SUMMIT 2022

CENTRAL STATES PENSION FUND TEAMCARE®

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Agenda

- Introduction
- Pension Fund Overview
  - Financial Update
  - Long Road to Legislation
- American Rescue Plan Act of 2021
- Special Financial Assistance Overview
  - Material Issues Impacting SFA
  - Special Financial Assistance Timeline
  - Calculating the SFA Amount
  - Investing the SFA Amount
  - Next Step … When Will We Know We're Approved
- The Pension Fund is Open For Business

CENTRAL STATES PENSION FUND

Pension Fund Financial Update

	2018	2019	2020	2021
Beginning net assets	**$15,011**	**$13,168**	**$12,310**	**$10,409**
Contributions in	$1,143*	$742	$661	$659
Benefits out	$2,874	$2,881	$2,884	$2,880
G&A expense	$44	$44	$42	$44
Operating (loss)	($1,731)	($2,139)	($2,224)	($2,220)
Investment income	($111)	$1,281	$323	($30)
Decrease in Net Assets	($1,843)	($858)	($1,900)	($2,251)
Ending Net Assets	**$13,168**	**$12,310**	**$10,409**	**$8,158**

2018-Current

* 2018: Includes a One-Time Withdrawal Liability Payment from Kroger

Assets as of 8/31/2022: $6.452B

The Road to Pension Legislation

Long Road to Legislation

~~2009 Pomeroy Casey bill~~

~~2014 Multiemployer Pension Reform Act of 2014~~

~~2015 Keep our Pe~~ ~~es Act (KOPPA I)~~

~~2016 Keep ou~~ ~~Act (KOPPA II)~~

~~2017 Butch L~~

~~2017 Joint Se~~ ~~med by Congress~~

~~2018 H.R. 397 and~~ ~~ch Lewis Act II)~~

~~2019 Multiemployer Pension Recapitalization & Reform~~

~~2020 Heroes Act: Emergency Pension Plan Relief Act~~

Special Financial Assistance

Overview

Special Financial Assistance Overview

Eligibility for SFA

- Various criteria that demonstrate financial distress
- Central States is eligible because it is in critical and declining status

Amount of SFA

- Amount necessary to enable plan to remain solvent through 2051
- Assumptions constrained by statute, regulations, and PBGC review
- Actual solvency period may be longer or shorter, depending on plan experience

Actuarial Assumptions

- Generally expected to match those from 2020 status certification
- PBGC will scrutinize all assumption changes versus 2020 certification
- PBGC guidance deems certain assumption changes to be "acceptable"

Application Process

- PBGC must review SFA applications within 120 days
- 120-day clock restarts when application is withdrawn

Special Financial Assistance

Material Issues

Material Issues impacting SFA amounts

- Investment Return Assumption ("Discount rate")
- Mortality Assumptions
- Future Contribution income/attrition
- Future Withdrawal liability collections

Special Financial Assistance Timeline

2021
2022

2021

Q	Q2	Q3	Q4
American Rescue Plan Signed into law on March 11, 2021	**CSPF Comment Letter #1** Submitted on May 14, 2021	**CSPF Comment Letter #2** Submitted on August 9, 2021	**Pre-App PBGC Meeting #1** November 9, 2021; initial discussion of SFA assumptions based on PBGC guidance
	PBGC Interim Final Rule Published on July 9, 2021		**Pre-App PBGC Meeting #2** December 27, 2021; CBU assumptions

2022

Q1	Q2	Q3	Q4
Pre-App PBGC Meeting #3 February 4, 2022; refinements to CBU / assumptions	**CSPF SFA Initial Application** April 28, 2022	**Post-App PBGC Meeting #4** July 18, 2022, miscellaneous issues	
Pre-App PBGC Meeting #4 March 28, 2022; Yellow and withdrawal liability	**Post-App PBGC Meeting #1** June 3, 2022, miscellaneous issues	**Post-App PBGC Meeting #5** July 25, 2022, miscellaneous issues	**Review Period Ends** PBGC has 120 days to review app
	Post-App PBGC Meeting #2 June 14, 2022, miscellaneous issues	**Post-App PBGC Meeting #6** July 28, 2022, miscellaneous issues	**SFA Payment** **TBD; 30-60 days after application approval**
	Post-App PBGC Meeting #3 June 30, 2022, Withdrawal liability	**Post-App PBGC Meeting #7** August 4, 2022, miscellaneous issues	
	PBGC Issues Final Rule Published on July 8, 2022	**CSPF Refiles SFA Application** August 12, 2022	
		Post-App PBGC Meeting #8 August 18, 2022, miscellaneous issues	

