HIGHMARK

Date: **April 30, 2022**
To: **Highmark Retirement Plan Participants**
From: Plan Administrator for the Highmark Retirement Plan
Subject: **Highmark Retirement Plan - PPA Funding Notice**

Sponsors of qualified pension plans, such as the **Highmark Retirement Plan**, are required each year to provide plan participants with certain information about the funded status of their plan. The attached ***"Annual Funding Notice"*** and ***"Supplement to Annual Funding Notice"*** for the Highmark Retirement Plan meets this annual requirement. This cover memo should help you better understand the Funding Notice.

No Impact on Your Accrued Benefits

*The benefits you have already earned under the **Highmark Retirement Plan** have not changed.*

If you are a retiree or beneficiary and are currently receiving benefits from the Plan, your rights to those benefits have not changed.

Understanding the Annual Funding Notice

A pension plan is designed to provide plan participants with a benefit at retirement based on the plan's formula. In order to ensure that sufficient funds exist to pay for these future retirement benefits, plan sponsors make contributions to a trust fund and that money is set aside for plan benefits and invested based on the plan's investment policy. The timing of contributions is determined by federal guidelines and based on how much is in the trust (assets) and future obligations for benefits (liabilities). The Plan's investment and funding policies are outlined in the attached Notice.

The asset and liability measures used to determine the company's annual contribution to the Plan for 2019, 2020 and 2021 are summarized in the "Funding Target Attainment Percentage" section of the Notice. These values are as of January 1 of the respective year.

The "Year-End Assets and Liabilities" section of the Notice discloses the Plan's assets and liabilities as of December 31, 2021. These values are calculated differently than those used to determine the Funding Target Attainment Percentages.

Our Commitment to Your Highmark Retirement Plan Benefits

The plan sponsor, Highmark Health, has every intention of continuing to fund the pension obligations as required by law. During 2021, $25,000,000 was contributed to the Highmark Retirement Plan on behalf of Highmark, West Penn Allegheny Health System, Jefferson Regional Medical Center, and Saint Vincent Health System participants.

Annual Notice of Statement Availability

The Pension Protection Act of 2006 allows you to request a benefit estimate from the Plan Administrator once each year. The statement will include your current accrued benefit and vested percentage. To obtain an estimate, please go online to UPoint through HR Services Online at HRservices.highmarkhealth.org or directly at www.upointhr.com/highmarkhealth or call the Highmark Health Retirement Service Center toll free at 833-964-3015. Retirement information is also available online.

Planning for your retirement future is important. We suggest saving a copy of your annual retirement statement each and every year.

SUPPLEMENT TO ANNUAL FUNDING NOTICE

HIGHMARK RETIREMENT PLAN (PLAN) FOR PLAN YEAR BEGINNING JANUARY 1, 2021 AND ENDING DECEMBER 31, 2021 (PLAN YEAR)

This is a temporary supplement to your annual funding notice which is required by the Moving Ahead for Progress in the 21st Century Act, the Highway and Transportation Funding Act of 2014, and the Bipartisan Budget Act of 2015. These federal laws changed how pension plans calculate their liabilities. The purpose of this supplement is to show you the effect of these changes. Prior to 2012, pension plans determined their liabilities using a two-year average of interest rates. Now pension plans also must take into account a 25-year average of interest rates. This means that interest rates likely will be higher and plan liabilities lower than they were under prior law. As a result, your employer may contribute less money to the plan at a time when market interest rates are at or near historical lows.

The “Information Table” compares the impact of using interest rates based on the 25-year average (the “adjusted interest rates”) and interest rates based on a two-year average on the Plan’s: (1) Funding Target Attainment Percentage, (2) Funding Shortfall, and (3) Minimum Required Contribution. The funding target attainment percentage is a measure of how well the plan is funded on a particular date. The funding shortfall is the amount by which liabilities exceed net plan assets. The minimum required contribution is the amount of money an employer is required by law to contribute to a plan in a given year. The following table shows this information determined with and without the adjusted interest rates. The information is provided for the Plan Year and for each of the two preceding plan years, if applicable.

INFORMATION TABLE

	2021		**2020**		**2019**	
	With Adjusted Interest Rates	Without Adjusted Interest Rates	With Adjusted Interest Rates	Without Adjusted Interest Rates	With Adjusted Interest Rates	Without Adjusted Interest Rates
Funding Target Attainment Percentage	104.0%	90.0%	103.1%	90.0%	107.3%	90.0%
Funding Shortfall	$0	$348,534,990	$0	$344,662,521	$0	$219,942,581
Minimum Required Contribution	$0	$67,000,000	$0	$105,000,000	$0	$88,000,000

ANNUAL FUNDING NOTICE
FOR
HIGHMARK RETIREMENT PLAN

Introduction

This notice includes important information about the funding status of the Highmark Retirement Plan (the "Plan"), a single-employer pension plan. It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning January 1, 2021 and ending December 31, 2021 ("Plan Year").

