

2021 Notice of Critical Status for Connecticut Health Care Associates Pension Plan

This is to inform you that on March 31, 2021 the Plan's actuary certified to the U.S. Department of the Treasury, and also to the Plan Sponsor, that the Plan remained in "Critical" status for the Plan Year beginning January 1, 2021. Federal law requires that you receive this Notice.

Critical Status

The Plan continues to be in "Critical" status because it has a funding problem. More specifically, the Plan's actuary has determined that the Plan does not satisfy the "Special Emergence Rule" under Internal Revenue Code §432(e)(4)(B)(ii)(I) and cannot emerge from "Critical" status on January 1, 2021 because: (1) the Plan was in "Critical" status last year, and (2) over the next 9 years, the Plan is projected to have an "accumulated funding deficiency," taking into account the IRS approved 5-year extension of amortization periods under Internal Revenue Code §431(d)(1). The Plan's actuary further determined that the Plan is not in "Critical and Declining" status in 2021.

Rehabilitation Plan

Federal law requires pension plans in "Critical" status to adopt a "Rehabilitation Plan" aimed at restoring the financial health of the plan. This is the fourth year the plan has been in "Critical" status. The Trustees initially adopted the Plan's Rehabilitation Plan on May 7, 2018. While the law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan, the Trustees have been very selective in doing so. On December 6, 2019, you were notified that the Plan would reduce the rate of your future benefit accrual, effective January 1, 2020, from 1.6% to 0.5% of your annual Compensation (excluding overtime and double-time pay), and that the Plan's Early Retirement Reduction factors would increase from 6% per year for each year you retire before age 65 to a true actuarial reduction for early retirement. You were notified in January 2020 that the new Early Retirement Reduction factors would apply to Early Retirements on or after April 1, 2020. These benefit reductions were part of the 2019 update the Trustees made to the 2018 "Rehabilitation Plan."

If the Trustees of the Plan determine that further 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" (similar to the reduction of the Plan's Early Retirement Benefit effective for Early Retirements on or after April 1 2020) 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 30, 2018. On April 30, 2018, you were notified that 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) while it is in "Critical" status.

The Plan's "Rehabilitation Plan" also reflects the Trustees' implementation of a provision of the Collective Bargaining Agreement requiring active Participants to contribute 2% of pay to the Plan.

Adjustable Benefits

The Plan offers the following "adjustable benefits" that may be reduced or eliminated as part of any future update to the Plan's "Rehabilitation Plan":

- Disability benefits (if not yet in pay status);
- Early retirement benefits (if not yet in pay status); and
- Benefit payment options other than a Qualified Joint and Survivor Annuity (QJSA).

At this time, none of the above benefits are being removed from the Plan.

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. An employer will not be subject to the surcharge if the employer, through collective bargaining, agrees to make contributions at a rate that equals or exceeds the contribution rate necessary for the Plan to carry out its "Rehabilitation Plan."

Looking Ahead

The Plan's funding status must be reviewed and certified annually. Notices like this one will be sent each year until the Plan is no longer in "Critical" or "Endangered" status. The "Rehabilitation Plan" will also be updated each year, if changes are needed. In addition, the Plan's professionals are analyzing the provisions of the American Rescue Plan Act of 2021, enacted on March 11, 2021, and its potential impact on the Plan.

Where to Get More Information

For more information about this Notice, you may contact the Board of Trustees of the Connecticut Health Care Associates Pension Plan / c/o Richard Poulaino / Zenith American Solutions / 10 Technology Drive / Wallingford, CT 06492-7617, or call (203) 269-7741. You have a right to receive a copy of the "Rehabilitation Plan."