International Association of Machinists Motor City Pension Fund
EIN/Plan #: 38-6237143/001
Checklist Item #18 – 5.01 Past and Current Measures Taken to Avoid Insolvency

Does the application include information on past and current measures taken to avoid insolvency? See section 5.01.

Document 18.1 provides a description of the past and current measures taken by the Pension Plan's Board of Trustees to avoid insolvency.

Document 18.1

Past and Current Measures to Avoid Insolvency
(July 1, 2006 to the Present)

The Board of Trustees has determined, in accordance with Code § 432(e)(9)(C)(ii), that the Pension Plan is projected to become insolvent within ten (10) years, unless benefits are suspended as proposed in this application, even though all reasonable measures to avoid insolvency have been taken. The Board of Trustees also has determined that it must take measures that are feasible under the Pension Plan's particular circumstances, and that will likely further the statutory goal of avoiding insolvency. However, the Board of Trustees acknowledges that it does not need to take measures that, while theoretically available, would in practice not promote that statutory goal of avoiding insolvency.

The Pension Plan was established as of June 1, 1955, as a result of a collective bargaining agreement between the Mechanics Motor City Lodge No. 698, District 60, International Association of Machinists and Aerospace Workers (the "Union") and every employer who is bound by a collective bargaining agreement with the Union.

The Pension Plan is managed under the provisions of the Labor Management Relations Act of 1947, as amended, by the Board of Trustees consisting of an equal number of representatives from labor and management. The purpose of the Pension Plan is to provide retirement benefits, total and permanent disability benefits, and death benefits. The Pension Plan is financed entirely by contributions from the employers as specified in the applicable collective bargaining agreements.

The primary measures available to the Board of Trustees to allow the Pension Plan to avoid insolvency are employer contribution increases and benefit reductions. Over the past ten (10) years, the Board of Trustees has worked with the bargaining parties to develop sustainable combinations of employer contributions and reasonable pension benefit levels. Simultaneously, the Board of Trustees and bargaining parties have been constrained by the collective bargaining process and the amounts that contributing employers are willing and able to contribute to the Fund.

As of the plan year beginning July 1, 2006, the Pension Plan was 74% funded on a market basis, and its assets returned 5.36% on its investments. At the time, there were 606 retirees, surviving spouses, and alternate payees in pay status; 324 inactive vested participants and deferred beneficiaries; and 392 active participants working an average of 49 weeks per year. The present value of accumulated vested benefits was $111,834,540, and the market value of assets was $82,315,121. Also effective July 1, 2006, the benefit accrual rate was lowered from 2.0% to 0.5% of credited employer contributions and all contribution rate increases made on or after July 1, 2006 were classified as non-credited.

Since that time, the Pension Plan's demographics and asset base have declined to its current levels. At present, the Pension Plan is 58.6% funded on an actuarial basis, and it is facing a projected insolvency in the 2025-2026 plan year. As of July 1, 2016, the Pension Plan was 50.7% funded on a market basis, and its assets returned -1.33% on its investments for the most recent plan year. As of the most recent completed actuarial valuation as of July 1, 2016, there are 638 retirees, surviving spouses, and alternate payees in pay status; 377 inactive vested participants and deferred beneficiaries; and 141 active participants working an average of 42 weeks per year. The present value of accumulated vested benefits is $100,620,268, and the market value of assets was $51,181,760.

2007: As of July 1, 2007, the Pension Plan's level of funding was 79% on a market basis. The number of active participants was down 7.7% from the previous plan year, and the contribution weeks decreased by 7.1% from the previous plan year. Some of this decline was from the complete withdrawal of Pyrek Transport, an employer which contributed on 104 weeks in the plan year ending in 2006. Pyrek's withdrawal liability was deemed uncollectible.

The Pension Plan's investments returned 15.40% on a market basis. At the recommendation of the Plan actuary, the cost method was changed from Individual Entry Age Normal to Traditional Unit Credit. At the time, the present value of accumulated vested benefits was $104,880,517, and the market value of assets was $88,166,400.

