International Association of Machinists Motor City Pension Fund
EIN/Plan #: 38-6237143/001
Checklist Item #19 – 5.02 Plan Factors

Does the application include plan information required by section 5.02?

The application includes (Checklist Item #18) a detailed year-by-year analysis of the annual changes from 2007 through 2016 along with the series of steps taken by the Board of Trustees to avoid the impending insolvency in 2026.

Document 19.1 provides additional related information concerning the following "Plan Factors" for the past ten (10) Plan years.

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Document 19.1

1. Summary of Contribution Levels

Employers make contributions to the Pension Plan pursuant to individual collective bargaining agreements or participation agreements. The contribution rates vary among the employers and employee classes. The Board of Trustees considered contribution levels and the fact that contribution increases beyond those required by the Pension **Plan's** initial Rehabilitation Plan would drive an increasing number of contributing employers out of the Pension Plan.

The contribution rates for each employer from July 1, 2006 to the establishment of the rehabilitation plan in 2008 is as follows:

Number	Employer	Credited	Non-Credited	Effective Date
1100	ABC Paving Co.	$191.00	$ 0.00	8/1/2005
		$191.00	$10.00	8/1/2006
		$191.00	$20.00	8/1/2007
1503	Borman's Inc.	$100.00	$ 0.00	1/1/2005
1803	Concrete Delivery	$111.00	$ 0.00	6/1/2005
2103	Delta Trucking	$ 94.00	$ 6.00	7/1/2007
		$ 94.00	$ 8.00	7/1/2008
2700	Doan Construction	$134.70	$16.00	6/5/2006
		$134.70	$41.08	6/2/2008
2500	E&L Transport Co.	$248.70	$24.00	6/1/2006
2603	Eagle Trucking	$ 94.00	$ 6.00	7/1/2007
		$ 94.00	$ 8.00	7/1/2008
4703	Edward C. Levy Co.	$ 93.00	$ 0.00	6/1/2005
		$ 93.00	$10.00	6/1/2006
2903	Falcon Trucking	$ 94.00	$ 6.00	7/1/2007
3003	Faygo Trucking Co.	$121.55	$ 0.00	11/1/2005
		$121.55	$ 6.08	11/1/2006
		$121.55	$12.46	11/1/2007
3303	Gravel Trucking Co.	$ 94.00	$ 6.00	7/1/2007
		$ 94.00	$ 8.00	7/1/2008
1150	George P. Johnson	$ 21.60	$ 0.00	2/1/2005
		$ 21.60	$ 2.16	2/1/2008
3900	Holland Motor Express	$173.00	$24.00	5/1/2006
		$173.00	$65.37	5/1/2008
4200	I.A.M. District 60	$173.00	$ 0.00	5/1/2005
4600	Koenig Fuel & Supply Co.	$134.70	$16.00	6/5/2006
		$134.70	$41.08	6/2/2008

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Number	Employer	Credited	Non-Credited	Effective Date
5700	Motor City Electric	$302.70	$ 0.00	11/1/2005
		$302.70	$10.00	5/1/2007
		$302.70	$15.00	11/1/2007
5900	Motor Rail Delivery	$173.00	$24.00	5/1/2006
6050	Penske Truck Leasing Co.	$106.60	$ 0.00	11/1/2005
		$106.60	$10.66	11/1/2006
		$106.60	$23.09	11/1/2007
6400	Pyrek Transport, Inc.	$292.70	$10.00	1/1/2006
6900	Roadway Express	$173.00	$24.00	5/1/2006
		$173.00	$65.37	5/1/2008
7103	Ryder - Saunder-Taylor	$ 80.00	$ 0.00	9/15/2005
		$ 80.00	$ 4.00	9/15/2006
		$ 80.00	$ 8.00	9/15/2007
7104	Ryder - Highland Park	$ 70.00	$ 0.00	12/1/2005
		$ 70.00	$ 2.00	12/1/2006
		$ 70.00	$ 5.00	12/1/2007
7300	Ryder Truck Lease Div.	$ 80.00	$ 0.00	4/1/2005
		$ 80.00	$ 4.00	4/1/2006
		$ 80.00	$ 8.00	4/1/2007
		$ 80.00	$12.00	4/1/2008
7313	Ryder - Sherwood	$ 60.00	$ 7.00	2/1/2006
		$ 60.00	$15.00	2/1/2007
		$ 60.00	$22.50	2/1/2008
7450	Stacey Trucking Co.	$ 94.00	$ 6.00	7/1/2007
		$ 94.00	$ 8.00	7/1/2008
1803	Superior Materials LLC	$111.00	$ 0.00	6/1/2004
7505	Trailer Inspection Service	$ 15.00	$ 0.00	10/1/2001
7800	Yellow Freight System	$164.70	$24.00	5/1/2006
7703	(Bill) Wink Chevrolet/Geo	$ 30.00	$ 0.00	2/1/2005

