

## ANNUAL FUNDING NOTICE

For

### LOCAL 705, INTERNATIONAL BROTHERHOOD OF TEAMSTERS PENSION FUND

#### Introduction

This notice includes important information about the funding status of your multiemployer pension plan (the "Plan"). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning January 1, 2021 and ending December 31, 2021 ("Plan Year").

#### How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the "funded percentage." The Plan divides its assets by its liabilities on the Valuation Date for the plan year to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan's funded percentage for the Plan Year and each of the two preceding plan years are shown in the chart below. The chart also states the value of the Plan's assets and liabilities for the same period.

<b>Funded Percentage</b>			
	<b>2021 Plan Year</b>	<b>2020 Plan Year</b>	<b>2019 Plan Year</b>
Valuation Date	01/01/2021	01/01/2020	01/01/2019
Funded Percentage	76.8%	71.5%	69.0%
Value of Assets*	\$1,485,489,337	\$1,373,817,098	\$1,297,570,643
Value of Liabilities	1,934,141,134	1,921,840,127	1,881,567,787

\* Excludes receivable withdrawal liability payments.

### **Year-End Fair Market Value of Assets**

The asset values in the chart above are measured as of the Valuation Date. They also are “actuarial values.” Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan’s funded status at a given point in time. The asset values in the chart below are market values and are measured on the last day of the Plan Year. The chart also includes the year-end market value of the Plan’s assets for each of the two preceding plan years as reported in the audit.

	<b>12/31/2021*</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Fair Market Value of Assets**	\$1,776,080,105	\$1,541,865,545	\$1,381,692,384

\* *Estimated*

\*\* *Excludes receivable withdrawal liability payments. With these receivables, the asset values are \$1,776,630,957, \$1,542,979,822, and \$1,383,354,650 as of December 31, 2021, 2020 and 2019 respectively.*

### **Endangered, Critical, or Critical and Declining Status**

Under federal pension law, a plan generally is in “endangered” status if its funded percentage is less than 80 percent. A plan is in “critical” status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in “critical and declining” status if it is in critical status and is projected to become insolvent (run out of money to pay benefits) within 15 years (or within 20 years if a special rule applies). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status or critical and declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan’s actuary certified that the Plan was in endangered status for the 2021 Plan Year because the Plan was not projected to have an accumulated funding deficiency for the 2021 Plan Year or any of 6 succeeding Plan Years, and had a projected funded percentage for 2021 below 80%.

In an effort to improve the Plan’s funding situation, the Trustees adopted a Funding Improvement Plan (“FIP”), including the Funding Improvement Plan Schedule (“FIP Schedule”), effective January 1, 2017 after the Plan was certified in endangered status in 2017. The benchmarks are: (i) to increase the Plan’s funded percentage so that the funded percentage as of the end of the funding improvement period equals or exceeds the sum of the funded percentage as of the beginning of the 2017 Plan Year (January 1, 2017), plus 33 percent of the difference between 100 percent and such funded percentage (for the 2017 Plan Year); and (ii) to avoid an accumulated funding deficiency for the 2028 Plan Year, the last year of the funding improvement period.

The FIP's benchmarks are expected to be achieved with the current design in the Plan Document, which is reflected in the FIP Schedule. Accordingly, both the default schedule (the schedule that must include plan changes, if necessary, and will be applicable should a schedule not be implemented on a timely basis as described below) and the alternative schedule consist of the following:

1. Contribution rates no less than those in effect as of the date the FIP was adopted for all contributing employers for every year that the Plan is in Endangered status; and
2. Maintain the plan of benefits in effect as of the 2017 actuarial status certification date (March 31, 2017), for all current and new active participants and for every year that the Plan is in Endangered status, except for:
  - a. any benefit changes required for the Plan to continue meeting the requirements to maintain its tax qualification under the Internal Revenue Code and comply with other applicable law, or
  - b. specific benefit increases after the end of the Funding Improvement Adoption Period if the Trustees determine that these increases will be financed out of contributions not contemplated by the FIP and will not impede the Fund's progress toward achieving the PPA benchmarks for plans in Endangered status.

You may obtain a copy of the FIP and FIP Schedule (including any updates, amendments or other modifications) and the actuarial and financial data that demonstrate the actions taken by the Plan toward fiscal improvement by contacting the Plan Administrator (see "Where to Get More Information" below).

The Plan emerged from endangered status in the 2022 Plan year. The Plan was certified as not being in endangered, critical, or critical and declining status in the Plan Year ending December 31, 2022, because the projected funded percentage as of January 1, 2022 is over 80% and there is no projected funding deficiency within the next 7 years.

