



Navistar, Inc.
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Employee/Retiree Information Center (ERIC)

April 2021

To: **All Participants and Beneficiaries in the Navistar, Inc. Salaried Employees Pension Plan No. 1**

Re: **Annual Required Funding Notice**

Under Federal law, Navistar, Inc. (the Company) is required to provide participants and beneficiaries with an annual funding notice for the Navistar, Inc. Salaried Employees Pension Plan No. 1 (the Plan). This notice covers the year ending December 31, 2020. *This notice is for informational purposes only – you do not need to take any action.*

Contents of the Notice

Under the Pension Protection Act of 2006, the notice must include certain information regarding the Plan, such as:

- the Plan's funded percentage as of specific dates,
- a statement regarding the Plan's funding policy (how the Company decides to make contributions to the Plan) and about how the Plan's assets are invested as of specific dates,
- information about the number of participants in the Plan,
- an estimate of the amount of assets and liabilities in the Plan as of specific dates,
- an explanation of certain events (if any) having a material effect on the Plan's assets or liabilities for the current year, and
- a general statement about the how and how much the Pension Benefit Guaranty Corporation (PBGC) guarantees benefits under the Plan in the event the Plan terminates.

In addition to the above, also included is a Supplement to the Annual Required Funding Notice regarding the effect of 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. Navistar adopted the adjusted interest rates offered as part of these federal law changes. This supplement shows the effect of the adjusted interest rates on plan liabilities and minimum contribution requirements.

If you have any questions regarding the notice after you have read it, you should contact the Employee/Retiree Information Center (ERIC) at **1-877-353-5100** or email at **RetireeHotline@Navistar.com**.

SUPPLEMENT TO ANNUAL FUNDING NOTICE
of
Navistar, Inc. Salaried Employees Pension Plan No. 1
for
Plan Year beginning January 1, 2020 and ending December 31, 2020

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 of a plan is a measure of how well the plan is funded on a particular date. The funding shortfall of a plan 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						
	2020 Plan Year		2019 Plan Year ¹		2018 Plan Year	
	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	82.0%	73.3%	76.7%	67.0%	80.0%	69.2%
Funding Shortfall	\$179,423,685	\$297,352,727	\$236,488,448	\$383,400,730	\$235,695,962	\$421,279,272
Minimum Required Contribution	\$53,196,048	\$71,381,766	\$60,216,921	\$82,086,857	\$46,640,973	\$73,648,013

¹On January 1, 2019, assets and liabilities with respect to certain participants in the Plan were transferred to the Navistar, Inc. Salaried Employees Pension Plan No. 2. Coincident with the spin-off, the Plan was renamed the Navistar, Inc. Salaried Employees Pension Plan No. 1. The values in the Information Table above reflect the impact of the spin-off on the January 1, 2019 valuation of the Plan.

ANNUAL FUNDING NOTICE
for
Navistar, Inc. Salaried Employees Pension Plan No. 1

Introduction

This notice includes important funding information about your pension plan (“the Plan”) and 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 for the plan year beginning January 1, 2020 and ending December 31, 2020 (“Plan Year”).

How Well Funded Is Your Plan

Under federal law, the Plan must report how well it is funded by using a measure called the “funding target attainment percentage.” This percentage is obtained by dividing the Plan’s Net Plan Assets by Plan Liabilities on the Valuation Date for the plan year. In general, the higher the percentage, the better funded the plan. The Plan’s funding target attainment percentage for the Plan Year and two preceding plan years is shown in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

	2020 Plan Year	2019 Plan Year	2018 Plan Year
1. Valuation Date	January 1	January 1 ¹	January 1
2. Plan Assets			
a. Total Plan Assets	\$ 815,766,231	\$ 779,594,754	\$ 953,283,542
b. Funding Standard Carryover Balance	0	0	0
c. Prefunding Balance	0	0	\$ 8,902,550
d. Net Plan Assets (a) – (b) – (c) = (d)	\$815,766,231	\$ 779,594,754	\$ 944,380,992
3. Plan Liabilities	\$995,189,916	\$1,016,083,202	\$1,180,076,954
4. Funding Target Attainment Percentage (2d)/(3)	82.0%	76.7%	80.0%

¹On January 1, 2019, assets and liabilities with respect to certain participants in the Plan were transferred to the Navistar, Inc. Salaried Employees Pension Plan No. 2. Coincident with the spin-off, the Plan was renamed the Navistar, Inc. Salaried Employees Pension Plan No. 1. The values in the table above reflect the impact of the spinoff on the January 1, 2019 valuation of the Plan.

Plan Assets and Credit Balances

Total Plan Assets is the value of the Plan's assets on the Valuation Date (see line 2 in the chart above). Credit balances were subtracted from Total Plan Assets to determine Net Plan Assets (line 2 d) used in the calculation of the funding target attainment percentage shown in the chart above. While pension plans are permitted to maintain credit balances (also called "funding standard carryover balances" or "prefunding balances" see 2 b & c in the chart above) for funding purposes, they may not be taken into account when calculating a plan's funding target attainment percentage. A plan might have a credit balance, for example, if in a prior year an employer made contributions to the plan above the minimum level required by law. Generally, the excess payments are counted as "credits" and may be applied in future years toward the minimum level of contributions a plan sponsor is required to make by law.

