vesting Percentage	20% after one year of Vested Service, 40% after two years, and 100% after three or more years.
• Annual Compensation Considered	Base pay, overtime, bonuses, including amounts subject to a salary reduction agreement pursuant to IRC Section 125 or 401(k), paid to employee during a calendar year for personal services rendered to any employer.
• Normal Retirement Age	First of month coinciding with or next following the attainment of age 65 with five years of participation service.
• Normal Retirement Benefit	Monthly pension benefit determined as of actual retirement date payable as a lump sum.
• Late Retirement Benefit	Monthly pension benefit determined as of actual retirement date payable as a lump sum.
• Deferred Vested Benefit	Lump sum value of the monthly accrued benefit, or a deferred monthly annuity, multiplied by the Vested Percentage.
• Disability Benefit	Lump sum value of the monthly accrued benefit, or a deferred monthly annuity, multiplied by the Vested Percentage.
• Death Benefit	Lump sum value of the monthly accrued benefit, or a monthly annuity.
• Optional Forms of Retirement Benefits	Lump sum, life annuity, qualified joint and survivor annuity and for those retiring after age 55, 50%, 75% or 100% contingent annuity.
• Actuarial equivalence	1984 Unisex Pension Mortality Table with a one year age set forward for Participants and a four year age setback for Beneficiaries and a 9% per annum compound interest rate assumption.
• Cost of Living Increase	None
• Benefits Not Included In The Valuation	None
• Significant Events	None
• Maximum Compensation	Compensation for any 12-month period used to determine accrued benefits may not exceed the limits in IRC Section 401(a)(17) for the calendar year in which the 12-month period begins. This limit is indexed annually. For 2018, the limit is \$275,000.

Schedule SB, Part V — Summary of Plan Provisions

• Maximum Benefits	Annual benefits may not exceed the limits in IRC Section 415. This limit is indexed annually. For 2018, the limit is \$220,000.
• Other Plan Provisions	The above outline of the basic benefit structure of the Plan is not intended to provide sufficient information to determine individual benefits. The outline should be used simply as an overview of benefit structure and an aid in understanding and interpreting the remaining sections of the report.

Schedule SB, Part V — Summary of Plan Provisions

Following is a summary of the major plan provisions for grandfathered employees of the Retirement Benefit Plan used to determine the plan's financial position. It should not be used in determining plan benefits.

• Participating Employees	Generally, an employee was grandfathered if, as of December 31, 2000, the employee was vested and either age 39½ or had a combined age plus service of 50. Grandfathering only applied to participants in the prior Kroger Retirement Benefit Plan, Dillon Minimum Benefit Plan, or Jay C Retirement Plan.
• Type of Plan	Final average pay
• Employers Included	The Kroger Co. and any affiliate that elects to adopt the plan.
• Participant Contributions	None
• Service Considered	One year for each year of continuous service following the latter of employment or attainment of age 21.
• Compensation Considered	Regular cash compensation received during the year, including overtime pay and bonuses.
• Average Annual Compensation	The average of the highest five years of earnings during the last 10 years before termination.
• Accrued Benefit	The greater of: <ol style="list-style-type: none"> 1½% of average annual compensation less 1¼% of the participant primary Social Security benefit multiplied by the number of years of credited service. 1% of average annual compensation multiplied by the number of years of credited service. Minimum benefit.
• Normal Retirement Age	Age 65, with 5 years of vesting service.
• Early Retirement Age	Retirement before Normal Retirement Age and on or after attaining age 55, with 5 years of vesting service.
• Normal Retirement Benefit	Monthly accrued benefit determined as of Normal Retirement Date.
• Late Retirement Benefit	Monthly accrued benefit using pay and service to actual retirement date.
• Early Retirement Benefit	Monthly accrued benefit determined as of early retirement date, reduced 4% for each year before age 62 to age 60, then 6% for each year to age 55.