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the "funding target attainment percentage." The Plan divides its Net Plan Assets by Plan Liabilities to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan's Funding Target Attainment Percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also shows you how the percentage was calculated.

FUNDING TARGET ATTAINMENT PERCENTAGE			
	2021	**2020**	**2019**
1. Valuation Date	January 1, 2021	January 1, 2020	January 1, 2019
2. Plan Assets			
a. Total Plan Assets	3,781,394,863	3,786,950,516	2,293,810,670
b. Funding Standard Carryover Balance	0	0	0
c. Prefunding Balance	641,063,062	674,231,423	313,476,544
d. Net Plan Assets (a) – (b) – (c) = (d)	3,140,331,801	3,112,719,093	1,980,334,126
3. Plan Liabilities	3,019,049,271	3,017,180,026	1,844,108,391
4. Funding Target Attainment Percentage (2d)/(3)	**104.0%**	**103.1%**	**107.3%**

Plan Assets and Credit Balances

The chart above shows certain "credit balances" called the Funding Standard Carryover Balance and Prefunding Balance. A plan might have a credit balance, for example, if in a prior year an employer contributed money to the plan above the minimum level required by law. Generally, an employer may credit the excess money toward the minimum level of contributions required by law that it must make in future years. Plans must subtract these credit balances from Total Plan Assets to calculate their Funding Target Attainment Percentage.

Plan Liabilities

Plan Liabilities in line 3 of the chart above is an estimate of the amount of assets the Plan needs on the Valuation Date to pay for promised benefits under the Plan.

Year-End Assets and Liabilities

The asset values in the chart above are measured as of the first day of the Plan Year. They also are "actuarial values." Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan's funded status at a given point in time.

As of December 31, 2021, the fair market value of the Plan's assets was $4,156,000,000. On this same date, the Plan's liabilities, determined using market rates, were $3,728,000,000.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the January 1, 2021 Valuation Date was 43,130. Of this number, 17,136 were current employees, 12,158 were retired and receiving benefits, and 13,836 were retired or no longer working for the employer and have a right to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits.

The Plan's funding policy ensures that the annual contribution will be at least equal to the minimum required contribution, but never exceed the maximum tax deductible limit. The funding policy is designed to maintain an Adjusted Funding Target Attainment Percentage of at least 90%, while maximizing our annual reimbursement from the federal government.

Once money is contributed to the Plan, the money is invested by Plan officials called fiduciaries. Specific investments are made in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries (who are responsible for plan investments) with guidelines or general instructions concerning various types or categories of investment management decisions. The Plan's investment policy target ranges for each asset category are as follows:

ASSET CATEGORY	PERCENTAGE ALLOCATION (MARKET VALUE) MINIMUM	MAXIMUM
Domestic equities	3%	7%
Developed non-U.S. equities	3%	6%
Emerging markets equities	1%	4%
Private equity	5%	11%
Domestic fixed income	55%	74%
High yield fixed income	1%	5%
Emerging markets fixed income	1%	5%
Real estate	4%	9%
Cash/short-term investments	1%	8%

The Investment Committee of the Highmark Health Board of Directors (the "Committee") periodically reviews the Plan's asset allocation, taking into consideration Plan liabilities, regulatory requirements, Plan payment streams and then-current capital market assumptions. The asset allocation is reviewed at least quarterly to determine whether allocations are within acceptable ranges. When one or more asset classes falls outside the minimum/maximum range, the asset class will be rebalanced back to the edge of the range. The timing of the rebalance process will be at the discretion of the Committee (or Committee staff). The rebalancing process will consider risks of deviating from target as well as transaction costs. Additionally, where appropriate, cash flows should be used to facilitate the rebalancing policy in order to minimize trading costs.

The primary investment objectives for the Plan's assets are to achieve maximum rates of return commensurate with safety of principal, given the asset mix, credit quality, and diversification guidelines and restrictions contained therein.