In August 2006, it was reported to the Trustees that the IAM National Pension Fund requested additional information in order to review benefits and procedures in the Plan in the event of a merger. In September 2007, it was reported to the Trustees that the Board of Trustees of the IAM National Pension Fund had determined not to offer a merger proposal to the Plan at that time.

2008: As of July 1, 2008, the Pension Plan's level of funding was 71% on a market basis. The number of active participants was down 10.8% from the previous plan year, and the contribution weeks decreased by 13.6% from the previous plan year. Much of this decline was from the complete withdrawal of Borman Foods/Farmer Jack, an employer which contributed on 338 weeks in the plan year ending in 2007.

The Pension Plan's investments returned -4.93% on a market basis. In July 2008, the trustees changed investment firms, going with Smith Barney, in order to improve investment returns.

During this plan year, the actuary certified on September 29, 2008, that the Pension Plan was in "critical" status under the PPA. The Notice of Critical Status was issued to contributing employers and participants on October 29, 2008. The Board of Trustees adopted its first rehabilitation plan on October 23, 2008. This rehabilitation plan included only one schedule, the Default Schedule. Under the rehabilitation plan, the Pension Plan was projected to not exit critical status without a projected funding deficiency for at least 10 years until July 1, 2030. Thus, the initial rehabilitation plan made use of the exhaustion of all reasonable measures clause at Code § 432(e)(3)(A)(ii).

The rehabilitation plan's Default Schedule included the following non-credited contribution rate increases:

- Each employer's individually scheduled contribution rate increase for one or two years of up to 10.3%. The percent increases are compounded. The amounts vary depending on what could be negotiated with each employer.
- Following the individually scheduled increases above, each employer was required to make three consecutive increases of 10.3%. These percent increases are compounded.

The rehabilitation plan's Default Schedule also included the following benefit adjustments with an effective date of January 1, 2009:

- Eliminate the 25 & out unreduced early retirement benefit and increase the early retirement reduction factor to 5/9 of 1% for the first 72 months and 3/10 of 1% for the next 84 months – Participants eligible for the 25 & out on the effective date are grandfathered and not affected.
- Reduce normal form from 5-year certain and life to life annuity with no guarantee
- Eliminate the temporary disability benefit
- Eliminate all pre-retirement death benefits – The death benefit of 75% of a joint & 75% survivor payable at the participant's earliest retirement age would still be available, but participants would have to pay for coverage with a reduction in their accrued benefit according to the following schedule:

Age Range	Percent Reduction Per Month Covered
35-44	0.003%
45-49	0.006%
50-54	0.011%
55-59	0.024%
60-65	0.064%

- Eliminate the lump sum post-retirement death benefit which paid from $3,000 to $6,000 based on participant's service

These benefit cuts were scheduled to reduce the present value of the accumulated benefits by approximately $8.8 million. At the time, the present value of accumulated vested benefits was $101,057,014, and the market value of assets was $77,080,214. The changes above included all such changes available as adjustable benefits.

2009: As of July 1, 2009, the Pension Plan's level of funding was 54.9% on a market basis. The number of active participants was down 8.4% from the previous plan year, and the contribution weeks decreased by 12.8% from the previous plan year.

The Pension Plan's investments returned -20.15% on a market basis. Collective Bargaining Agreements continued to follow the contribution rate increases specified in the Default Schedule of the rehabilitation plan. After this large investment loss, the annual update to the rehabilitation plan first showed a projected insolvency. The Trustees continued to make use of the exhaustion of all reasonable measures clause and began attempting to forestall insolvency with no further changes to the rehabilitation plan. Insolvency was expected by June 30, 2024. At the time, the present value of accumulated vested benefits was $99,394,341, and the market value of assets was $55,405,935.

2010: As of July 1, 2010, the Pension Plan's level of funding was 56.0% on a market basis. The number of active participants was down 16.2% from the previous plan year, and the contribution weeks decreased by 3.8% from the previous plan year. Some of this decline was from the complete withdrawal of Bill Wink Chevrolet, an employer which contributed on 1,096 weeks in the plan year ending in 2009.

