CHICAGO TRUCK DRIVERS, HELPERS AND WAREHOUSE
WORKERS UNION (IND)® BENEFIT FUNDS OFFICE

PENSION FUND

6500 W 65TH STREET, SUITE 203
CHICAGO, IL 60638
PHONE: (708) 924-0828
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July 2023

# NOTICE OF CRITICAL AND DECLINING STATUS For CHICAGO TRUCK DRIVERS, HELPERS AND WAREHOUSE WORKERS UNION (INDEPENDENT) PENSION FUND

This is to inform you that on June 29, 2023 the Plan's actuary certified to the U.S. Department of the Treasury, and also to the Trustees, that the Plan is in critical and declining status for the Plan year beginning April 1, 2023 and ending March 31, 2024 (the "Current Plan Year"). Federal law requires that you receive this notice.

## Critical and Declining Status

The Plan is considered to be in critical and declining status because it has funding problems. The Pension Protection Act of 2006 ("PPA"), as amended by the Multiemployer Pension Reform Act of 2014 (MPRA), provides that a Plan is in critical and declining status if it satisfies certain actuarial standards. The Plan's actuary has specifically determined that:

(a) the Plan is projected to have a funding deficiency for the Current Plan Year and the next three Plan years (i.e. for the Plan years commencing 2023 through 2026);
(b) the funded percentage of the Plan is less than 65%, and the Plan is projected to have an accumulated funding deficiency for the Current Plan Year and the next four Plan years (i.e. for the Plan Years commencing 2023 through 2027);
(c) the sum of the Plan's normal cost and interest on the unfunded benefits for the current Plan Year exceeds the present value of all expected contributions for the year; the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants; and the Plan is projected to have an accumulated funding deficiency for the Current Plan Year and the next four Plan years (i.e. for the Plan years commencing in 2023 through 2027);
(d) the funded percentage of the Plan is less than 65%, and the present value of assets plus contributions is less than the present value of benefit payments and administrative expenses over seven years;
(e) the present value of assets plus contributions is less than the present value of benefit payments and administrative expenses over five years; and
(f) the Plan is projected to become insolvent within 15 years.

## Rehabilitation Plan and Possibility of Reduction in Benefits

Federal law requires pension plans in critical/critical and declining status to adopt a rehabilitation plan aimed at restoring the financial health of the Plan. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. The Trustees adopted a rehabilitation plan on February 19, 2009. If the Trustees of the Plan determine that additional benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Unless the Trustees adopt a Benefit Suspension plan according to IRC 432(e)(9) that is approved by IRS, any reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement age. In addition, the reductions in adjustable benefits may only apply to participants and beneficiaries whose benefit commencement date is on or after July 25, 2008. But you should know that whether or not the Plan made any reduction in benefits in the future, effective as of July 25, 2008, the Plan is not permitted to pay lump sum benefits or any other payment in excess of the monthly amount paid under a single life annuity (except for the payment of benefits worth less than $5,000) while it is in critical/critical and declining status.

## Adjustable Benefits

The Plan offers the following adjustable benefits, which may be reduced or eliminated as part of any rehabilitation plan the Plan may adopt:

- Sixty-month payment guarantees;
- Disability benefits (if not yet in pay status);
- Early retirement benefit or retirement-type subsidy (including the 30 and out benefit);
- The Survivor Benefit Option prior to retirement

## Employer Surcharge

The law requires that all contributing employers pay to the plan a surcharge to help correct the plan's financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the plan under the applicable collective bargaining agreement. A 5% surcharge is applicable in the initial critical/critical and declining year and a 10% surcharge is applicable for each succeeding plan year thereafter in which the plan is in critical/critical and declining status. The 5% surcharge is payable on work performed on or after August 24, 2008, until March 31, 2009, and the 10% surcharge is payable with respect to periods after that. An employer may eliminate its surcharge obligation when it has entered into a collective bargaining agreement that is consistent with the rehabilitation plan adopted by the Board of Trustees.

## Where to Get More Information

For more information about this Notice, you may contact the Plan's office. The phone number is 708-924-0828. The address is 6500 W. 65th St., Suite 203, Chicago, Illinois 60638. The Plan Administrator is Thomas Daly. You have a right to receive a copy of the Rehabilitation Plan from the Plan.

