



Teamsters Pension Trust Fund

of Philadelphia and Vicinity

2500 MCCLELLAN AVE, SUITE 140 • PENNSAUKEN, NJ 08109 • (856) 382-2400
TOLL-FREE (800) 523-2846 • FAX (856) 382-2401 • www.teamsterfunds.com

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Employer Trustees
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TO: Participants and Employers

FROM: Board of Trustees

DATE: April 29, 2022

RE: **Important Information about Your Pension Plan**

This packet contains important information about the financial status of the Teamsters Pension Plan of Philadelphia & Vicinity, including a legally required notice:

- Annual Funding Notice for the 2021 Plan Year

We know that technical, required notices about benefits can be difficult to understand. This cover letter is intended to explain what the enclosed notice means to you in easy-to-understand terms.

Background

Pension plans like the Teamsters Pension Plan of Philadelphia & Vicinity are designed to accumulate contributions and invest them so that sufficient assets are available to pay participant pensions at retirement. It is critical that the plan be funded properly to continue providing benefits for participants. The Trustees of the plan engage consultants, including actuaries, who certify that the plan is properly funded under federal law using a series of commonly used assumptions such as mortality rates and long-term interest rates that predict future investment performance.

As you know, during 2008 and the beginning of 2009, the US stock market and other global financial markets declined more sharply than for any time period we have experienced since the Great Depression. While the plan had diversified its assets among various types of investments, it could not avoid being affected by the severe economic downturn. Like other pension plans, the plan experienced a significant loss of assets. Since that time there has been some recovery and in particular significant asset growth in 2021. Our actuaries project that our plan's funded percentage at the start of 2022 is 82.9%. While there has been some improvement overall in the past few years, the plan has not completely recovered from the investment losses in 2008 and early 2009, which will continue to have an impact on plan funding for several more years.

As a result of the investment losses, the status of the plan became what is called "endangered" for 2010. Despite the subsequent improvement in the market and the adoption on funding relief in 2011, the plan was considered "endangered" until December 31, 2021. Due to the actions of the Board of

Trustees and recent positive market returns, the plan has been certified as no longer being “endangered” for 2022.

What It Means to Be Endangered or Seriously Endangered

Under the Pension Protection Act of 2006 (PPA), within the first 90 days of each plan year, the plan’s actuary must certify whether the plan is in one of the following categories: endangered, seriously endangered, critical status, or critical and declining status.

In general, to perform this calculation, the actuary must determine if a plan’s funded ratio is at least 80% and whether the plan will be unable to meet the minimum required funding standards in any of the next 7 years. The actuary must also project the plan’s assets, benefit costs, contributions, and unfunded liability to determine if the plan will have enough money to pay benefits when due, or if the plan is expected to run out of assets.

There are two tests that indicate whether a plan is in endangered status. If a plan fails either test, it is considered endangered. If it fails both tests it is considered seriously endangered.

- The first test is based on the plan’s funded percentage at the beginning of the year. In this test, the plan’s assets are divided by the value of all plan participants’ benefits earned as of that date. If this ratio is over 80%, the test is passed. **For the 2022 actuarial certification, the plan’s PPA funded percentage is 82.9%.**
- The second test looks at the future of the plan. A projection is made to determine whether the level of expected contributions over the next seven years is enough to prevent the plan from having a minimum funding shortfall during that period. **For the 2022 actuarial certification the actuary has projected that the plan will be able to meet the minimum required funding standards over the next seven years.**

Since the Plan passed both tests for 2022, it is not considered endangered.

What It Means for You

Because the actuaries had certified the plan was endangered for the plan year beginning January 1, 2010, the Board of Trustees needed to take action in late 2010 to help ensure the plan’s long-term financial health. The plan was also subject to increased restrictions on improving benefits. **Because the actuary has certified the plan as no longer endangered, the Board of Trustees have more freedom to implement benefit increases.**

About the Annual Funding Notice

The enclosed Annual Funding Notice provides detailed information about the status of the plan for the year beginning January 1, 2021. Federal law requires pension plans to share this financial information with participants every year.