The Pension Plan's investments returned 13.86% on a market basis. Collective Bargaining Agreements continued to follow the contribution rate increases specified in the Default Schedule of the rehabilitation plan. The Trustees continued to make use of the exhaustion of all reasonable measures clause to forestall insolvency with no further changes to the rehabilitation plan. Insolvency was expected by June 30, 2026. The Trustees elected a 130% cap on the actuarial value of assets for 2009 and 2010 and 10-year smoothing of the loss for the plan year ending in 2009 as permitted by the Pension Relief Act of 2010. At the time, the present value of accumulated vested benefits was $98,001,346, and the market value of assets was $55,629,120.

2011: As of July 1, 2011, the Pension Plan's level of funding was 62.1% on a market basis. The number of active participants was down 24.2% from the previous plan year, and the contribution weeks decreased by 16.6% from the previous plan year. Some of this decline was from the complete withdrawal of Edward Levy and Company, an employer which contributed on 1,798 weeks in the plan year ending in 2010. Superior also contributed to the work declines in the last five years with 532 weeks in the plan year ending in 2006 dropping to 43 weeks in the plan year ending in 2011. Superior triggered a 70% decline partial withdrawal in 2011.

The Pension Plan's investments returned 24.38% on a market basis. Collective Bargaining Agreements continued to follow the contribution rate agreements specified in the Default Schedule of the rehabilitation plan. The Trustees continued to make use of the exhaustion of all reasonable measures clause to forestall insolvency with no further changes to the rehabilitation plan. Insolvency was expected by June 30, 2030. At the time, the present value of accumulated vested benefits was $97,203,242, and the market value of assets was $61,177,990. The Plan actuary updated mortality rate and made the rates fully generational.

2012: As of July 1, 2012, the Pension Plan's level of funding was 55.3% on a market basis. The number of active participants held steady from the previous plan year, and the contribution weeks increased by 12.4% from the previous plan year. Doan Construction has contributed to the work declines in the last seven years with 584 weeks in the plan year ending in 2005 dropping to 104 weeks in the plan year ending in 2012. Doan Construction triggered a 70% decline partial withdrawal in 2012. Superior Materials triggered a second consecutive 70% decline partial withdrawal in 2012.

The Pension Plan's investments returned -0.14% on a market basis. Collective Bargaining Agreements continued to follow the contribution rate increases specified in the Default Schedule of the rehabilitation plan. The Trustees continued to make use of the exhaustion of all reasonable measures clause to forestall insolvency with no further changes to the rehabilitation plan. Insolvency was expected by June 30, 2027. At the time, the present value of accumulated vested benefits was $96,320,994, and the market value of assets was $54,121,727.

In an attempt to cure the projected insolvency, the Trustees tried to broker a facilitated merger with IAM National Pension Fund in 2011 and 2012. This idea was initially very close to happening; the National Plan seemingly had two different workable scenarios with different benefit levels. The process continued into 2012 and became an affiliation where the National Plan would at least take over the administration and investments of the Plan and possibly also have new contribution rate increases be directed into the National Plan instead of the Plan. Employers would also have paid their mass withdrawal liability, capped to be over no more than 30 years. Ultimately, the idea fell apart because there was no real contribution rate increases left to make and, thus, no further benefits that would be payable to participants making this an unpalatable solution.

2013: As of July 1, 2013, the Pension Plan's level of funding was 56.3% on a market basis. The number of active participants was up 10.6% from the previous plan year, and the contribution weeks decreased by 1.6% from the previous plan year. Superior Materials triggered a third consecutive 70% decline partial withdrawal in 2013 but no additional amount was assessable due to credits from the previous two years. Doan Construction triggered a second consecutive 70% decline partial withdrawal in 2013 but no additional amount was assessable due to a credit from the previous year.