Refer to the rehabilitation plan, Document 39.1 pages 39.4 to 39.7, for the contribution rate history on each employer from July 1, 2008 to present. The exception is with Penske Trucking, which made additional non-credited contribution rate increases in 2014 and 2015 as noted in Document 18.1 on page 18.6.

Refer to Document 26.1 on page 26.1 for a 10-year history of the average weekly contribution rates and the total contributions by plan year.

For collective bargaining agreements effective or renewed on or after June 30, 2008, the Board of Trustees prohibited any decrease in the contribution rate while the Pension Plan is in critical status.

2. Summary of Benefit Accrual Levels

Plan Year	Benefit Accrual Multiplier
July 1, 2006 through June 30, 2007	0.5%
July 1, 2007 through June 30, 2008	0.5%
July 1, 2008 through June 30, 2009	0.5%
July 1, 2009 through June 20, 2010	0.5%
July 1, 2010 through June 30, 2011	0.5%
July 1, 2011 through June 30, 2012	0.5%
July 1, 2012 through June 30, 2013	0.5%
July 1, 2013 through June 30, 2014	0.5%
July 1, 2014 through June 30, 2015	0.5%
July 1, 2015 through June 30, 2016	0.5%

Under the terms of the Pension Plan, a participant's accrued monthly benefit is determined by applying the applicable multiplier(s) to the amount of contributions made to the Pension Plan on the participant's behalf. The multiplier was significantly reduced by the Board of Trustees, to its current level of 0.5%. The multiplier was 3.5% for contributions made prior to July 1, 2004, and 2.0% for contributions made from July 1, 2004 to June 30, 2006.

In addition, any contribution increases after June 30, 2006 are deemed non-credited, meaning that no additional benefit has accrued to any Pension Plan participant based on any contributions made on such participant's behalf above the contribution level in place as of June 30, 2006. All contribution increases since June 30, 2006 are used solely to improve the Pension Plan's funding.

3. Summary of Benefit Reductions

In 2008 the Pension Plan's actuary certified the Pension Plan to be in critical status under the Pension Protection Act. The Pension Plan adopted a Rehabilitation Plan and as part of the Rehabilitation Plan, the Board of Trustees amended the Plan effective as of January 1, 2009, to reduce or eliminate several benefits in an effort to take all reasonable measures to forestall insolvency. The changes to adjustable benefits included:

1. The disability pension benefit was eliminated.

2. The pre-retirement lump sum death benefit was eliminated.

3. The qualified pre-retirement survivor annuity subsidy was eliminated resulting in a benefit reduction to pay for such coverage.

4. The post retirement lump sum death benefit was eliminated.

5. The early retirement reduction factors were increased, resulting in the elimination of virtually all the early retirement subsidies. However, the participants eligible for an unreduced early retirement pension based on 25 years of credited service at the effective date of the amendment were grandfathered and not affected. The Board of Trustees determined it was more financially advantageous to the Pension Plan for such participants to continue active employment, with ongoing contributions, rather than force their retirement at that time in order to secure the unreduced pension. This followed from the reduced benefit multiplier of 0.5% that was then applicable.

6. The five year certain and life was changed from the "normal form" of benefit, to an optional form of benefit, including an adjustment to the actuarial equivalent of the normal form of benefit (life annuity with no guarantee).