Special Financial Assistance

Amount for Central States

SFA Amount for Central States

Estimated Special Financial Assistance ($Billions)

Resources	Fair market value of assets (3/31/2022)	**$7.42**
	PV of contributions through 2051	**5.88**
	PV of withdrawal liability payments through 2051	**2.20**
Obligations	PV of benefit payments through 2051	**$49.49**
	PV of administrative expenses through 2051	**1.13**
April 28	**Initial SFA Application Filed April 28, 2022**	**$35.14**
PBGC Review Adjustments (11 Issues)	Future Income Projections (Withdrawal liability)	-(0.27)
	New Final Rule (Interest assumption)	0.12
	Calculation adjustments	-(0.02)
August 12	**Revised SFA Application Refiled August 12, 2022**	**$34.97**

Figures do not add due to rounding.

"Base data" for SFA application

- SFA measurement date = March 31, 2022
- Participant census data = January 1, 2021
- SFA interest rate = 2.91%
- Legacy assets interest rate = 3%

Base data is locked-in once application is submitted.

New Named Fiduciary

BlackRock

BlackRock

- In Anticipation of Receiving SFA Funding Under ARPA, the Central States Pension Fund Initiated a **Search for a Named Fiduciary.**
- Utilizing Segal Marco as a Consultant, the Fund Conducted an Extensive and **Competitive RFP Process** For a New Asset Manager.
- The Selection Process Considered a **Wide Range of Criteria: Expertise, Scale, Investment Philosophy, and Fees**.
- After a Diligent Review, the Board of Trustees Announces **BlackRock** as the Named Fiduciary for the Central States Pension Fund.
- BlackRock was **Approved by the Court and Department of Labor** and Became Effective on October 11, 2022.

New Named Fiduciary

BlackRock

Investment Policy

- Conservative Investment Philosophy With Realistic Goal of Achieving **Full Funding**:

- Investment Policy Is **Ready to Go on Day 1** when SFA is Received:

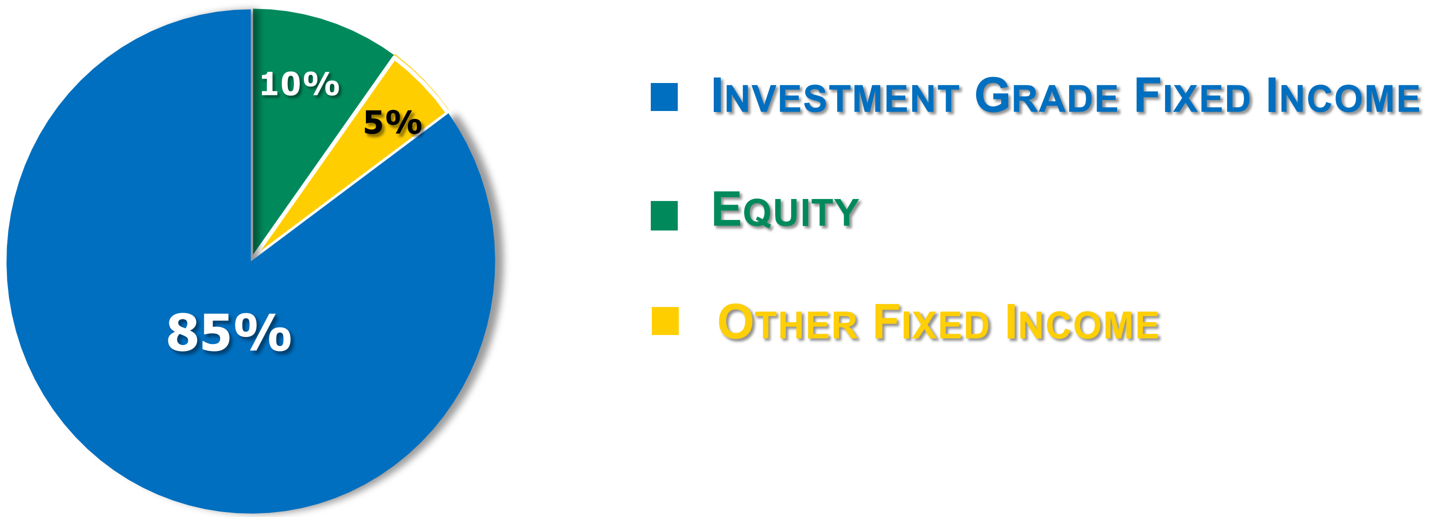
  1. **Secure Pension Fund to Last Into Perpetuity**
  2. **Build Surplus** to Offset Differences in Assumptions vs Experience
  3. **Provide Confidence** in Employer Participation:
     - A 100% Funded Position will Encourage Participating Employers to Remain in the Plan
     - Provide an Avenue to Onboard New Employers in the Pension Fund