**In other words, the Plan entered the Green Zone in the 2022 Plan year.**

### **Participant Information**

The total number of participants and beneficiaries covered by the Plan on the valuation date was 15,885. Of this number, 5,303 were current employees, 8,077 were retired and receiving benefits, and 2,505 were retired or no longer working for the employer and have a right to future benefits.

### **Funding & Investment Policies**

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The Plan is funded by contributions made by contributing employers pursuant to the terms of collective bargaining agreements, and other agreements, to which the contributing employers and unions representing Plan participants are signatory. Participant contributions are not permitted under the Plan and therefore are not a source of funding Plan benefits. The investment earnings on the contributions made to the Plan are also a source of funding.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy of the Plan delegates to various investment managers the authority to invest the assets of the Plan as required to achieve the long-range and short-term needs of the Plan in accordance with the applicable provisions of ERISA, which is a federal pension law.

Under the Plan’s investment policy, the Plan’s assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<b>Asset Allocations</b>	<b>Percentage*</b>
1. Cash (Interest bearing and non-interest bearing)	<u>0.7%</u>
2. U.S. Government securities	<u>3.5%</u>
3. Corporate debt instruments (other than employer securities):	
Preferred	<u>0.0%</u>
All other	<u>1.5%</u>
4. Corporate stocks (other than employer securities):	
Preferred	<u>0.0%</u>
Common	<u>26.7%</u>
5. Partnership/ joint venture interests	<u>5.3%</u>
6. Real estate (other than employer real property)	<u>11.6%</u>
7. Loans (other than to participants)	<u>0.0%</u>
8. Participant loans	<u>0.0%</u>
9. Value of interest in common/ collective trusts	<u>37.2%</u>
10. Value of interest in pooled separate accounts	<u>0.0%</u>
11. Value of master trust investment accounts	<u>0.0%</u>
12. Value of interest in 103-12 investment entities	<u>0.0%</u>
13. Value of interest in registered investment companies (e.g., mutual funds)	<u>13.4%</u>
14. Value of funds held in insurance co. general account (unallocated contracts)	<u>0.0%</u>
15. Employer-related investments:	
Employer Securities	<u>0.0%</u>
Employer real property	<u>0.0%</u>
16. Buildings and other property used in plan operation	<u>0.0%</u>
17. Other	<u>0.0%</u>

\* Percentages do not add up to 100.0% due to rounding. Asset values are preliminary and subject to confirmation. Any final changes may affect the reported percentage.

For information about the Plan’s investment in common/ collective trusts, contact the Plan Administrator in writing at the address shown in “Where to Get More Information.”

### **Right to Request a Copy of the Annual Report**

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to [www.efast.dol.gov](http://www.efast.dol.gov) and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling (202) 693-8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if you want information about your accrued benefits. Your Plan Administrator is identified below under "Where To Get More Information."

### **Summary of Rules Governing Insolvent Plans**

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see "Benefit Payments Guaranteed by the PBGC," below), the plan must apply to the PBGC for financial assistance. The PBGC will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notice of its status to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected, including loss of a lump sum option.

### **Benefit Payments Guaranteed by the PBGC**

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC's multiemployer program. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

*Example 1:* If a participant with 10 years of credited service has an accrued monthly benefit of \$600, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ( $\$600/10$ ), which equals \$60. The guaranteed amount for a \$60 monthly accrual rate is equal to the sum of \$11 plus  $\$24.75$  ( $.75 \times \$33$ ), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ( $\$35.75 \times 10$ ).

*Example 2:* If the participant in Example 1 has an accrued monthly benefit of \$200, the

accrual rate for purposes of determining the guarantee would be \$20 (or \$200/10). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus \$6.75 (.75 x \$9), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 (\$17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under a plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on PBGC's website at [www.pbgc.gov/multiemployer](http://www.pbgc.gov/multiemployer). Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information" below.

### **Where to Get More Information**

For more information about this notice, you may contact the individual below.

Mr. Jack F. Witt  
Plan Administrator  
Local 705, International Brotherhood of Teamsters Pension Fund  
1645 West Jackson Boulevard, 7<sup>th</sup> Floor  
Chicago, Illinois 60612  
(312) 738-2811

For identification purposes, the official plan number is 001 and the plan sponsor's name and employer identification number or "EIN" is Board of Trustees Local 705 I. B. of T. Pension Trust Fund and 36-6492502.