Schedule SB, Part V — Summary of Plan Provisions

• Deferred Vested Benefit	Monthly accrued benefit determined as of terminating date and payable at participant's Normal Retirement Date, or payable at an age not earlier than age 55 with a reduced benefit.
• Death Benefit	The amount that would have been payable if the participant terminated on the date of death, elected payment at the earliest eligibility for early retirement in the form of a qualified joint and survivor annuity, and died before the first payment.
• Disability Benefit	Monthly pension benefit determined as of the disability retirement date without reduction for early commencement and payable on the disability retirement date.
• Optional Forms of Retirement Benefits	Life annuity, 50%, 66-2/3%, 75% or 100% contingent annuity with or without restoration, life annuity with guaranteed payments, level income.

Schedule SB, Part V — Summary of Plan Provisions

- Optional form conversion factors

Contingent Optional Benefit Forms Reduction Factors

	<u>66-2/3%</u>			
<u>Near age of Employee</u>	<u>100% J&S</u>	<u>J&S</u>	<u>50% J&S</u>	
55	.850	.900	.920	
56	.850	.900	.920	
57	.840	.890	.910	
58	.840	.890	.910	
59	.830	.880	.910	
60	.830	.880	.910	
61	.820	.870	.900	
62	.820	.870	.900	
63	.810	.860	.900	
64	.810	.860	.900	
65	.800	.850	.890	
Increase (decrease) for each year contingent annuitant is older (younger) than employee	.008	.006	.005	
Maximum Factor	.950	.970	.980	
Minimum Factor	.700	.750	.800	
Additional Reduction for Restoration Option	.960	.970	.980	

Other Optional Benefit Forms Reduction Factors

10 year Certain and Life Annuity	.95	
15 year Certain and Life Annuity	.90	
Level Income Option	Reduction is .006 times number of months between near age and 62	

Schedule SB, Part V — Summary of Plan Provisions

• Cost of Living Increases	None
• Benefits Not Included in the Valuation	None
• Significant Events	None
• Maximum Compensation	Compensation for any 12-month period used to determine accrued benefits may not exceed the limits in IRC Section 401(a)(17) for the calendar year in which the 12-month period begins. This limit is indexed annually. For 2018, the limit is \$220,000.
• Maximum Benefits	Annual benefits may not exceed the limits in IRC Section 415. This limit is indexed annually. For 2018, the limit is \$220,000.
• Other Plan Provisions	The above outline of the basic benefit structure of the Plan is not intended to provide sufficient information to determine individual benefits. The outline should be used simply as an overview of benefit structure and an aid in understanding and interpreting the remaining sections of the report.

Schedule SB, Part V — Summary of Plan Provisions

Following is a summary of the major plan provisions for grandfathered employees of the Minimum Benefit Plan used to determine the plan's financial position. It should not be used in determining plan benefits

• Participating Employees	Generally, an employee was grandfathered if, as of December 31, 2000, the employee was vested and either age 39½ or had a combined age plus service of 50. Grandfathering only applied to participants in the prior Kroger Retirement Benefit Plan, Dillon Minimum Benefit Plan, or Jay C Retirement Plan.
• Type of Plan	Final average pay
• Employers Included	The Kroger Co. and any affiliate that elects to adopt the plan.
• Service Considered	Vesting Service: One year for each 1,000-hour calendar year of employment by the Central Division. Benefit service: Completed years of service as a covered employee. There is a maximum of 25 years of service for employees of Fry's of Arizona and Fry's of California which only applies to the accrued benefit calculation under Formula 1.
• Compensation Considered	Base pay, overtime, and bonuses (including amounts subject to salary reduction agreements made pursuant to the Dillon Companies, Inc. Employees' Stock Ownership and Savings Plan) paid to the employees during a calendar year for personal services rendered.
• Average Annual Compensation	Under the accrued benefit definition, Formula 1, it is the average of the highest three consecutive calendar years of pensionable pay during the 10 year period ending on the earlier of the participant's termination date or retirement date. Under the accrued benefit definition, Formula 2, it is the average of the highest five calendar years of pensionable pay during the 10 year period ending on the earlier of the participant's termination date or retirement date. Under Formula 3, it is the average of the 60 consecutive months of pensionable pay preceding the date of separation.