Special Financial Assistance

Investment of SFA

Asset Allocation

- SFA must be segregated from other Legacy plan assets.
- SFA must be invested in:
  - investment-grade bonds and/or
  - Up to 33% may be invested in publicly traded US stocks
- **Day 1 Implementation … More Conservative Than Statue:**



Impact of Special Financial Assistance on

Benefit Increases

Impact of SFA on Benefit Increases

- No Benefit Increases Based on Service Prior to the Effective Date of the Statute
  - Prohibits the Fund From Benefit Improvements
    - Including Modifying Any Previously Negotiated Benefit Reductions Related to **YRCW**
    - No Benefit Increases While the Pension Fund is in Critical Status

Benefit Increases are Possible Through Increased Contributions That Improve the Annual Accrual for Members.

Impact of Special Financial Assistance on

Withdrawal Liability

Impact on Withdrawal Liability

- The Final Rule Requires the Fund to ***Phase-In*** **the SFA assets in determining withdrawal liability.**
- This Phase-In period begins with the year the plan receives SFA and is exhausted over a period of 17 Years.
  - Withdrawal Liability in **Early Years** will Remain Largely Unaffected
  - Withdrawal Liability in **Later Years**, would be Materially Reduced As a Result of the SFA Phase-In

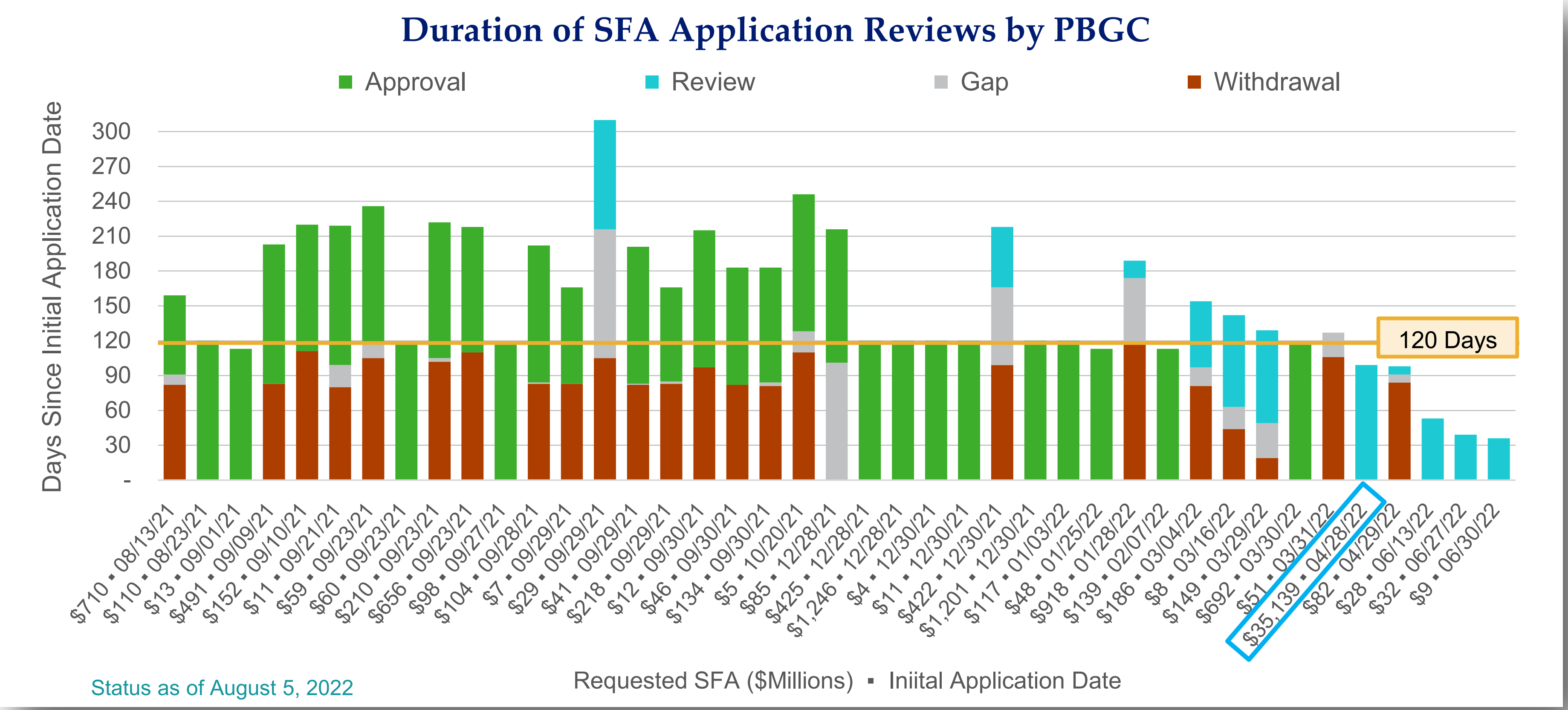
New Employers Joining the Hybrid Plan are Insulated From Withdrawal Liability.

