



GUARANTEED MONTHLY INCOME FOR LIFE

The Basics of Your Pension Plan

As part of your benefits package negotiated by your Union and Employer, if vested, you are entitled to a **Defined Benefit pension plan** benefit when you retire.

Your pension plan is the Northern California UFCW Joint Pension Plan.

A **Defined Benefit pension plan (or DB plan)** provides a guaranteed monthly income for the rest of your life, and for your Surviving Spouse should you choose a Joint and Survivor Annuity at retirement.

Your Union and Employer negotiated a set amount to be paid into a pension fund for each hour you work. Once you become **vested** in the pension fund by working enough hours, you are able to collect your (Please see page 2)

The Pension Plan remains strong and ready to provide a dignified retirement to all Members.

Also in this issue:
Pension FAQs
ARPA and the future

YOUR PENSION

A SPECIAL EDITION *FOR YOUR BENEFIT*
NEWSLETTER FOCUSED ON YOUR
GUARANTEED INCOME UPON RETIREMENT

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The Basics of Your Pension Plan

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pension benefit upon retirement.

The amount of your monthly pension benefit is determined by a variety of factors, including how many years you have worked for a participating Union Employer.

In a Defined Benefit Plan, contributions to the Plan are entirely Employer paid and may only be used to provide benefits in accordance with the rules and regulations of the Plan. The basic benefit provided by the Plan is a monthly pension benefit when a Participant retires and meets the eligibility requirement of the Plan.

The DB Plan Advantage

For most people, having a 401(k) is not enough to support a dignified quality of life in retirement, both due to stock market swings, which can devastate retirement savings, and the inability of most members to save enough to support their lifestyles throughout retirement.

A Participant would need to have significant savings, or money wisely invested with a good investment return, to equal the money received from monthly pension benefits in a DB plan.

“A Member would need to have significant savings, or money wisely invested with a good investment return, to equal the money received from monthly pension benefits in a DB plan.”

Funding Facts

The funded status of a pension plan is determined by comparing the total assets of a plan to the benefit obligations scheduled for current and future retirees.

Pension funds can range from fully funded to unfunded, although funds do not need to be 100% funded to be considered healthy since the total assets of a fund can fluctuate each year.

When a fund is in “critical status” as determined by federally mandated funding levels, you will receive a notice detailing the status of the fund. Funds in this status must create a rehabilitation plan, which may include adjustments to benefits, aimed at restoring the financial health of the pension plan.

The UFCW Joint Pension Board of Trustees and other professionals who oversee the health of the plan are always looking for new ways to ensure the pension plan remains strong and ready to provide a dignified retirement for all members.

Look for more articles related to Pension Benefits in upcoming editions of *For Your Benefit*.

For more information on your Pension Plan, visit page 8 for

FAQs



A woman with short, styled white hair is smiling at the camera. She is wearing a bright yellow cardigan over a white tank top. She is holding a silver walking stick with a black grip. The background is a lush green park with trees and a path. In the top right corner, there is a quote in a grey box.

“The Special Financial Assistance (SFA) program is welcome relief to the multiemployer pension system.”

American Rescue Plan Act (ARPA) Provides Relief to Select Pension Plans

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 (ARPA). ARPA provides many stimulus measures, including relief for financially distressed multiemployer Defined Benefit (DB) pension plans.

Relief for Multiemployer Plans

The Pension Benefit Guaranty Corporation (PBGC) is a federal agency created to protect pension benefits in private-sector Defined Benefit plans. The PBGC insures multiemployer Defined Benefit pension plans. When a multiemployer plan becomes insolvent, PBGC provides financial assistance to cover the cost of guaranteed benefits to Participants and the plan's administrative expenses. ARPA creates a new program under which the PBGC will provide monetary grants, in the form of Special Financial Assistance (SFA), to multiemployer Defined Benefit pension plans in order to prevent plans becoming insolvent. Plans that may be entitled to SFA funding are eligible to apply for such funding on a set timeline over the next two years, with the most financially troubled plans being eligible to apply first.

Multiemployer Relief May Be a Temporary Solution

Prior to the passage of ARPA, approximately 130 multiemployer plans determined that they would run out of money to pay benefits within the next 20 years. Under the new SFA program, the PBGC estimates that over 200 multiemployer plans will be eligible to apply for financial assistance and the PBGC will provide an estimated \$94 billion in grants to such plans.

The PBGC has clarified that it will determine the SFA grant to plans in an amount which will enable an eligible plan to pay benefits and expenses through 2051, taking into account available assets and future contributions. While SFA funding is intended to extend a plans' solvency period, it does not necessarily do so indefinitely and may not provide a permanent solution for distressed plans.