The Pension Plan's investments returned 13.49% on a market basis. Collective Bargaining Agreements made the final contribution rate increase specified in the Default Schedule of the rehabilitation plan. The Trustees continued to make use of the exhaustion of all reasonable measures clause to forestall insolvency with no further changes to the rehabilitation plan. Insolvency was expected by June 30, 2027. At the time, the present value of accumulated vested benefits was $95,368,138, and the market value of assets was $54,250,488.

2014: As of July 1, 2014, the Pension Plan's level of funding was 59.6% on a market basis. The number of active participants was up 5.3% from the previous plan year, and the contribution weeks increased by 8.8% from the previous plan year. Superior Materials triggered a fourth consecutive 70% decline partial withdrawal in 2014 but no additional amount was assessable due to credits from 2011 and 2012.

The Pension Plan's investments returned 17.39% on a market basis. An additional 10.3% non-credited increase was negotiated into the Collective Bargaining Agreement with Penske Truck Leasing. The Trustees continued to make use of the exhaustion of all reasonable measures clause to forestall insolvency with no further changes to the rehabilitation plan. Insolvency was expected by June 30, 2030. At the time, the present value of accumulated vested benefits was $94,669,390, and the market value of assets was $57,103,528.

The Board of Trustees considered in 2014 the partitioning of participants from previously participating employers that filed for bankruptcy. The hope, of course, was that removing these employers would leave the remaining plan in good enough shape to eliminate the projected insolvency or at least lower the probability of insolvency.

The results of the partition indicated a significant reduction in the chance of the Plan becoming insolvent, dropping from 77% to 36%. However, the partition was not looking to be in the financial interest of the PBGC. The cost of PBGC guarantee benefits in 2030 less the present value of future contributions in 2030 was only about $1.2 million. The cost of taking over the bankrupt employers in a partition, however, was much more expensive at $10.7 million. The pursuit of a partition ended because it would not be financially in the interest of the PBGC to approve it.

2015: As of July 1, 2015, the Pension Plan's level of funding was 49.3% on a market basis. The number of active participants was down 39.3% from the previous plan year, and the contribution weeks decreased by 19.2% from the previous plan year. Most of this decline was from the complete withdrawal of both Ryder Truck Rental and Superior Materials. Ryder contributed on 3,740 weeks in the plan year ending in 2014. Superior contributed on 93 weeks in the plan year ending in 2014.

The Pension Plan's investments returned -0.39% on a market basis. An additional 10.3% non-credited increase was negotiated into the Collective Bargaining Agreement with Penske Truck Leasing. The Trustees continued to make use of the exhaustion of all reasonable measures clause to forestall insolvency with no further changes to the rehabilitation plan. Insolvency was expected by June 30, 2027. At the time, the present value of accumulated vested benefits was

$103,136,327, and the market value of assets was $50,999,106. The liability increase was due to some assumption changes the Plan actuary made including a lower assumed return and updated mortality rates and improvement scale.

After the passage of Multiemployer Pension Reform Act, the Plan actuary talked to the PBGC about the idea of a facilitated merger under these new rules. The PBGC explained that funds from any facilitated merger would (1) have to be less expensive than the cost of the projected insolvency and (2) not compromise the PBGC's ability to fund commitments already made to other funds. With that in mind, the Plan actuary did not see a way that a facilitated merger could successfully be completed.

2016: As of July 1, 2016, the Pension Plan's level of funding was 50.7% on a market basis. The number of active participants was up 6.0% from the previous plan year, and the contribution weeks decreased by 26.1% from the previous plan year. The weeks continued to decline because Ryder Truck Rental's complete withdrawal occurred in the middle of the 2014-2015 plan year on December 17, 2014.

The Pension Plan's investments returned -1.33% on a market basis. The Trustees continued to make use of the exhaustion of all reasonable measures clause to forestall insolvency with no further changes to the rehabilitation plan. Insolvency was expected by June 30, 2026. At the time, the present value of accumulated vested benefits was $100,620,268, and the market value of assets was $51,181,760. The Plan actuary made a number of assumption changes including updated mortality rates and improvement scale, updated withdrawal rates, and updated retirement rates.