Special Financial Assistance

Application Summary

How Long is PBGC Taking to Review ?

Status as of August 5, 2022

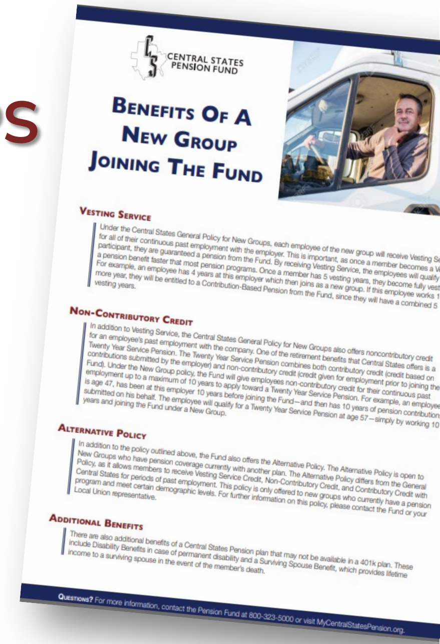


- For applications approved on the first attempt, PBGC has been taking close to the full 120 days to review
- If an application is withdrawn, it ***usually*** happens between 80 and 110 days after the initial application
- Of the 28 approvals so far, 13 were on the first attempt (15 after a revision to the application)
- CSPF is the First Fund to File Under the New Rule.

Growing the Pension Fund

Benefits of Bringing New Employers to the Pension Fund

The Pension Fund is OPEN for New Groups



New Group Hybrid Plan Qualification

No Prior Participation In The Fund (Asset Purchaser)

Prior Participation In Fund, but Fully Resolved Any Withdrawal Liability

Incentives For New Pension Fund Groups

- **EMPLOYER:** No Withdrawal Liability & No Mandatory Rate Increases
- **MEMBER:** Contiguous Vesting for all Previous Years at Employer
- **MEMBER:** Non-Contributory Credit On A "One For One" Basis
- **MEMBER:** Advantage Of Defined Benefit vs 401(k)
- **UNION:** Participation In A Teamster Pension Fund

CENTRAL STATES PENSION FUND

Thank You

Thank You

- ✓ For the Support Received from our Local Unions
- ✓ For Your Leadership in Engaging Your Members and Retirees and Putting a Voice to the Crisis
- ✓ For the Time You Took To Meet with Your House Reps and Senators
- ✓ For Supporting our **Voices For Pension Security** Campaign.

Without Your Voice,
ARPA Would Not Have Been Possible

PENSION FUND

QUESTIONS AND ANSWERS

QUESTIONS ?