**Hagerstown Teamsters and Motor Carriers**
**Health and Pension Funds**
**10312 Remington Drive**
**Hagerstown, MD 21740-1483**
**Toll (800) 962-3972 Local (301) 733-2602**
**www.HagerstownTeamstersBenefits.org**

# PARTICIPANT NOTICE

Dear Participant and Contributing Employer:

We are enclosing with this letter the legally required Annual Funding Notice for the Hagerstown Motor Carriers and Teamsters Pension Fund ("Plan").

The Annual Funding Notice is for the Plan Year beginning July 1, 2022 and ending June 30, 2023 and provides information about the funded status of the Plan. Federal law requires the Plan's Trustees to provide this notice to you. The Annual Funding Notice contains technical language that the Department of Labor requires, some of which is not applicable to the Plan.

The Plan's funded percentages shown on page one of the Annual Funding Notice are based on the assets and liabilities of the Plan. It is expected that there will be some fluctuation in the assets and liabilities from year-to-year as participants retire, benefits are paid, contributions are received, and investment performance.

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*You may notice that unlike in prior years, we are not providing a <u>Notice of Critical Status.</u> This is because the Plan is no longer in Critical Status. The Plan actuary has certified the Plan as being neither in Critical Status ("Red Zone") nor in Endangered Status ("Yellow Zone") for the Plan Year beginning July 1, 2023. In other words, the <u>Plan is now a "Green Zone" Plan due to its improved financial position and outlook.</u> The Trustees learned of this development shortly before their September meeting.*

*The Plan's actuarial funded status is estimated to be 88.9% as of July 1, 2023. The Plans' market value funded status is estimated to be 86.1% as of July 1, 2023. Also, the Plan's credit balance is projected to be positive (and remain positive) starting in the Plan Year beginning July 1, 2023.*

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The Board of Trustees regularly monitors the Plan's investments and makes changes based on the Plan's investment policy and recommendations from the Plan's investment consultant. The Annual Funding Notice contains a summary of the Plan's investment policy.

We are committed to taking the steps necessary to ensure that the Plan stays out of Critical Status and continues to honor its obligations to all current and future retirees.

Sincerely,

The Board of Trustees
Enclosures

## Annual Funding Notice for the Hagerstown Motor Carriers and Teamsters Pension Fund

### Introduction

This notice includes important information about the funding status of the Hagerstown Motor Carriers and Teamsters Pension Fund (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 July 1, 2022 and ending June 30, 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** | | | |
|---|---|---|---|
| | 2022-2023 | 2021-2022 | 2020-2021 |
| Valuation Date | July 1, 2022 | July 1, 2021 | July 1, 2020 |
| Funded Percentage | 88.7% | 83.1% | 75.9% |
| Value of Assets | $183,823,439 | $174,964,716 | $162,100,893 |
| Value of Liabilities | $207,305,546 | $210,633,002 | $213,568,805 |

### 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.

| | June 30, 2023 | June 30, 2022 | June 30, 2021 |
|---|---|---|---|
| Fair Market Value of Assets | $186,809,000* | $174,171,419 | $194,793,842 |

*Estimated and unaudited

## Annual Funding Notice for the Hagerstown Motor Carriers and Teamsters Pension Fund

### 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 and the plan meets certain other conditions; or it has an accumulated funding deficiency or is projected to have one within the next three years. 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 status in the Plan Year ending June 30, 2023 because the plan's actuary determined that the plan has an accumulated funding deficiency for that plan year. In an effort to improve the Plan's funding situation, the trustees adopted a rehabilitation plan on November 16, 2010, which increased contribution rates and reduced benefits. All plan changes included in the rehabilitation plan are effective for all participants submitting applications for retirement after January 31, 2011. The Trustees have reviewed and modified that rehabilitation plan annually since then, most recently during the Plan Year beginning July 1, 2022, to increase certain contribution rates. You may get a copy of the Plan's rehabilitation plan, any updates 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.

If the plan is in endangered, critical, or critical and declining status for the plan year ending June 30, 2024, separate notification of that status has or will be provided.

### Participant Information

The total number of participants and beneficiaries covered by the Plan on July 1, 2022 was 1,594. Of this number, 432 were current employees, 1,001 were retired and receiving benefits, and 161 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 as follows: The Plan is funded through a combination of contributions received from employers and investment income generated by the Plan's investments. The funding level is designed to comply with requirements of ERISA and the Internal Revenue Code. These requirements include minimum funding levels and also include maximum limits on the contributions that may be deducted by employers for federal income tax purposes. The Board of Trustees creates and implements the funding policy and monitors the funding level with the assistance of the Plan's enrolled actuary and the Plan's investment consultant.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The Plan's Board of Trustee has adopted an investment policy with the advice from the Plan's investment consultant. The investment policy is intended to generate returns that equal or exceed the Plan's actuarial assumed rate of return of 7.5% (7.0% effective July 1, 2023) over the long term and without taking unnecessary risk. Based on the advice of the investment consultant, the Trustees have diversified the Plan's investments with allocations to a number of different asset classes.

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 | 55.8% |
| Investment grade debt instruments | 18.0% |
| High-yield debt instruments | 3.3% |
| Real estate | 10.1% |
| Other | 12.8% |

## 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 at the end of this notice 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 Pension Benefit Guaranty Corporation (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 the 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 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 benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, ancillary 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. 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 plan administrator at the address and phone number shown below. For identification purposes, the official employer identification number is 52-6045424, the plan number is 001, and the plan sponsor's name is Hagerstown Motor Carriers and Teamsters Pension Fund.

Board of Trustees
Hagerstown Motor Carriers and Teamsters Pension Fund
c/o Benesys, Inc.
Attention: Reneé Parenti
10312 Remington Drive
Hagerstown, MD 21740
301-733-2602

Issued: October 2023