

International Association of Machinists Motor City Pension Fund

EIN/Plan #: 38-6237143/001

Checklist Item #2 – 2.02 Description of the Proposed Benefit Suspension

Does the application include a description of the proposed benefit suspension – calculated as if no other limitations apply – that includes:

- *the suspension's effective date (and its expiration date, if applicable);*
- *whether the suspension provides for different treatment of participants and beneficiaries;*
- *a description of the different categories or groups of individuals affected; and*
- *how the suspension affects these individuals differently?*

See section 2.02.

Document 2.1 provides a description of the proposed benefit suspension under the Pension Plan.

Document 2.1

Description of the Proposed Benefit Suspension

The Board of Trustees of the Pension Plan proposed the following reduction of benefits, which will become effective on January 1, 2018, will remain in effect indefinitely, and will not expire by its own terms.

In deciding whether the proposed reduction would be distributed fairly under the Pension Plan, the Board of Trustees took into account the following nine (9) factors:

1. Age and life expectancy of the participants in the Plan;
2. The length of time the participants are in pay status;
3. The type and amount of the benefits being provided by the Plan;
4. The extent to which the benefits provided contain subsidies;
5. The history of benefit increases and reductions, including post-retirement increases;
6. Discrepancies between the benefits provided to active and retired participants;
7. The extent to which the current active participants are reasonably likely to withdraw support for the Plan which will cause employer withdrawals and increase the risk of additional benefit reductions for all participants and beneficiaries in this Plan;
8. The number of years to retirement for active participants; and
9. The extent to which a participant's or beneficiary's benefits are attributable to service with an employer that failed to pay its full withdrawal liability.

While the Board of Trustees considered all of the above factors, the design chosen does not have any explicit differences between different groups. Without these reductions, the Pension Plan is projected to become insolvent by the 2025-2026 plan year.

With the exception of the "individual limitations" of Code §432(e)(9)(D)(i), (ii) and (iii), all participants' benefits will be reduced to 110% of their PBGC guarantee benefit on benefits earned through January 1, 2018. Benefits earned after January 1, 2018 will return to the current benefit accrual rate. The individual limitations are the only exceptions to this reduction:

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EIN/Plan #: 38-6237143/001

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1. No reduction can apply to benefits based on disability under the Pension Plan's terms.
2. An individual's age affects the amount of the reduction that may apply to the monthly benefit. For instance, no reduction applies to the benefits of an individual who has reached age 80 or older as of the end of the month of the benefit reduction's effective date. For an individual who is between ages 75 and 80 as of the end of the month of the effective date of the reduction, the amount of the reduction that can apply to his or her benefit is reduced. The closer the individual is to age 80 as of that date, the smaller the reduction to the individual's benefit can be. If the age-based limits on the amount of a reduction apply to a participant, then the same limits will continue to apply for any beneficiary of the participant after the participant's death, regardless of the beneficiary's age. These disability-based and age-based limitations are discussed in more detail in Checklist Item #9.
3. Some participants' benefits are already below the maximum reduction, 110% of their PBGC guaranteed benefit, and will not be subject to any reduction.

Based on the individual limitations discussed above, the benefits of three (3) groups of participants and beneficiaries will **not** be cut or changed under the proposal:

1. Participants, retirees and beneficiaries who are age 80 or older at the time the cuts are made (only partial cuts would be made for participants between ages 75 and 80).
2. Participants who are receiving disability benefits under the terms of the Pension Plan at their initial retirements.
3. Participants whose benefits are already less than 110% of the PBGC-guaranteed benefit level at the time the cuts are made.

In the first group, 153 retirees and beneficiaries will be age 80 or older by the end of January 2018, if they are still alive (i.e., the end of the month of the benefit reduction's effective date, which is expected to be January 1, 2018). Benefit levels for those age 80 or older vary widely, ranging from under \$50 per month to a few recipients receiving over \$2,000 per month. The average benefit level for the first group is about \$690 per month.

In the second group, 14 participants are receiving disability benefits under the terms of the Pension Plan at their initial retirements, and are not already over age 80.

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The third protected group is comprised of any member whose benefit is already less than 110% of the PBGC-guaranteed benefit level. This group includes those members whose benefits are less than \$11 per month for each year of service. There are approximately 126 members in that group, based on benefits accrued through December 31, 2016.

Given that there are three member groups whose benefits will not be reduced or changed under this proposal, there must be significant cuts in the groups of remaining participants and beneficiaries to avoid insolvency. See Checklist Item #13 for additional discussion and statistics on how members will be affected.