

Local 734 Welfare Fund / Pension Fund

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Date: August 2022
To: Local 734 Pension Plan Participants
From: Board of Trustees
Subject: Pension Plan Information

Enclosed with this memorandum are two notices that are required by Federal law:

1. The “Annual Funding Notice”
2. The “Notice of Critical and Declining Status”

The Local 734 Pension Plan was first in critical status in 2010 as a result of the financial crisis of 2008. As a result, the Trustees were required to develop a Rehabilitation Plan in order to improve the Plan’s financial health. In October 2010, you were notified of the changes to the Pension Plan that were part of the Rehabilitation Plan. The Rehabilitation Plan was updated in 2014, in 2016, in 2019 and again in 2021.

These notices are similar to notices sent to you at this time of the year and are required by an act of Congress called the Pension Protection Act (PPA). The PPA requires pension plans to annually assess their health. The law requires plans that are not completely healthy to be labeled as “endangered” or “critical”. Plans in these categories must take steps to improve their funding over time. An update to PPA was adopted in 2014 called the Multiemployer Pension Reform Act (MPRA). MPRA added a new category for plans that are expected to become insolvent within the next 15 (or in some cases, 20) years. Such plans are now considered to be in “critical and declining” status. The Local 734 Pension Plan is in critical and declining status for the 2022 Plan Year because it is expected to become insolvent within the next 20 years.

In March 2021, President Biden signed the American Rescue Plan Act of 2021. This law includes relief provisions for multiemployer pension plans like this plan. The Local 734 Pension Plan expects to receive financial assistance in order to help the Pension Plan remain solvent for a longer period of time. The amount and timing of any financial assistance have not been determined as of the date of this notice. More information will be provided to you after additional clarification has been provided by the US government.

The Trustees, the Plan Administrator, and the Plan’s professional service providers continue to work together to examine alternatives to put the Plan on a more stable long-term funding course. We will continue to keep participants informed of developments that affect the health of the Plan.

The Board of Trustees of the Local 734 Pension Plan

Brian Meidel
Chairman

Bob Cruice
Secretary

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NOTICE OF CRITICAL AND DECLINING STATUS

For the LOCAL 734 PENSION PLAN

This is to inform you that on July 29, 2022 the plan actuary certified to the U.S. Department of the Treasury, and also to the plan sponsor, that the plan is in critical and declining status for the plan year beginning May 1, 2022. 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 or liquidity problems, or both. The plan was considered to be in critical status for the prior twelve plan years and the plan's actuary determined that the plan has not met the necessary tests to emerge from critical status. In particular, the Plan is projected to have an accumulated funding deficiency for the 2022 plan year, taking into consideration only those contributions that are included in current collective bargaining agreements. In addition, the Plan is projected to become insolvent within the next 20 years.

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. On September 20, 2010, the Trustees adopted a rehabilitation plan. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. On August 27, 2010 you were notified that the Plan could reduce or eliminate adjustable benefits. In October 2010 you were notified of changes in plan benefits that were effective January 2, 2011. The rehabilitation plan was updated effective March 26, 2014, on December 15, 2016, on September 2, 2019 and again on March 31, 2021. 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 (other than a repeal of a recent benefit increase, as described below) 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 August 27, 2010. Also effective as of August 27, 2010, 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 or 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 pension plan may adopt:

- Post-retirement death benefits;
- Thirty six month payment guarantees;
- Disability benefits (if not yet in pay status);
- Early retirement benefit or retirement-type subsidy;
- Benefit payment options other than a qualified joint-and survivor annuity (QJSA);
- Recent benefit increases (i.e., occurring in past 5 years);

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. Contributing employers can avoid the surcharge by adopting a collective bargaining agreement with contribution rates that comply with the rehabilitation plan.

Where to Get More Information

For more information about this Notice, you may contact the Board of Trustees, c/o Mr. Thomas Boehm, Plan Administrator, Local 734 Pension Plan, 6643 North Northwest Highway, Chicago, Illinois 60631, (773)-594-2810. You have a right to receive a copy of the rehabilitation plan from the plan.