The asset allocation guidelines were established and approved by the Committee, with the advice of Highmark Health Treasury staff and the Plan's Investment Consultant, experts in portfolio design, asset allocation, portfolio administration and investments. The allocation is based on an asset and liability study, with the ultimate goal to determine the most effective structure to enhance the expected return of the Plan's portfolio, while maintaining acceptable levels of risk. In accordance with the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets as shown in the table below:

ASSET ALLOCATIONS AS OF DECEMBER 31, 2021	PERCENTAGE
1. Stocks	16.4%
2. Investment grade debt instruments	63.1%
3. High-yield debt instruments	6.2%
4. Real Estate	4.6%
5. Other	9.7%

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1515, Washington, DC 20210, or by calling 202.693.8673. You may obtain a copy of the Plan's annual report online at www.hrservices.highmarkhealth.org or by making a written request to the Plan. Annual reports do not contain personal information, such as the amount of your accrued benefits. You may contact HR Services if you want information about your accrued benefits. The contact information for HR Services is identified below under "Where to Get More Information."

Summary of Rules Governing Termination of Single-Employer Plans

If a plan terminates, there are specific termination rules that must be followed under federal law. A summary of these rules follows.

There are two ways an employer can terminate its pension plan. First, the employer can end a plan in a "standard termination" but only after showing the PBGC that such plan has enough money to pay all benefits owed to participants. Under a standard termination, a plan must either purchase an annuity from an insurance company (which will provide you with periodic retirement benefits, such as monthly for life or for a set period of time when you retire) or, if the plan allows, issue one lump-sum payment that covers your entire benefit. Your plan administrator must give you advance notice that identifies the insurance company (or companies) selected to provide the annuity. The PBGC's guarantee ends upon the purchase of an annuity or payment of the lump-sum. If the plan purchases an annuity for you from an insurance company and that company becomes unable to pay, the applicable state guaranty association guarantees the annuity to the extent authorized by that state's law.

Second, if the plan is not fully-funded, the employer may apply for a distress termination. To do so, however, the employer must be in financial distress and prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

Benefit Payments Guaranteed by the PBGC

When the PBGC takes over a plan, it pays pension benefits through its insurance program. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The amount of benefits that the PBGC guarantees is determined as of the plan termination date. However, if a plan terminates during a plan sponsor's bankruptcy, then the amount guaranteed is determined as of the date the sponsor entered bankruptcy.

The PBGC maximum benefit guarantee is set by law and is updated each calendar year. For a plan with a termination date or sponsor bankruptcy date, as applicable in 2022 the maximum guarantee is $6,204.55 per month, or $74,454.60 per year, for a benefit paid to a 65-year-old retiree with no survivor benefit. If a plan terminates during a plan sponsor's bankruptcy, the maximum guarantee is fixed as of the calendar year in which the sponsor entered bankruptcy. The maximum guarantee is lower for an individual who begins receiving benefits from PBGC before age 65 reflecting the fact that younger retirees are expected to receive more monthly pension checks over their lifetimes. Similarly, the maximum guarantee is higher for an individual who starts receiving benefits from PBGC after age 65. The maximum guarantee by age can be found on the PBGC's website, www.pbgc.gov**.** The guaranteed amount is also reduced if a benefit will be provided to a survivor of the plan participant.

The PBGC guarantees "basic benefits" earned before a plan is terminated, which include:

- pension benefits at normal retirement age;
- most early retirement benefits;
- annuity benefits for survivors of plan participants; and
- disability benefits for a disability that occurred before the date the plan terminated or the date the sponsor entered bankruptcy, as applicable.

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right, usually because you have not worked enough years for the company.
- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements.
- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.
- Early retirement payments that are greater than payments at normal retirement age may not be guaranteed. For example, a supplemental benefit that stops when you become eligible for Social Security may not be guaranteed.
- Benefits other than pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay, are not guaranteed.
- The PBGC generally does not pay lump sums exceeding $5,000.

In some circumstances, participants and beneficiaries still may receive some benefits that are not guaranteed. This depends on how much money the terminated plan has and how much the PBGC recovers from employers for plan underfunding.

For additional general information about the PBGC and the pension insurance program guarantees, go to the "General FAQs about PBGC" on PBGC's website at www.pbgc.gov/generalfaqs. Please contact HR Services for specific information about the Plan or your pension benefit. PBGC does not have that information. See "Where to Get More Information" below.

Where to Get More Information

For more information about this notice, you may contact the Highmark Health Retirement Service Center toll free at 833-964-3015.

For identification purposes, the official plan number is 333 and the Plan sponsor's name and employer identification number or "EIN" are Highmark Health and 45-3674900 respectively. The Plan Administrator is the Employee Benefits Fiduciary Committee of Highmark Health and can be contacted by mail at Highmark Health c/o Director, Retirement Benefit Programs, 120 Fifth Avenue, FAP – HM043A, Pittsburgh, PA 15222.