Our Continuing Commitment

The Teamsters Pension Plan of Philadelphia & Vicinity has been providing benefits for plan participants without interruption for well over 50 years. In 2021, benefit payments totaling over \$202 million were paid to over 13,000 retired participants and beneficiaries. The Trustees understand this is a time of uncertainty and concern due to the economic environment and continue to work with the plan's professional advisers to carefully monitor the plan's investments and benefit structure in an effort to provide benefits for years to come. The Trustees are committed to operating the plan on a financially sound basis and meeting applicable federal funding requirements. The good news is the Plan is projected to be fully funded in the near future and the key reasons for such improvement include:

- 10-year amortization of the 2008 asset loss is finally in the rearview mirror
- Plan changes effective January 1, 2005 and January 1, 2011 ultimately lowered the benefit accrual rate to 1%
- Elimination of early retirement subsidies
- Annual contribution rate increases of 5% for two five-year periods, one beginning January 1, 2013 and one beginning January 1, 2018
- Negative cash flow projection continues to decline as we see retirees with richer benefits pass away that are replaced by younger retirees with smaller benefits

Where to Get More Information

Please submit any questions in writing addressed to the Teamsters Pension Plan of Philadelphia & Vicinity at 2500 McClellan Avenue, Suite 140, Pennsauken, NJ 08109. The Administrative Office may refer technical questions to the plan's actuary but will reply to all questions received in writing.

ANNUAL FUNDING NOTICE
For
Teamsters Pension Plan of Philadelphia & Vicinity

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 is shown in the chart below. The chart also states the value of the Plan’s assets and liabilities for the same period.

Funded Percentage			
	2021 Plan Year	2020 Plan Year	2019 Plan Year
Valuation Date	January 1, 2021	January 1, 2020	January 1, 2019
Funded Percentage	75.4%	70.7%	69.0%
Value of Assets	\$1,904,094,328	\$1,785,307,926	\$1,730,029,499
Value of Liabilities	\$2,526,039,941	\$2,524,101,948	\$2,507,270,865

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.

	December 31, 2021	December 31, 2020	December 31, 2019
Fair Market Value of Assets	\$2,346,976,720*	\$2,036,193,599	\$1,858,277,441

*Estimated

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 was in “endangered” status in the Plan Year ending December 31, 2021 because the January 1, 2021 funded percentage (plan assets as a percentage of liabilities) is less than 80%. In an effort to improve the Plan’s funding situation, the trustees adopted a funding improvement plan at their August 12, 2010 meeting. The plan that was adopted is expected to help the Plan emerge from endangered status by the end of its funding improvement period through various benefit reductions and supplemental contribution increases. You may get a copy of the Plan’s “funding improvement plan”, any update to such plan and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement. You may get this information by contacting the plan administrator.

The Plan was not in endangered, critical, or critical and declining status in the Plan Year ending December 31, 2022.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the valuation date was 28,687. Of this number, 11,252 were current employees, 13,070 were retired and receiving benefits, and 4,365 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 funding policy of the Plan is to maintain a balance such that plan resources will fund plan obligations. Plan resources include accumulated plan assets plus expected future contributions and investment income. Plan obligations are benefit payments to current and future retirees and beneficiaries, including benefits earned to date as well as benefits expected to be earned in the future. Plan obligations also include expected expense paid from plan assets. In implementing this funding policy, the plan Trustees will work with professional advisors to adopt a prudent investment policy and to determine the actuarial value of plan obligations. Over time, the Trustees may adjust plan benefits in response to investment returns and other plan experience, or seek additional contributions from the bargaining units.

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 has a target allocation among asset categories of 45% domestic equity, 10% international equity, 25% fixed income, 5% real estate, and 15% in alternative investments.

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:

<u>Asset Allocations</u>	<u>Percentage</u>
Stocks	58.2%
Investment grade debt instruments	18.4%
High-yield debt instruments	5.5%
Real estate	4.7%
Other	13.2%

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 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 N1513, 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, Maria S. Scheeler, Kevon Office Center, 2500 McClellan Avenue, Suite 140, Pennsauken, NJ 08109. 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 ($\35.75×10).

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 ($.75 \times \$9$), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ($\17.75×10).

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/prac/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 Teamsters Pension Plan of Philadelphia & Vicinity at either (800) 523-2846 or (856) 382-2400, Kevon Office Center, 2500 McClellan Avenue, Suite 140, Pennsauken, NJ 08109. 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 of Teamsters Pension Trust Fund of Philadelphia & Vicinity and 23-1511735.