Schedule SB, Part V — Summary of Plan Provisions

• Accrued Benefit	<p>The greater of:</p> <p>Formula 1: 1% of average earnings multiplied by the number of years of benefit service. Applies only to an employee participating on or before January 1, 1995.</p> <p>Formula 2: 1 ½% of average earnings less 1 ¼% of the participant's primary Social Security Benefit; multiplied by the number of years of benefit service, with a maximum of 40 years considered. This benefit is then multiplied by a conversion factor, based on 7% interest and the 1983 Unisex Group Annuity Mortality Table, to convert a life annuity benefit payable to life with 120 months.</p> <p>Formula 3: \$10 times years of service, plus 1% of monthly average earnings in excess of \$650 times years of service converted to a benefit payable for life with 120 months guaranteed as described in Formula 2. Applies only to Turkey Hill Dairy participants hired before January 1, 1996.</p>
• Profit Sharing Benefit	<p>The annuity provided by the Dillon Companies, Inc. Profit-Sharing Plan computed in accordance with the 1983 Unisex Group Annuity Mortality Table and an interest rate of 7% per year. In computing the profit-sharing benefit in the event of termination before early retirement age, deferred annuity rates are used. Immediate annuity rates are used in the event of early, normal, or delayed retirement. The immediate or deferred annuity that is calculated is a life annuity with 120 months of payments guaranteed.</p>
• Social Security Benefit	<p>The projected amount of the participant's primary Social Security benefit payable at age 65 according to the law in effect at the date of termination of employment, assuming no wages to be earned after termination</p>
• Normal Retirement Age	Age 65
• Early Retirement Age	Retirement before Normal Retirement Age and on or after attaining age 55 and ten years of vesting service.
• Normal Retirement Benefit	The excess of the participants accrued benefit over the profit sharing benefit.
• Late Retirement Benefit	Monthly pension benefit determined as of actual retirement date.

Schedule SB, Part V — Summary of Plan Provisions

• Early Retirement Benefit	<p>The excess of the larger of the benefit formulas below over the profit sharing benefit:</p> <ol style="list-style-type: none"> 1) The accrued benefit under Formula 1 at the Early Retirement Date, reduced 3% for each year of payment before NRD to age 60, then 6% for each year to 55. 2) The accrued benefit under Formula 2 at the Early Retirement Date, reduced 4% for each year of payment before age 62 to age 60, then 6% for each year to 55. The benefit is reduced for early retirement before it is converted from a life annuity to a life annuity with 120 months guaranteed. 3) The accrued benefit under Formula 3 at the Early Retirement Date, reduced 7.2% for each year of payment before NRD to age 60, then 4.8% for each year to 55.
• Deferred Vested Benefit	Monthly accrued benefit determined as of termination date and payable at participant's Normal Retirement Date, or payable at an age not earlier than age 55 with a reduced benefit.
• Disability Benefit	Monthly pension benefit determined as of the termination date and payable at the participants NRD, or payable at an early retirement date, reduced to an actuarially equivalent of the benefit that would otherwise have been received at the NRD, based on the 1983 Group Annuity Mortality Table and an interest of 7% per year.
• Death Benefit	50% of the monthly pension benefit as of the date of death reduced or the 50% joint and survivor election, which is actuarially equivalent to the life annuity with 120 months of payments guaranteed payable to a single participant, and reduced for payment as early as the participant's 55th birthday.
• Optional Forms of Retirement Benefits	Preretirement spouse benefits are payable for the lifetime of the surviving spouse. The normal form of payment for single participants is a life annuity with 120 months of payments guaranteed. The normal form for married participants is the actuarial equivalent of the single participants' normal form, payable as a qualified joint and survivor annuity. Optional forms are a straight life annuity for the life of the participant and a 50% or 100% joint and survivor annuity (which is actuarially equivalent to the straight-life annuity for the life of the participant).
• Actuarial Equivalence	1983 Unisex Pension Mortality Table and a 7% per annum compound interest rate assumption.
• Cost of Living Increases	None

Schedule SB, Part V — Summary of Plan Provisions

• Benefits Not Included in the Valuation	None
• Significant Events	None
• Maximum Compensation	Compensation for any 12-month period used to determine accrued benefits may not exceed the limits in IRC Section 401(a)(17) for the calendar year in which the 12-month period begins. This limit is indexed annually. For 2018, the limit is \$275,000.
• Maximum Benefits	Annual benefits may not exceed the limits in IRC Section 415. This limit is indexed annually. For 2018, the limit is \$220,000.
• Other Plan Provisions	The above outline of the basic benefit structure of the Plan is not intended to provide sufficient information to determine individual benefits. The outline should be used simply as an overview of benefit structure and an aid in understanding and interpreting the remaining sections of the report.