4. <u>Prior Benefit Suspensions (If Any)</u>

The Pension Plan has not implemented any other benefit suspensions under Code Section 432(e)(9) prior to this application.

5. <u>Measures Undertaken to Retain or Attract Contributing Employers</u>

Retention of contributing employers in the Pension Plan has been difficult over the past 10 years as a result of the economic and financial crises since the late 1990s and early 2000s. Over that time period, the Board of Trustees, with the assistance of the Pension Plan's actuary, has studied and implemented what it determined to be appropriate contribution level increases and benefit reductions in an effort to retain the contributing employers already in the Pension Plan. They also succeeded to a certain extent in encouraging current employers to remain in the Pension Plan. Nevertheless, over the course of the past 10 years the number of contributing employers has decreased by approximately 75%. The Board of Trustees also has monitored potential withdrawal liability assessments and pursued any unpaid amounts to the fullest extent of the law.

Among the specific measures taken by the Board of Trustees to retain or attract contributing employers was the adoption of the "free look rule" in 2007. The "free look rule" allows employers to avoid withdrawal liability if they withdraw from the Pension Plan within five years, before the time when its employees would vest, thereby allowing employers a greater incentive to participate in the Pension Plan and hopefully remain as a contributing employer. If such an employer elected not to stay, the Pension Plan retains the employer's contributions even though its participants did not become vested.

Further, as more fully described in Checklist Item #18, the Board of Trustees suspended the absolute annual 10.3% contribution rate increase after the initial five years of the Rehabilitation Plan. Such increases were hopefully to be continued where feasible but not at the risk of losing further employers.

6. <u>Impact of Solvency on Plan Subsidies and Ancillary Benefits</u>

The Board of Trustees eliminated almost all subsidies and there are no other ancillary benefits provided to the participants and beneficiaries.

7. <u>Compensation levels of active participants relative to employees in the Participant's same industry</u>

Compensation levels for active participants of the Pension Plan were historically greater than non-participants employed in the same industry. In the Pension Plan's geographic area, industry competition has impeded wage growth for Union members, although overall compensation costs for union members are higher due to better benefits.

The rising costs of pension benefits have caused a downward pressure on Union wages in general. Employers have experienced rising pension costs due to the cumulative supplemental employer contributions imposed by the Rehabilitation Plan. The overall pension costs will continue to rise. This increase in the pension costs has come out of the non-pension portions of the total compensation package and led to slower wage growth for participants.

At the same time, Pension Plan participants have experienced a reduction in the amount of benefit accruals they could expect to receive for each dollar contributed on their behalf along with the reduction or elimination of other benefits, as described above.

The confluence of the cumulative supplemental employer contributions and the benefit reductions has meant that an increasing portion of pension contributions are being used to pay unfunded pension obligations, which has led to a decline in support for the Pension Plan among active participants and made it more difficult to attract and retain contributing employers.

8. Competitive and other economic factors facing contributing employers

Economic factors over the past 15 years have affected the Pension Plan's contributing employers and directly impacted the Pension Plan's funding status. There has been steady decline in the number of the Pension Plan's contributing employers and the Pension Plan's financial condition.

This decline, coupled with the economic recessions over the last 15 years, have had a great impact on the local economy in the Union's jurisdiction. Pension Plan employers are engaged in a fragmented, competitive industry and have higher labor costs.

Specific examples of this would include the extremely competitive trucking and transportation industry that confronts YRC, one of the Pension Plan's largest contributing employers. In addition, the Pension Plan's largest contributing employer, Penske Truck Leasing, faces direct competition from Ryder Truck which has already withdrawn from the Pension Plan due to its increased cost factors and is thereby competing very favorably with Penske Truck Leasing as it is no longer obligated to pay the Pension Plan's increased contributions or its future unfunded liability. Furthermore, other participating employers have openly contemplated withdrawing from the Pension Plan. Factors affecting an employer's decision to withdraw from the Pension Plan include alleviating the economic burden imposed by the Rehabilitation Plan, eliminating the withdrawal liability reported on an employer's financial statements and taking advantage of the 20 year cap currently imposed on the withdrawal liability calculation, all of which factors worked in favor of Ryder Truck's decision to leave the Pension Plan.