Plan Liabilities

Plan Liabilities shown in line 3 of the chart above are the liabilities used to determine the Plan's Funding Target Attainment Percentage. This figure 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 assets in the chart above are measured as of the first day of the Plan Year and are actuarial values. Because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values that are designed to smooth out those fluctuations for funding purposes. The asset values below are market values and are measured as of the last day of the plan year. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. As of December 31, 2020, the fair market value of the Plan's assets was \$855,565,916. On this same date, the Plan's liabilities were \$1,248,500,000.

Participant Information

The total number of participants in the Plan as of the Plan's valuation date was 5,552. Of this number, 359 were active participants, 4,403 were retired and receiving benefits, and 790 were separated from service and entitled to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of assets needed to pay for promised benefits. The funding policy of the Plan is to fund the Plan in accordance with applicable U.S. governmental regulations and to make additional contributions from time to time.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries. 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 investment policy of the Plan is to maximize returns while considering the overall investment risk and the funded status of the Plan relative to its liabilities. The investment strategy takes into account the long-term nature of the Plan's liabilities, the liquidity needs of the Plan, and the expected risk/return tradeoffs of the asset classes in which the Plan may choose to invest. Asset allocations are established in the investment policy statement, which is updated periodically and reviewed by the Pension Fund Investment Committee to ensure that they continue to reflect the current financial situation of the Plan and the capital markets. As stated in the policy, the Plan is invested in a diversified portfolio across a wide variety of asset classes. This includes areas such as large and small capitalization equities, international and global equities, long credit fixed income, high yield bonds and alternative assets such as global real estate, hedge fund of funds and private equity funds. As a result of our diversification strategies, there are no significant concentrations of risk within the investment portfolios.

Under 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:

Asset Allocations	Percentage
1. Interest-bearing cash	8.0%
2. U.S. Government securities	0.0%
3. Corporate debt instruments (other than employer securities):	
Preferred	0.0%
All other	0.0%
4. Corporate stocks (other than employer securities):	
Preferred	0.0%
Common	0.0%
5. Partnership/joint venture interests	0.8%
6. Real estate (other than employer real property)	0.0%
7. Loans (other than to participants)	0.0%
8. Participant loans	0.0%
9. Value of interest in common/collective trusts	82.8%
10. Value of interest in pooled separate accounts	0.0%
11. Value of interest in master trust investment accounts	0.0%
12. Value of interest in 103-12 investment entities	0.0%
13. Value of interest in registered investment companies (e.g., mutual funds)	0.0%
14. Value of funds held in insurance co. general account (unallocated contracts)	0.0%
15. Employer-related investments:	
Employer Securities	0.0%
Employer real property	0.0%
16. Buildings and other property used in plan operation	0.0%
17. Other (Hedge Fund of Funds)	8.4%

For information about the Plan's investments in any of the following types of investments as described in the chart above – common/collective trusts, pooled separate accounts, master trust investment accounts, or 103-12 investment entities – contact Navistar, Inc. via:

Employee/Retiree Information Center (ERIC)
 2701 Navistar Drive
 P.O. Box 4080
 Lisle, IL 60532
 Toll Free Telephone Number: 1-877-353-5100
 RetireeHotline@Navistar.com

Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report called the Form 5500 that contains financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. For 2009 and subsequent years, you may obtain an electronic copy of the Plan's annual report by going to www.efast.dol.gov and using the Form 5500 search function. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator.

Individual information, such as the amount of your accrued benefit under the Plan, is not contained in the annual report. If you are seeking information regarding your benefits under the Plan, contact the plan administrator identified below under "Where to Get More Information".

Summary of Rules Governing Termination of Single-Employer Plans

If a plan is terminated, 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 the plan in a "standard termination" but only after showing the PBGC that the plan has enough money to pay all benefits owed to participants. Under a standard termination, the 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 your 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) that your employer may select to provide the annuity. The PBGC's guarantee ends when your employer purchases your annuity or gives you the lump-sum payment.

Second, if the plan is not fully-funded, the employer may apply for a distress termination if the employer is in financial distress. 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 PBGC guarantees is determined as of the plan termination date. However, if a plan terminates during a plan sponsor's bankruptcy and the bankruptcy proceeding began on or after September 16, 2006, 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 calendar year ending December 31, 2021, the maximum guarantee is \$6,034.09 per month, or \$72,409.08 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, and the bankruptcy proceeding began on or after September 16, 2006, the maximum guarantee is lower for an individual who begins receiving benefits from PBGC before age 65; the maximum guarantee by age can be found on 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 includes:

- 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 plan 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 when a plan terminates, 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 at the time the plan terminates.
- 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.
- 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.

Corporate and Actuarial Information on File with PBGC

A plan sponsor must provide the PBGC with financial information about itself and actuarial information about the plan under certain circumstances, such as when the funding target attainment percentage of the plan (or any other pension plan sponsored by a member of the sponsor's controlled group) falls below 80 percent (other triggers may also apply). The sponsor of the Plan, Navistar, Inc., and each member of its controlled group, if any, was subject to this requirement to provide corporate financial information and plan actuarial information to the PBGC. The PBGC uses this information for oversight and monitoring purposes.

Where to Get More Information

For more information about this notice, you may contact Navistar, Inc. via:

Employee/Retiree Information Center (ERIC)
2701 Navistar Drive
P.O. Box 4080
Lisle, IL 60532
Toll Free Telephone Number: 1-877-353-5100
RetireeHotline@Navistar.com

For identification purposes, the official plan number is 037, the plan sponsor's name is Navistar, Inc., and employer identification number or "EIN" is 36-1264810. For more information about the PBGC, go to PBGC's website, www.pbgc.gov.