Schedule SB, Part V — Summary of Plan Provisions

Following is a summary of the major plan provisions for grandfathered employees of the Jay C Plan used to determine the plan's financial position. It should not be used in determining plan benefits.

• Participating employees	Generally, an employee was grandfathered if, as of December 31, 2000, the employee was vested and either age 39½ or had a combined age plus service of 50. Grandfathering only applied to participants in the prior Kroger Retirement Benefit Plan, Dillon Minimum Benefit Plan, or Jay C Retirement Plan.
• Type of plan	Final average pay
• Employers included	The Kroger Co. and any affiliate that elects to adopt the plan.
• Eligibility	The first date on which an employee has both completed 1,000 Hours of Service in a twelve-month period and attained age 21.
• Participant Contributions	None
• Service Considered	One year for each year of continuous service following the latter of employment or attainment of age 21.
• Participant contributions	None
• Compensation Considered	Regular cash compensation received during the year, including overtime pay and bonuses.
• Average Annual Compensation	The average of the highest five consecutive years of earnings during the last 10 years before termination.
• Accrued Benefit	The greater of: <ol style="list-style-type: none"> 30% of average annual compensation reduced proportionately for years of service less than 25 at the normal retirement date multiplied by the ratio of service to date over service at the normal retirement date. \$120 multiplied by years of service (up to a maximum of 10 years).
• Normal Retirement Age	Age 65
• Early Retirement Age	Retirement before Normal Retirement Age and on or after attaining age 55, with 5 years of vesting service.
• Normal Retirement Benefit	Monthly accrued benefit determined as of Normal Retirement Date.
• Late Retirement Benefit	Greater of monthly accrued benefit using pay and service to actual retirement date or the actuarial equivalent of the normal retirement benefit.

Schedule SB, Part V — Summary of Plan Provisions

• Early Retirement Benefit	Monthly accrued benefit determined as of early retirement date, reduced 1/180th for each month before age 65 to age 60, then 1/360th for each month to age 55.
• Deferred Vested Benefit	Monthly accrued benefit determined as of the termination date and payable at participant's Normal Retirement Date, or payable at an age not earlier than age 55 with a reduced benefit.
• Death Benefit	The amount that would have been payable if the participant terminated on the date of death, elected payment at the earliest eligibility for early retirement in the form of a qualified joint and survivor annuity, and died before first payment.
• Optional Forms of Retirement Benefits	Life annuity, 50%, 66-2/3%, 75% or 100% contingent annuity, life annuity with guaranteed payments, guaranteed payments only, lump sum.
• Optional form conversion factors	1984 Unisex Pension Mortality Table with a one year age set forward for Participants and a four year age setback for Beneficiaries and a 9% per annum compound interest rate assumption.
• Cost of Living Increases	None
• Benefits Not Included in the Valuation	None
• Significant Events	None
• Maximum Compensation	Compensation for any 12-month period used to determine accrued benefits may not exceed the limits in IRC Section 401(a)(17) for the calendar year in which the 12-month period begins. This limit is indexed annually. For 2018, the limit is \$275,000.
• Maximum Benefits	Annual benefits may not exceed the limits in IRC Section 415. This limit is indexed annually. For 2018, the limit is \$220,000.
• Other Plan Provisions	The above outline of the basic benefit structure of the Plan is not intended to provide sufficient information to determine individual benefits. The outline should be used simply as an overview of benefit structure and an aid in understanding and interpreting the remaining sections of the report.

