International Association of Machinists Motor City Pension Fund
EIN/Plan #: 38-6237143/001
Checklist Item #20 – 5.03 How the Relevant Factors Were Taken into Account

Does the application describe how the plan sponsor took into account – or did not take into account – the relevant factors in the determination that all reasonable measures were taken to avoid insolvency? See section 5.03.

Document 20.1 provides a description of how the relevant factors were taken into account to avoid insolvency.

Document 20.1

Summary of How the Board of Trustees Took into Account All Relevant Factors to Determine that All Reasonable Measures Have Been Taken to Avoid Insolvency

The steps that the Board of Trustees has taken in terms of benefit reductions and contribution rate increases over the past ten (10) years are discussed in more detail in Checklist Item #18.

In addition, as summarized in Checklist Item #19 and as required by Revenue Procedure 2016-27, section 5.02, the Board of Trustees considered several factors to determine that all reasonable measures have been taken into account to avoid insolvency. The following summarizes how those various factors were taken into account to determine that all reasonable measures to avoid insolvency. See also Revenue Procedure 2016-27, section 5.03.

1. Contribution Levels and Benefit Accruals

When the Board of Trustee developed the rehabilitation plan back in 2008, they included non-credited contribution rate increases of 10.3% for at least three consecutive years plus for most employers a fourth and fifth year of increase of up to 10.3%. The rehabilitation plan also allowed for additional years of increases if they could be negotiated in contract renewals with each employer. A sixth and seventh year of 10.3% increases was successfully added from what is now the largest remaining employer.

The fact that these increases are well above inflation have taken its toll. Of the 19 employers participating in the Plan at the time the rehabilitation plan was written, only 5 of them remain participating today. No new employers have signed up. It was clear during negotiation with the employers remaining that they would also withdraw if any further contribution rate increases were added. This position has remained since the rehabilitation plan contribution rate increase schedules ended and, thus, no further contribution rate increases have been deemed feasible since.

The Board of Trustees also have made significant reductions in benefit accruals in order to avoid forestall plan insolvency. The benefit multiplier has been lowered to 0.5% of credited contributions since July 1, 2008. Factoring in all of the non-credited contribution rate increases noted above, the benefit multiplier on total contributions is within the range of 0.2% to 0.3% for most employers.

2. Subsidies and Adjustable Benefits

As noted in Checklist Item #19, the Pension Plan eliminated essentially all subsidies and adjustable benefits in 2008 following the passage of the PPA:

- The early retirement subsidy – This benefit was all but eliminated. The only remaining subsidy is a very small subsidy in early retirement at some ages due to adoption of a simplified set of reductions in place of exact actuarial equivalent reductions. The Board of Trustees, with the advice of the Pension Plan's actuary, determined that eliminating that subsidy would have no appreciable impact on the Pension Plan's funding problems.
- The 5-year certain subsidy – The subsidy of this benefit feature was eliminated. Participants can still elect a 5-year certain benefit with a reduction in their monthly benefit.
- The disability benefit was eliminated.
- The pre-retirement death benefit coverage subsidy – The cost of the pre-retirement death benefit has been passed on to participants with a percent reduction to their benefit for each month of pre-retirement death benefit coverage.

3. Elimination of Employer Contributions through a Mass Withdrawal

The Board of Trustees determined that the termination of the Pension Plan through a managed mass withdrawal would not resolve the funding problems. We determined that such a termination of the Pension Plan would, at best, defer the Plan's projected point of insolvency by about three years at which point benefit reductions would drop to the PBGC guarantee level. This is at least 10% lower than the benefit participants would have with a benefit suspension. It would be a much bigger impact for retirees who are age 80 or over or disabled participants under the Pension Plan. From the employers' perspective, there are no further required contribution increases under the applicable collective bargaining agreements, so this proposed benefit suspension would not harm the existing contributing employers. Under a mass withdrawal, withdrawal liability payments may be more than current contributions for most employers due to the averaging rules for contribution base units upon which withdrawal liability payments are based. In addition, employers might be under pressure to provide new retirement benefits under their defined contribution plans while still making large withdrawal liability payments.