Local 365 UAW

Pension Trust Fund

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Notice of Critical Status
Local 365 UAW Pension Fund

April 28, 2024

Participants, Beneficiaries, Contributing Employers and Local 365 UAW Pension Fund:

This is to inform you that on March 29, 2024, the actuary for the Local 365 UAW Pension Fund (the "Fund") certified to the U.S. Department of the Treasury and to the Board of Trustees that the Fund is in critical status for the plan year beginning January 1, 2024. Federal law requires that you receive this notice.

Introduction

The Pension Protection Act ("PPA"), signed into law in 2006, is intended to improve the financial condition of pension funds. The Act introduced several formal safeguards and controls and added notification requirements for Trustees to share more information about a fund's financial circumstances with participants, contributing employers and others directly related to the pension plan.

Many of the Act's provisions relate to funding, which, in simplest terms, is how much a pension plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The safeguards are intended to create more discipline to prevent future funding problems and correct those that have already developed.

The Act requires us to test the Fund annually to classify its funding status. Standardized measurements are established for classifying pension plans based on their funding issues. Funds that are in "seriously endangered" or "endangered" status (also referred to as yellow zone) or "critical" status (or, red zone) must notify all fund participants, beneficiaries, unions, and contributing employers of the Fund's status, as well as take corrective action to restore the Fund's financial health.

Fund's Status – Red Zone

The Fund continues to be in critical status (red zone) as of January 1, 2024 based on the actuary's determination that the Fund has a funded percentage of less than 65% and has an accumulated funding deficiency for the 2023 Plan Year and is also projected to have an accumulated funding deficiency for the 2024 Plan Year. What this means is that employer contributions to the Fund are not sufficient to meet government standards for funding promised benefits plus those benefits that participants are currently earning.

The Fund is also deemed to be in critical status through December 31, 2051, due to it receiving Special Financial Assistance (SFA) through the PBGC.

Special Financial Assistance

The American Rescue Plan Act of 2021 included financial relief for troubled multiemployer defined benefit pension plans in the form of Special Financial Assistance ("SFA"). SFA is a grant from the Federal Government to help plans remain solvent for an extended period of time. The Board of Trustees filed a SFA application on behalf of the Plan. The Plan's SFA application was approved by the PBGC on May 3, 2022, and the Plan received $210,398,273 in SFA on June 2, 2022. The Board of Trustees filed a supplemented SFA application on behalf of the Plan as a result of Final Rules issued by the PBGC on July 6, 2022. The Plan's supplemented SFA application was approved by the PBGC and the Plan received $18,977,655 in additional SFA on January 17, 2023. As an SFA-recipient plan, the Plan is required to be administered in accordance with the restrictions and conditions specified for SFA-recipient plans through the end of the SFA coverage period. The impact of SFA on the Plan's funding is generally described in the Annual Funding Notice.

Rehabilitation Plan and Possibility of Reduction in Benefits

The Act requires that a fund in the red zone adopt a Rehabilitation Plan designed to enable the fund to improve its funded position so that, over time, it will be able to meet the statutory funding requirements or, if that is not feasible, forestall insolvency. The Trustees adopted a Rehabilitation Plan on November 24, 2010, that consists of a single default "schedule" that requires a 10% increase in the rate of employer contributions but no change in plan benefits.

Although the current Rehabilitation Plan does not change plan benefits, it is possible that a future update to the Rehabilitation Plan may eliminate or reduce "adjustable benefits". Adjustable benefits include:

- Early retirement benefits or retirement-type subsidies; and
- Optional forms of payment (other than qualified joint and survivor annuity), and similar benefits.

Employer Surcharge

The law requires that all contributing employers pay to the Fund a surcharge to help correct the Fund's financial situation, beginning 30 days after the employer is notified that the plan is in critical status. The surcharge is a percentage of the employer's negotiated contribution rate. A 5% surcharge was applicable the first year in critical status. The surcharge went up to 10% for 2011 and for each succeeding plan year in which the Fund is in critical status, until the employer agreed to a collective bargaining agreement that implements the Rehabilitation Plan schedule.

What's Next

As you are aware, in December 2020 the Fund's assets were exhausted and benefits were reduced to the PBGC guaranteed levels. However, our plan has received financial relief under the American Rescue Plan Act of 2021 and full benefits have been restored. The Fund is expected to be able to continue to pay full benefits for many years to come.

As a final note, since the Pension Fund is influenced by economic and financial variables beyond our control (such as market volatility and changes in employment and/or the number of contributing employers), unexpected developments can affect the Fund's status and any future corrective actions needed. Each year the Trustees will be reviewing the Fund's progress with its professional advisors, which may lead to future changes in the recommended contribution and benefit schedules.

For more information about this notice or the Fund, contact the Plan Administrator at the address or phone number listed at the top of this letter.

Sincerely,
Board of Trustees

As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.

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