*Schedule SB, Part V — Summary of Plan Provisions***Benefits Included or Excluded**

Unless noted below, all benefits provided by the plan, as adopted and effective as of September 1, 2017 and amended through Amendment Number Two, are included in this valuation:

- **Most recent plan amendments included:** Amendment Number Two effective September 1, 2017
- **Plan amendments excluded:** None
- **Late retirement increases:**
 - *Active grandfathered and all cash balance participants:* The plan provides benefit suspension notices to participants who work beyond normal retirement. These participants continue to earn additional annuity benefits or cash balance interest credits. Late retirement actuarial increases are not reflected in this valuation.
 - *Active with frozen annuities and deferred vested participants:* Valued including the late retirement actuarial increase, except for deferred vested participants over age 70.
- **Internal Revenue Code limitations:** The limitations of Internal Revenue Code Section 415(b) and 401(a)(17) have been incorporated into our calculations.
- **IRC Section 416 rules for top-heavy plans:** We did not test whether this plan is top-heavy (when the present value of benefits for key employees equals or exceeds 60% of the present value for all participants). However, we expect that the plan is not top-heavy due to the large number of rank-and-file participants; therefore, the funding target and target normal cost do not reflect any liability for top-heavy benefit accruals.

Schedule SB, Part V — Summary of Plan Provisions

Additional Benefits Included or Excluded

- **IRC Section 436 benefit restrictions:**
 - *Unpredictable contingent event benefits:* This valuation excludes restricted contingent event benefits that occurred before the valuation date but includes contingent event benefits which are expected to occur on or after the valuation date regardless of anticipated funding-based limitations.
 - *Plan amendments:* See above.
 - *Prohibited payments:* Limitations on prohibited benefits (if any) are reflected for annuity starting dates before the valuation date but are ignored for annuity starting dates on or after the valuation date.
 - *Benefit accruals:* The plan's funding target does not reflect any limitation on benefit accruals. The target normal cost does not reflect any limitation on benefit accruals.
- **Unpredictable contingent event benefits:** The plan does not have any unpredictable contingent event benefits.

PLAN PROVISION CHANGES SINCE PRIOR VALUATION

Maximum compensation amounts and maximum benefit amounts under IRS rules were updated from 2017 to 2018.

Schedule SB, line 22 — Description of Weighted Average Retirement Age

Each employee is assumed to retire in accordance with the table of retirement rates. The proportion of employees expected to retire at each potential retirement age is shown below. The average retirement age is 62.

Hourly Plan				
(A)	(B)	(C)	(D)	(E)
Retirement age	Retirement Percent	Lx	Number of employees expected to retire (B) x (C)	(A) x (D)
55	8.0%	10,000.00	800.00	44,000.00
56	8.0%	9,200.00	736.00	41,216.00
57	8.0%	8,464.00	677.12	38,595.84
58	8.0%	7,786.88	622.95	36,131.12
59	8.0%	7,163.93	573.11	33,813.75
60	8.0%	6,590.82	527.27	31,635.91
61	13.0%	6,063.55	788.26	48,083.95
62	18.0%	5,275.29	949.55	58,872.22
63	16.0%	4,325.74	692.12	43,603.42
64	16.0%	3,633.62	581.38	37,208.26
65	25.0%	3,052.24	763.06	49,598.90
66	20.0%	2,289.18	457.84	30,217.17
67	20.0%	1,831.34	366.27	24,540.01
68	20.0%	1,465.08	293.02	19,925.02
69	20.0%	1,172.06	234.41	16,174.43
70	100.0%	937.65	937.65	65,635.36
Total			10,000.00	619,251
Average				61.92

The weighted average retirement age shown on the schedule SB form is the average retirement age for salaried participants and Hourly participants, weighted by the number of actives in each group.

Schedule SB, line 22 — Description of Weighted Average Retirement Age

Each employee is assumed to retire in accordance with the table of retirement rates. The proportion of employees expected to retire at each potential retirement age is shown below. The average retirement age is 63.

