

California Teachers Association Employees' Retirement Benefits Trust

March 19, 2020

Attached is a notice of critical status for the California Teachers Association Employees' Retirement Benefits Plan ("Plan") for the 2020 Plan year. As explained in the notice, the Plan's actuary has certified that the Plan is in critical status for the 2020 Plan year, under the Pension Protection Act of 2006, as amended by the Multiemployer Pension Reform Act of 2014 ("PPA").

As required by law, the enclosed notice is also being provided to contributing employers, the Internal Revenue Service, the U.S. Department of Labor and the Pension Benefit Guaranty Corporation. The purpose of this cover letter is to provide you with additional information about the Plan's funding status.

Critical Status

A multiemployer pension plan is certified in "endangered" or "critical" status if the plan fails to satisfy certain funding requirements.

The Board of Trustees adopted a "rehabilitation plan" under the PPA in 2016, increasing the contribution rate in order to restore the Plan's funding. The new contribution schedule also served as the Plan's "funding improvement plan" in 2018 and 2019, when the Plan was in "endangered" status. The 2018 decline in the investment markets, as well as a decline in the number of active participants, has again created the need for corrective action, and the Board of Trustees will develop a rehabilitation plan to improve the Plan's long term funding.

As described in the accompanying notice of critical status, you will be notified of any Plan changes prior to the effective date of the change.

Where to Get More Information

For more information about this letter or the enclosed notice, please see the Participant Q&As posted on the Trust Bulletin page of the Participant Website at: www.OurBenefitOffice.com/ctapension/Benefits/. You may also contact BeneSys at (833) 265-2277 or P.O. Box 154, San Ramon, CA 94583.

16377948.2

California Teachers Association Employees' Retirement Benefits Trust

Notice of Critical Status **California Teachers Association Employees' Retirement Benefits Plan** **EIN: 68-0427229** **Plan No: 001**

This is to inform you that the California Teachers Association Employees' Retirement Benefits Plan ("Plan") is in critical status for the Plan year beginning January 1, 2020. Federal law requires that you receive this notice.

Critical Status

On March 2, 2020, the Plan actuary certified to the U.S. Department of the Treasury, and also to the Plan sponsor (the Board of Trustees), that the Plan is in critical status for the Plan year beginning on January 1, 2020. The actuary certified the Plan to be in critical status because over the next three Plan Years, the Plan is projected to have an accumulated funding deficiency beginning with the 2021 Plan Year.

Rehabilitation Plan and Possibility of Reduction in Benefits

Federal law requires pension plans in critical 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. If the Board of Trustees of the Plan determines that benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after April 1, 2020. But you should know that whether or not the Plan reduces adjustable benefits in the future, effective as of April 1, 2020, the Plan is not permitted to pay any payment in excess of the monthly amount paid under a single life annuity while it is in critical status. This means that, effective with benefits commencing on or after April 1, 2020, the Plan is not permitted to pay monthly benefits in the form of the Plan's Social Security Adjustment Option. Any participant receiving benefits under the Social Security Adjustment Option prior to April 1, 2020 will continue to receive benefits in that payment form.

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:

- Disability benefits (if not yet in pay status);

- Early retirement benefit or retirement-type subsidy; and
- Benefit payment options other than a qualified joint-and survivor annuity (QJSA).

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. With some exceptions, a 5% surcharge is applicable in the initial critical year and a 10% surcharge is applicable for each succeeding plan year thereafter in which the plan is in critical status.

Where to Get More Information

For more information about this Notice, you may contact BeneSys at (833) 265-2277, or P.O. Box 154, San Ramon, CA 94583. You have a right to receive a copy of the rehabilitation plan from the Plan.