

# Teamsters Local 641 Pension Fund

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## ANNUAL FUNDING NOTICE

For

### Teamsters Local 641 Pension Plan

#### Introduction

This notice includes important funding information about your pension plan (“the Plan”). This notice also provides a summary of federal rules governing multiemployer plans in reorganization and insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning March 1, 2021 and ending February 28, 2022 (referred to hereafter as “Plan Year”).

#### How Well Funded is Your Plan?

Under federal law, the plan must report how well it is funded using a measure called the “funded percentage”. This percentage is obtained by dividing the Plan’s assets by its liabilities on the Valuation Date for the plan year. 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 set forth in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

	Plan Year 2021	Plan Year 2020	Plan Year 2019
Valuation Date	March 1, 2021	March 1, 2020	March 1, 2019
Funded Percentage	0.7%	4.8%	11.6%
Value of Assets	\$3,103,769	\$22,011,599	\$53,357,932
Value of Liabilities	\$456,876,521	\$458,846,643	\$460,740,408

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

The assets in the chart above are measured as of the Valuation Date for the plan year and are actuarial values. Because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, the pension law allows plans to use actuarial values that are designed to smooth out those fluctuations for funding purposes. The asset values below are market values and are measured as of the last day of the plan year, rather than as of the Valuation Date. Substituting the market value of the assets for the actuarial value used in the above chart would show a clearer picture of the plan’s funded status as of the Valuation Date. The fair market value of the Plan’s assets as of the last day of the Plan Year and each of the two preceding plan years is shown in the following table:

	<u>March 1, 2022</u>	<u>March 1, 2021</u>	<u>March 1, 2020</u>
Fair Market Value of Assets	\$0	\$3,103,769	\$22,011,599
	(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 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 (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 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.

Based on the measures stated above the Plan remains in “Critical and Declining” status in the Plan Year. Therefore, in an effort to improve the Plan’s funding situation, the trustees have adopted the following Rehabilitation Plan.

### Benefit Changes

- Original Rehabilitation Plan:
  1. The amount of the monthly pension earned from 6/1/2008 forward is 1% (instead of 2.12%) of employer contributions.
  2. Monthly pensions earned from 6/1/2008 forward are paid 12 times a year (instead of 13 times) after retirement.
  3. The Normal Form of all pension payments to commence on or after 6/1/2008 are for life only (instead of life with a minimum of 5 years guaranteed)
  4. The regular pension was dropped from the Plan effective 5/31/2008.
  5. The eligibility requirement for early pension is at least age 57 with at least 15 years of pension service (instead of 55 with 15).
  6. The amount of the reduction in monthly pension for early pension is 6% per year below age 62 or, if the “rule of 90” is satisfied, 3% per year below age 62. The “rule of 90” is satisfied if age plus pension service equals 90. Reciprocal service does not count toward the “rule of 90”.
  7. Service pensions were dropped from the Plan effective 5/31/2008.
  8. Supplemental pensions were dropped from the Plan effective 5/31/2008.
- Additional Benefit Changes:
  1. As of 12/1/2009, the Trustees have decided to reinstate the limit on benefits that had previously been lifted as of January 1, 2005. This means that all increases in your employer’s hourly

contribution rate effective on or after August 1, 2003 will retroactively and prospectively not be taken into account toward your monthly retirement pension.

2. Effective 5/1/2011, the eligibility requirements for early pension will require 15 years of pension service with Local 641. This also applies to the “rule of 90”.
3. Effective 11/1/2011, the eligibility requirements for disability pension are at least age 47 with 15 years of pension service with Local 641 or 20 years of pension service with Local 641 regardless of age. (Excludes any reciprocal service).
4. Effective 1/1/2012 yearly benefit accruals will be capped at \$80 per year.

Contribution Increases

- Original schedule of contribution rate increases:

Increase In Plan Year <u>Beg. 3/1</u>	Contribution Rate <u>Increase</u>
2007	
2008	5.000%
2009	4.762%
2010	4.545%
2011	4.348%
2012	4.167%
2013	4.000%
2014	3.846%
2015	3.704%
2016	3.571%
2017	3.448%
2018	3.333%
2019	3.225%
2020	3.225%

The schedule of contribution increases assumes the Master Freight contract is increased \$0.41 per hour each year and that other contracts are increased ratably. The first increase for Master Freight is from \$8.20 to \$8.61, an increase of 5.000%. Therefore, a contract at \$1.00 would need to be increased to \$1.05.

You may obtain a copy of the Plan’s funding improvement or rehabilitation plan and the actuarial and financial data that demonstrate any action taken by the plan toward fiscal improvement by contacting the plan manager at the following address:

Diane Florian  
Teamsters Local 641  
714 Rahway Ave., 2<sup>nd</sup> Floor  
Union, NJ 07083-6634

Phone (908)-687-4488

## Participant Information

The total number of participants in the plan as of the Plan's valuation date was 3,500. Of this number, 479 were active participants, 2,450 were retired or separated from service and receiving benefits, and 571 were retired or separated from service and entitled to future benefits.

## Funding & Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the plan currently and over the years. The funding policy of the Plan is to collect employer contributions under any number of collective bargaining agreements and set the benefit level to an amount that can reasonably be expected to be provided by those contributions after taking into account investment returns and the cost of expenses inherent in running the Plan.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries. Specific investments are made in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions. In accordance with 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:

Asset Allocations	Policy <u>Target</u>	Actual <u>Percentage</u>
1. Cash & Equivalents	50.0%	50.2%
2. Fixed Income	50.0%	49.8%

## Events with Material Effect on Assets or Liabilities

Federal law requires the plan administrator to provide in this notice a written explanation of events, taking effect in the current plan year, which are expected to have a material effect on plan liabilities or assets. For the plan year beginning on 3/1/2022 and ending on 2/28/2023, the following events are expected to have such an effect:

As of 3/31/2022, the PBGC approved the Plan's application for Special Financial Assistance under the American Rescue Plan Act (ARPA). As a result, accrued benefits were restored to their pre-insolvency levels. However, the Plan will continue to be in Critical status as per the requirements of ARPA.

## Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report (i.e., Form 5500) containing financial and other information about the plan. Copies of the annual report 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.

## Summary of Rules Governing Plans in Reorganization and Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so-called “plan reorganization rules,” a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC’s guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan’s available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, 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 notification of the insolvency 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 as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

### Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. 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 \$500, 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 ( $\$500/10$ ), which equals \$50. The guaranteed amount for a \$50 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 ( $.75 \times \$9$ ), or \$17.75. Thus, the participant’s guaranteed monthly benefit would be \$177.50 ( $\$17.75 \times 10$ ).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In calculating a person’s monthly payment, the PBGC will disregard any benefit increases that were made under the 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 pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-

retirement survivor annuity) if the participant dies after the plan terminates, 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.

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

For more information about this notice, you may contact Diane Florian at (908)-687-4488 or by mail at Teamsters Local 641, 714 Rahway Ave., 2<sup>nd</sup> Floor, Union, NJ 07083-6634. For identification purposes, the official plan number is 001 and the plan sponsor's employer identification number or "EIN" is 22-6220288. For more information about the PBGC and benefit guarantees, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).