Salaried Plan				
(A)	(B)	(C)	(D)	(E)
Retirement age	Retirement Percent	Lx	Number of employees expected to retire (B) x (C)	(A) x (D)
55	5.0%	10,000.00	500.00	27,500.00
56	5.0%	9,500.00	475.00	26,600.00
57	6.0%	9,025.00	541.50	30,865.50
58	6.0%	8,483.50	509.01	29,522.58
59	8.0%	7,974.49	637.96	37,639.59
60	9.0%	7,336.53	660.29	39,617.27
61	10.0%	6,676.24	667.62	40,725.08
62	19.0%	6,008.62	1,141.64	70,781.53
63	15.0%	4,866.68	730.05	45,992.97
64	15.0%	4,136.93	620.54	39,714.57
65	22.0%	3,516.39	773.61	50,284.43
66	22.0%	2,742.79	603.41	39,825.27
67	22.0%	2,139.37	470.66	31,534.37
68	22.0%	1,668.71	367.12	24,963.93
69	22.0%	1,301.60	286.35	19,758.21
70	100.0%	1,015.24	1,015.24	71,067.10
Total			10,000.00	626,392
Average				62.63

The weighted average retirement age shown on the schedule SB form is the average retirement age for salaried participants and Hourly participants, weighted by the number of actives in each group.

Schedule SB, Line 11a — Explanation of Discrepancy in the Present Value of Excess Contributions

The present value of excess contributions reported on line 38a of the 2017 Schedule SB was \$119,772,022. The value reported on line 11a of the 2018 Schedule SB is \$120,832,842. The discrepancy is due to a revision of the 2017 valuation resulting from the approval of the change in funding method for the 2017 spin-off that was received after the 2017 Form 5500 was filed. Since less than the maximum amount of excess contribution was added to the prefunding balance, the amount of the January 1, 2017 prefunding balance is unchanged.

Line 15, Reconciliation of Difference Between Valuation Results and Amounts Used to Calculate AFTAP

The following schedule shows each AFTAP that was certified or recertified for the 2018 plan year, the date made, and a description of the AFTAP change:

CERTIFICATION DATE	AFTAP	UPDATE DESCRIPTION
09/28/2018	125.70%	Actuarial Value of Assets was changed to Market Value of Assets due to plan spin-off. As part of the 2017 spin-off, a request for a change in funding method was filed. The request was not approved until after the 2017 Form 5500 was filed. As part of the funding method approval, the asset value was changed from a two year average (the adjusted 1/1/2017 asset value and the 1/1/2018 market value) to the 1/1/2018 market value. Since the AFTAP did not change the benefit restriction status for the 2018 plan year or the presumed AFTAP for the first 9 months of the 2019 plan year, a recertified 2018 plan year AFTAP was not issued.

The following chart shows a comparison of the final 2018 AFTAP and the FTAP shown on the 2018 Schedule SB, line 14.

Line 15, Reconciliation of Difference Between Valuation Results and Amounts Used to Calculate AFTAP

	FINAL CERTIFIED AFTAP	SCHEDULE SB LINE 15 AFTAP
1. Adjusted plan assets		
a. Actuarial value of plan assets	\$ 2,678,393,638	\$ 2,654,887,856
b. Credit balances	547,629,064	547,629,064
c. Annuity purchases for non-HCEs in prior two plan years	0	0
d. Earmarked contributions during plan year	0	0
e. Adjusted plan assets: (a.) – (b.) + (c.) + (d.)	\$ 2,678,393,638	\$ 2,107,258,792
2. Adjusted funding target		
a. Funding target	\$ 2,130,697,279	\$ 2,130,697,279
b. Funding target increases not already reflected in (a.) due to amendments, UCEBs, etc.	0	0
c. Annuity purchases for non-HCEs in prior two plan years	0	0
d. Adjusted funding target: (a.) + (b.) + (c.)	\$ 2,130,697,279	\$ 2,130,697,279
3. 2018 AFTAP/FTAP: (1.e.) ÷ (2.d.)	125.70%	98.89%

Schedule SB, line 32 — Schedule of Amortization Bases

The total shortfall amortization charge is the sum of the individual shortfall amortization installment for each plan year covered under PPA. Although an individual shortfall amortization installment can be negative, the combined shortfall amortization charge cannot be less than \$0.

SHORTFALL BASES					
YEAR ESTABLISHED		OUTSTANDING BALANCE	YEARS REMAINING		2019 INSTALLMENT
2018	\$	23,438,487	7	\$	3,826,329
Total	\$	23,438,487		\$	3,826,329