
INDUSTRY VARIABLE ANNUITY PENSION (IVAP) RATIFICATION FOR KROGER AND AHOLD MEMBERS



Background

- IVAP was created in July 2020
- Total **Kroger and Ahold contributions** were expected to remain at the **same level** as made to the **National Pension Fund**
- **Contributions to IVAP** have been much **lower** than expected due to **decline in active participation**
- **Significant benefits cuts** are possible unless we **ratify** an agreement to **extend the MOU through June 30, 2033**



Declining Active Population

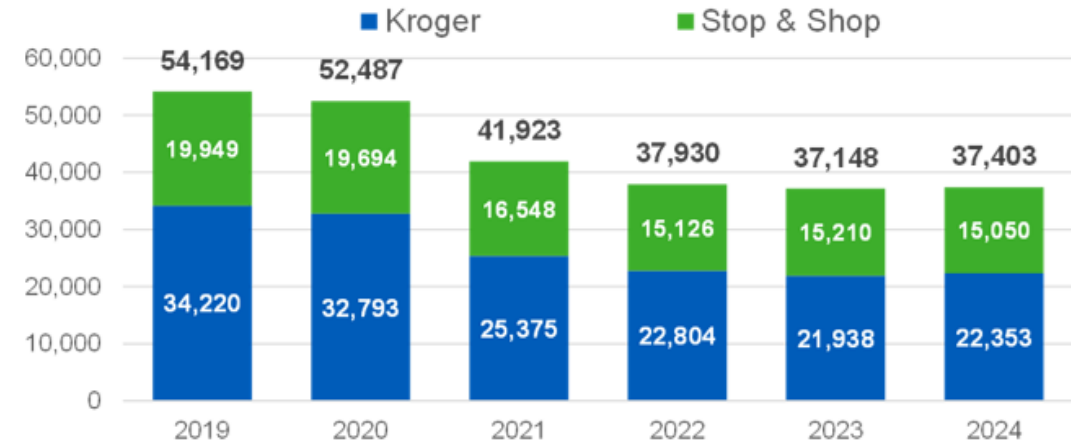


Average age of active participants increased from 44 to 47



Active population declined by more than 30% from 2019 to 2022

Active Participant Counts as of July 1



Employer Contribution Shortfall

- The result of the declining active participants and increases in their age is a shortfall in employer contributions needed to support the IVAP's annual cost of benefits.
- A dispute arose between the Union and Employer Trustees over whether the Nominal Accrual Rate—which is the base benefit accrued by active employees each year—needed to be decreased.
- The Employer Trustees' position was to reduce the Nominal Accrual Rate to 22% of contributions or even lower than the current rate.

IMPORTANT NOTE:




Based on the current trends, we anticipate that the IVAP plan could continue to experience demographic losses under the current MOU which runs through June 30, 2028.



2025 Consent Resolution

The IVAP's trustees ultimately agreed to a mediated settlement of the dispute, which is also known as the 2025 Consent Resolution.

The settlement terms are as follows:

-  Extension of the existing MOU through June 30, 2033
-  Existing non-Grandfathered Nominal Accrual Rate of 27.5% of contributions will be preserved
-  Employers will guarantee that there will be no further reductions in that accrual rate for the term of the Extended MOU.

2025 Consent Resolution:

Grandfathered Benefits

- Due to a decline in contribution levels, the **Grandfathered benefits under the IVAP** are being **eliminated** effective for **work performed on and after July 1, 2025**.
- The **Grandfathered benefit** is being **eliminated regardless** of whether the MOU is extended through the ratification process. The elimination is **not retroactive** - accruals already earned will not be affected by this change.

Who is eligible for grandfathered benefits?

The Grandfathered benefits provided the same rate of accruals as provided under the National Pension Fund for **participants who on June 30, 2020** were either **at least age 55** with **at least ten years of service** under the National Pension Fund or who had **20 years of service** under the National Pension Fund **regardless of age**.

2025 Consent Resolution: Grandfathered Benefits

Examples:

If your current accrual is \$30, your accrual going forward will be \$24 ($= \$30 \times 80\%$)

If your current accrual is \$50, your accrual going forward will be \$40 ($= \$50 \times 80\%$)

If your current accrual is \$70, your accrual going forward will be \$56 ($= \$70 \times 80\%$)

2025 Consent Resolution: Extended MOU

Kroger and Ahold will be required to:

- Pay additional contributions necessary to make up for any shortfall.
- Guarantee that benefits will not be reduced below the current 27.5% Nominal Accrual Rate.
- Protect against future benefit cuts after members ratify extending MOU through June 30, 2033.



Members must vote to ratify an Extended MOU by **September 30, 2025**, to maintain their **27.5% Nominal Accrual Rate**.

What happens if the extended MOU is **NOT** ratified?

- ❗ Participants of Local Unions that do NOT ratify an Extended MOU by **September 30, 2025**, will have their Nominal Accrual Rate **decreased to 22%** of benefit bearing contributions effective **October 1, 2025**.
- ❗ The **22% Nominal Accrual Rate** will remain in effect for any participants of Local Unions that do NOT ratify an extended MOU by **June 30, 2026**.
- ❗ If the extended MOU is ratified **after September 30, 2025**, but **before July 1, 2026**, the nominal accrual rate will go back up to **27.5%** for months after ratification.

Impact of your vote on Extended MOU

Jane has at least 10 years of service, combined, under this IVAP plan and the National Pension Fund. Her accrual rate has always been 27.5% of benefit bearing contributions since the start of the IVAP. The benefit bearing contribution rate for Jane is \$90/month.



Scenario 1: Vote **YES** on Extended MOU

Jane will accrue a monthly Nominal Accrual Rate benefit from the plan of **\$24.75/month** (calculated as $\$90.00 \times 27.5\%$).

Scenario 2: Vote **NO** on Extended MOU

Jane will accrue a monthly Nominal Accrual Rate benefit from the plan of **\$19.80/month** (calculated as $\$90.00 \times 22\%$).

Impact of “NO” vote on Extended MOU

- Groups that had an AUCR of under \$3.25 under National Pension Fund as of June 30, 2020 received a subsidy to preserve a floor benefit equal to 80% of the benefit under the National Pension Fund.
- This subsidy goes away July 1, 2025 and is replaced with a commitment by Kroger and Stop & Shop to make increased contributions to preserve the 80% floor benefit going forward.
- These increased contributions are subject to ratification of the Extended MOU.

Impact of “NO” vote on Extended MOU

- To obtain 80% floor benefit protection, groups that had an AUCR of under \$3.25 must ratify the Extended MOU by September 30, 2025.
- If ratified by that date, Kroger and Stop & Shop will make increased contributions retroactive to July 1, 2025 to preserve the 80% floor benefit as of that date.
- If the Extended MOU is ratified after September 30, 2025 but before July 1, 2026, the 80% floor benefit is protected with increased contributions only after the date of ratification.
- If no ratification happens by June 30, 2026, there will be no 80% floor benefit protection for these groups.