PBGC Insolvency Still Possible

Prior to the passage of ARPA, the PBGC projected its multiemployer insurance program would be insolvent in 2026. The PBGC has not provided a revised insolvency date but the Congressional Budget Office analysis of the SFA program estimated the PBGC's multiemployer insurance program would become insolvent in the mid-2040s.

Most plans that receive SFA funding will not be able to extend their solvency beyond 2051, with many becoming insolvent several years before 2051. As these plans become insolvent, they will rely on the PBGC's multiemployer insurance program to the extent the PBGC remains solvent.


The Upshot

The SFA program is welcome relief to the multiemployer pension system. Before the passage of ARPA, a significant portion of the multiemployer plan community and the PBGC's multiemployer program were facing a near-term solvency crisis. That crisis has now been deferred. However, the multiemployer pension system is still in need of legislative reform that provides a permanent solution that ensures pension plans can deliver promised benefits.

The Northern California UFCW Joint Pension Plan

The Board of Trustees and the Plan's professionals are evaluating the application of terms and requirements of ARPA to the Plan and are prepared to seek SFA funding to the extent the Plan is eligible to do so. Based on the PBGC's current application timeline, the Plan may be able to apply for SFA funding in 2023.

More information about how ARPA relates to your pension plan will be available in future issues of *For Your Benefit*.



Qualifying for Pension Funding Relief Monies

KEY POINTS:

- Federal assistance is coming for distressed DB plans.
- Changes were made to your Plan to qualify for this assistance.
- The Plan may temporarily move to a lower funding status in 2022, but this is a necessary step to stay healthy long-term.

As part of your benefits package negotiated by your Union and Employer, you may be entitled to a Defined Benefit pension plan (DB plan) benefit from the UFCW-Northern California Employers Joint Pension Plan (Plan) when you retire.

The Plan is a multiemployer plan, which means that many employers in the same industry contribute to the Plan on behalf of their employees. The Plan's assets are invested responsibly and strategically to help ensure that Plan benefits are available for current and future generations of retirees.

A DB plan such as the UFCW-Northern California Employers Joint Pension Plan provides a guaranteed monthly income for the rest of your life, similar to how Social Security benefits are paid.

The amount of your monthly pension benefit is determined by a variety of factors, including how many years you have worked for a participating Employer. The Plan has proudly provided an estimated \$12 billion in pension checks to over 60,000 Plan retirees since inception in 1957, almost 65 years ago. In 2021, the Plan is expected to pay over \$400 million in pension checks benefiting 43,000 current Retirees and their beneficiaries. An additional 86,000 active and vested terminated Participants are expected to receive pension checks in the future.

To pay for those benefits, your Union and Employer have negotiated a set amount to be paid into the pension fund for each hour you work.

The UFCW-Northern California Employers Joint Pension Plan

The key point to understand: A possible change in status for the Plan does not take into account money expected in the future.



was healthy and well-funded until the financial crisis of 2008 and 2009, which placed the Plan into what the Pension Protection Act (PPA) has termed the “Red Zone”, or Critical Status, almost overnight. The financial crisis impacted pension plans across the country; the funded percentage for multiemployer plans declined an average of 24% of total assets by the end of 2008¹.

For many years following the 2008 market crash, multiemployer pension trustees, including your Pension Plan Board of Trustees, advocated for financial relief from the government. The efforts of a coalition of trustees and elected officials ultimately resulted in the Federal government’s action in March 2021 to give financial assistance to economically distressed DB pension plans when Congress passed the American Rescue Plan Act (ARPA).

ARPA sets forth many changes at an estimated cost of \$1.9 trillion,

including almost \$100 billion of Special Financial Assistance (SFA) for certain multiemployer DB plans. SFA money is a grant, not a loan, so plans that receive the relief do not need to repay those amounts.

Based on the current ARPA eligibility criteria and the current circumstances of the UFCW-Northern California Employers Joint Pension Plan, the Plan is expected to be eligible for a significant amount of SFA relief (currently estimated to be in excess of \$1 billion), which would help ensure the longevity of the Plan and your hard-earned pension benefits. The amount of SFA money the Plan may ultimately receive is expected to be determined in 2023. The Plan currently holds just over \$3 billion in assets.

In April of each year since 2009, you have received notices that were sent to Plan Participants stating that the Plan is in Critical Status or the “Red Zone” – this notice is required by law. Being in Critical Status means the Plan has been operating under a Rehabilitation Plan in order to improve the Plan’s funded status over time.

In preparation for submitting an application for ARPA funding at the

earliest possible time (currently 2023), there were changes made to the Plan’s Rehabilitation Plan in 2021 that will be communicated to you in the coming months. These changes were absolutely necessary to support the effort to receive ARPA funding relief.

The changes made to the Rehabilitation Plan may result in the Plan moving from Critical Status into a status under PPA called “Critical and Declining” status, which applies when a plan is expected to become insolvent, or run out of money, in the next 30 years. The key point to understand is that this possible change in status does not take into account the SFA grant money that the Plan expects to receive in the future.

