



Edison Plan News

From the Board of Trustees Edison Pension Trust

2022 Was Difficult, But the Plan Is Still on Track

The enclosed Annual Funding Notice is required by law and applies to the 2022 plan year. It compares the Plan’s actuarial value of assets to its liabilities (basically, how much the Plan’s cash and investments are worth divided by how much it is expected to pay out in the future) at the *beginning* of the Plan year. The Plan’s funded status is “officially” measured each January 1.

Funded Percentage	2020	2021	2022	2023 (estimated)
Actuarial basis	81%	83%	89%	92%
Market basis	83%	88%	96%	86%

The table above shows the Plan’s funded percentage based on two different asset values:

- **Market value:** This is a snapshot of the Plan’s assets at a point in time. Because it reflects the Plan’s returns in real time, this funded percentage could be significantly different if you looked at it a day before or a day later. It gives a clear picture in the moment, but it’s not ideal for long-term planning because it’s so variable.
- **Actuarial value:** The actuarial value of assets spreads investment gains and losses over several years to smooth out market fluctuations. That’s why it’s used to determine the Plan’s zone status and contribution requirements – it doesn’t make sense for these items to bounce around when managing funding over the long term.

As of January 1, 2023, the Plan’s estimated funded percentage was 92% based on actuarial value of assets and 86% based on market value of assets. Last year was very difficult for investment markets. In fact, it was the worst year for equities (S&P 500 Index return of about -18%) and bonds (Aggregate Bond Index return of about -13%) combined in over a century. The Plan fared much better than either of these broad categories, but still finished 2022 with an estimated investment return of approximately -8%.

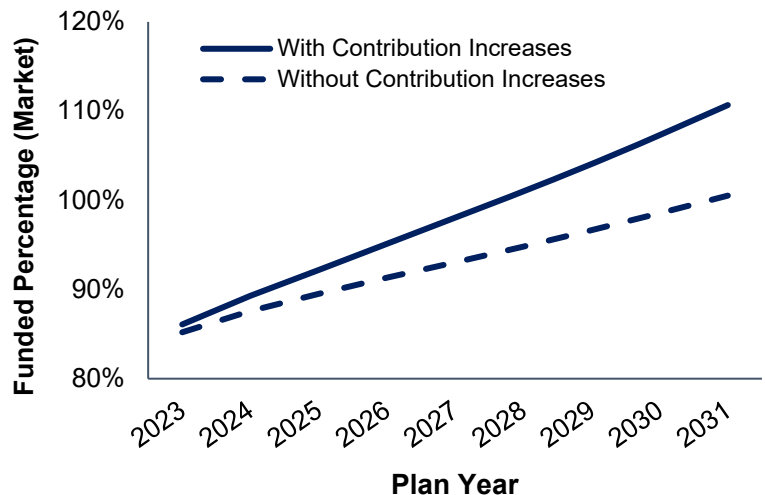
Good news – the Plan is still in the green zone for 2023. Staying in the green zone is important because slipping into the yellow or red zones would require Trustees to make changes to improve the Plan’s funding, primarily impacting active participants. Green zone status allows the Trustees the flexibility to maintain the best possible benefit structure going forward.

Our Efforts Are Working

The non-accruing contribution increases that the bargaining parties agreed to through 2025 are doing their job. They are one of the key reasons that the Plan has been able to stay on track despite the difficult investment market last year.

Plus, they accelerate the Plan’s progress toward full funding. As you can see in the chart to the right, these contribution increases continue to make a big difference in the Plan’s projected funded percentage over the next few years.

We’ve seen firsthand the damage one bad year can do and how long it takes to recover. In 2008, on a market basis, the Plan was 108% funded –

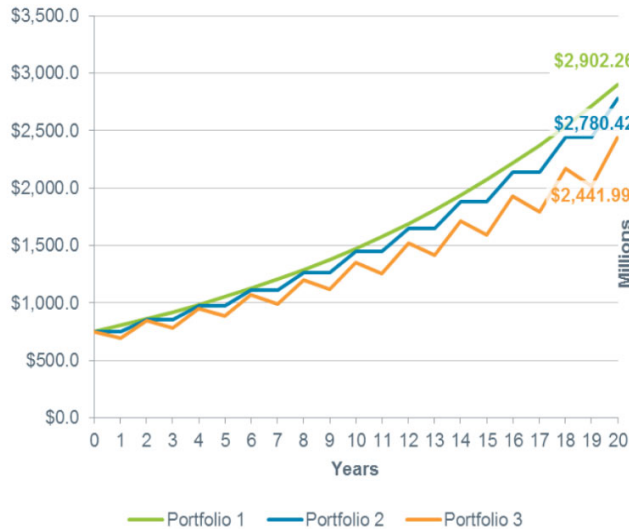


the very next year, it had dropped to 77%. This time, the funding on a market basis decreased with the negative return in 2022, but *the Plan was much better protected* due to the contribution increases, the large number of hours worked under the Plan, and strong investment returns in the years leading up to it.

A Focus on Smart and Stable Investing

Common wisdom says that there tends to be a higher potential for reward as the risk level of an investment goes up. But, volatility has a pretty steep price tag.

Take a look at the three example portfolios in the chart below. Portfolio #1 has a 7% return every year, the least volatile. Portfolio #2 has a 0% return followed by a 14% return every two years. Portfolio #3 has a -7% return followed by a 21% return every two years.



All three portfolios have the same average annual return of 7.0%, start with \$750 million and assume no cash flows.

But, after 20 years the least volatile portfolio (the green line) is almost \$500 million better off than the most volatile portfolio (the orange line).

The Edison Pension trust is invested a little more conservatively than the average trust. That means in years when others get huge returns, ours may not be quite as high. But, it also means that our losses may not be as steep in difficult years – and this is exactly what happened in 2022.

We understand the cost of volatility and strive to maximize our returns over the long term instead of year by year. The good news is that while experts are split on what near-term investment returns will look like, long-term forecasts have generally improved.

Learn More

You can visit these websites for more information about the Pension Plan:

Edison Pension Trust Benefit Site: <https://benefits.wcearth.com>

If you don't yet have an account, type in your Social Security number and check the box to "request a PIN number" – you'll receive one within a couple of days by mail

Benefit Plan Summaries: <https://www.ibew48.com/member-services/ibew-benefits-plan-summaries>

Plan for Your Retirement

Are you on track for your retirement? Find out with:

PlanAhead for Retirement: Log in to the pension website at <https://www.wcearth.com>. Select Home from the menu, then click the Participant Login button to get to PlanAhead for Retirement and much more.

PlanAhead for Retirement is a robust online planning tool that takes into account all of the retirement benefits available to you as a Local 48 member. Plus, you can enter details about your personal savings, accounts or benefits from previous employers, your spouse or partner's savings and benefits, and more.

You can get a quick snapshot of your progress with just a few inputs. Then, the more detail you add, the more comprehensive the picture you'll get. You can create an account and save your in so that you can come back and make updates or look at different scenarios any time.