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PENSION FUND

July 2023



# ANNUAL FUNDING NOTICE
# For
# CHICAGO TRUCK DRIVERS, HELPERS AND WAREHOUSE WORKERS UNION (INDEPENDENT) 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 April 1, 2022 and ending March 31, 2023 ("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 | | | |
|---|---|---|---|
| | 2022 Plan Year | 2021 Plan Year | 2020 Plan Year |
| Valuation Date | April 1, 2022 | April 1, 2021 | April 1, 2020 |
| Funded Percentage | 40.8% | 39.5% | 45.6% |
| Value of Assets | $47,277,799 | $49,186,061 | $55,402,149 |
| Value of Liabilities | $115,879,223 | $124,427,910 | $121,372,984 |

## 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.

| | March 31, 2023 | March 31, 2022 | March 31, 2021 |
|---|---|---|---|
| Fair Market Value of Assets* | $43,160,168** | $54,520,672 | $63,800,656 |

* *Includes withdrawal liability receivable and value of death benefit certificates*
** *Preliminary*

## 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 critical and declining status in the Plan Year ended March 31, 2023 because there was a projected funding deficiency during the year and the Plan was projected to become insolvent in the 2027 plan year. Such insolvency may result in benefit reductions. In an effort to improve the Plan's funding situation, the trustees adopted a rehabilitation plan on February 19, 2009. The trustees took the following acts to forestall insolvency of the Plan: benefit accruals were frozen as of April 1, 2007; Plan representatives have had detailed discussion with the PBGC regarding the PBGC's assumption of certain liabilities; the Plan has moved its office to a new location and by so doing have greatly reduced its rental expenses; the Plan has obtained reduction of fees of some of its service providers; non-protected benefits have been eliminated for inactive participants (essentially those that have left covered employment); and certain benefits for current participants will be eliminated depending upon the rehabilitation schedule adopted by their employer. For the inactive participants and those active participants covered by the default schedule of the rehabilitation plan, the benefit cutbacks include: (a) the elimination of the disability benefit for disabled participants who are not in pay status on the day their employer elected the Default Schedule; (b) the elimination of the sixty month guarantee; (c) the elimination of the Survivor Benefit option prior to retirement; (d) the elimination of the pop-up provision feature of the survivor benefit after retirement; and (e) the elimination of all retirement benefits in excess of an actuarially reduced normal retirement benefit that are part of any early retirement benefit or retirement type subsidy (including the 30 and out pension, early pension and deferred pension) so that benefits payable prior to normal retirement age are actuarially reduced.

You may get a copy of the Plan's rehabilitation 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 again certified as being in critical and declining status for the plan year beginning April 1, 2023. A separate notification of that status will be provided.

## Participant Information

The total number of participants and beneficiaries covered by the Plan on the valuation date was 2,772. Of this number, 93 were current employees, 2,323 were retired and receiving benefits, and 356 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 employers pursuant to collective bargaining agreements with a union that represents the plan's participants and the earnings on those contributions.

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 is to diversify assets to minimize the risk of large losses by targeting the asset allocation as detailed in the following table:

| Asset Class/Strategy | Target Allocation | Range |
|---|---|---|
| U.S. Equity | 30.0% | +/- 5.0% |
| Fixed Income | 70.0% | +/- 5.0% |

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:

| Asset Allocations | Percentage |
|---|---|
| Stocks | 31.3% |
| Investment grade debt instruments | 62.4% |
| High-yield debt instruments | 3.8% |
| Real estate | 0.0% |
| Other | 2.5% |

## Events Having a Material Effect on Assets or Liabilities

Federal law requires the plan administrator to provide in this notice a written explanation of new events that have a material effect on plan liabilities or assets. Material effect events are occurrences that tend to have a significant impact on a plan's funding condition.

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. This legislation allows the Plan to apply for special financial assistance from the Pension Benefit Guaranty Corporation (PBGC). Upon approval of the application and receipt of the financial assistance, the Plan will be expected to be able to pay all benefits in full through 2051. The Plan is currently on a waiting list with the PBGC, has submitted an initial application to lock in base data that will be used for determining the amount of SFA, and will submit a formal application when permitted.

## 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 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 x $33), or $35.75. Thus, the participant's guaranteed monthly benefit is $357.50 ($35.75 x 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 ***https://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 the individual below:

Mr. Thomas Daly
CTDU Benefit Fund Office
6500 W. 65th St., Suite 203
Chicago, IL 60638
(708) 924-0828

For identification purposes, the official plan number is 001 and the plan sponsor's name and employer identification number or "EIN" is CTDU – Pension Fund and 36-6598153.