Rest assured, the Board of Trustees will continue to exercise their fiduciary duties and best efforts to maintain the financial integrity of the Plan. Information on this issue will continue to be available to you throughout this process, including through your *For Your Benefit* newsletter.

¹The Multiemployer Retirement Plan Landscape: A 15-Year Look (2003-2017). (view web address below)*

*<https://www.ifebp.org/store/Pages/multiemployer-retirement-plan-landscape.aspx>

Pension Basics FAQs

What is the name of my pension plan?

Your pension plan is the UFCW-Northern California Employers Joint Pension Plan (Plan).

What type of plan is it?

It is a **Defined Benefit pension plan** (or DB plan). It provides a guaranteed monthly income after retirement for the rest of the Participant's life, and a joint distribution for the Surviving Spouse's life, if the Member is married at retirement and has selected the Joint and Survivor Annuity at retirement.

How many Retirees receive pensions?

This plan provides pension benefits for approximately 43,000 Retirees and Beneficiaries.

How much is paid in Retiree pension benefits each year?

Retirees and Beneficiaries receive approximately \$400 million annually from the Plan, enabling them to enjoy their hard-earned, dignified retirements.

How is a Defined Benefit pension plan different from a 401(k)?

The main differences are 1) whether the plan or the Participant bears the risk of the investments held by the plans and 2) whether the Participant is guaranteed a pension payment for life, or whether the money could run out before the end of life. Additionally, there is a difference as to whether the benefit is held in a separate, individual account for each Participant.

A Defined Benefit pension plan such as the UFCW-Northern California Employers Joint Pension Plan provides a guaranteed pension where the amount of the pension does not vary based on the amount of money held by the plan or any changes to that amount as a result of, among other things, investment performance. Upon the death of a Participant, the pension benefit may continue to a Participant's Spouse for their lifetime, if that form of benefit was elected at retirement. In a DB plan, benefits are not held in individual accounts.

A defined-contribution plan such as a

401(k) benefit depends on the balance in the account, including any fluctuations based on how the money is invested. Upon your death, any balance in the account would transfer to your beneficiary. This type of plan provides a separate, individual account for each Participant.

It is estimated the Plan could be entitled to receive more than \$1 billion in Special Financial Assistance (SFA) funds.

Who oversees the pension plan?

The UFCW-Northern California Employers Joint Pension Plan Board of Trustees and Plan professionals oversee the management of the assets of the Plan. Pension benefits are administered by the UFCW Trust Fund Office (TFO).

What is the nature of the crisis affecting Defined Benefit pension plans?

Many multiemployer pension plans including the UFCW-Northern California Employers Joint Pension Plan were "Green Zone" plans based on the Pension Protection Act of 2006 (PPA), indicating a healthy and well-funded pension plan. That changed dramatically as a result of the financial crisis in the fall of 2008, which plunged the Plan into the "Red Zone," or Critical Status, almost overnight. The Plan was not alone in this, as the financial crisis impacted pension plans across the country; the average funded percentage for multiemployer plans dropped from 89% to 68% by the end of 2008, representing an unprecedented average loss of 24% of assets.

"Pension Funds Hit Hard in 2008" was a *Wall Street Journal* headline, one of many at the time. Private pension funds were estimated to have lost nearly a quarter of their real value, or roughly \$5.4 trillion. With such a significant loss of assets in one year, plans were not able to invest themselves back to full funding.

While these losses don't immediately impact the pension benefits of those in pay status or even those who may retire



in the future, lower asset values can impact bargaining between your Employer and Union which could eventually impact pension benefit accrual levels.

How is the Board of Trustees preparing for the future of the pension plan?

The trustees work closely with consultants, attorneys, and financial and investment professionals to help ensure the ongoing financial health of the Plan.

In addition, it is anticipated the Plan will be able to apply for special financial assistance from the federal government in the next couple of years. Specifically, after many hard-fought years in the halls of Congress and all over the country, including significant efforts by your Board of Trustees, the United States Congress passed the American Rescue Plan Act (ARPA), which provides for almost \$100 billion of Special Financial Assistance (SFA) for certain multiemployer Defined Benefit pension plans. SFA money is a grant, not a loan, so plans which receive the relief do not need to repay those amounts.

How much may the Plan get in Special Financial Assistance (SFA)?

Based on the current ARPA eligibility criteria and the current circumstances of the UFCW-Northern California Employers Joint Pension Plan, it is estimated the Plan could be entitled to receive more than \$1 billion in SFA funds. The amount of SFA money the Plan may ultimately receive is expected to be determined in 2023 depending on a number of factors, including investment returns and changes in interest rates between now and then. The Plan currently holds just over \$3 billion in assets.