

Automotive Industries Pension Plan

Checklist Item #2

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.

Yes. The required description is attached as Document No. 2.1.

Document No. 2.1

The application on behalf of the Automotive Industries Pension Plan (“Plan”) sets forth the following proposed benefit suspensions to be effective July 1, 2017 and continuing indefinitely thereafter.

The Plan currently provides a monthly accrued benefit for Future Service based on a percentage of contributions. Employees earn accruals for Future Service based on a percentage of contributions to the Fund on their behalf from a contributing employer. The accrual rates have changed over the years. Currently, the Plan provides for a 5% accrual rate on contributions for service prior to July 1, 2003; 3% accrual rate for contributions on service between July 1, 2003 and December 31, 2004; accrual rates between 0.5% and 2% (depending on amount of contributions) on contributions for service from January 1, 2005 through June 30, 2008; and an accrual rate of 1% on contributions for service since July 1, 2008.

The Trustees propose amending the Pension Plan to recalculate the unadjusted accrued benefits by limiting the accrual rate for Future Service prior to January 1, 2005 to 1.96% of contributions. For those in pay status, the prior adjustments for early retirement and/or optional payment forms will continue to apply. All Future Service accruals after January 1, 2005 are less than 1.96%. The highest effective accrual rate between January 1, 2005 and June 30, 2008 was 1.1%. The accrual rate has been at 1% since July 1, 2008.

While the proposed suspension does not explicitly treat groups of participant and beneficiaries differently, participants and beneficiaries will be impacted differently due to their Future Service accrual rate prior to the proposed suspension. Based on the Board of Trustees’ best interpretation of 26 C.F.R. § 1.432(e)(9)-1(d)(6)(iv) and (v), in consultation with the Plan’s actuary and legal counsel, the Board has determined the following groups to be affected by the suspension:

- 1) participants who retired prior to January 1, 1997 with an effective accrual rate of 4.5%;
- 2) participants who retired during calendar year 1997 with an accrual rate of 4.73%;
- 3) participants who retired during calendar year 1998 with an accrual rate of 4.9%;
- 4) participants who retired from January 1, 1999 to June 30, 2003, and inactive vested participants who accrued all benefits prior to July 1, 2003, with an accrual rate of 5%;
- 5) participants who accrued some or all benefits prior to January 1, 2005 at multiple accrual rates;
- 6) participants who accrued all benefits from January 1, 2005 to the present.

Because the Plan's accrual rates have changed over the years, the effect of the benefit reduction will affect participants differently depending on their benefit accrual rate. The following examples illustrate the different effect of the benefit reduction on each of the above defined groups:

These examples are all based on a single life annuity and do not apply to persons that have reached age 75 as of July 31, 2017, on a disability pension or whose benefits would be reduced to less than 110% of the PBGC guarantee.

1) Participants who retired prior to January 1, 1997 with an accrual rate of 4.5%.

For example: A participant who retired in 1996 with an accrual rate of 4.5% whose employers were responsible for \$30,000 in contributions on the participant's behalf to the Plan currently has a monthly benefit of \$1,350. Under the proposed benefit reduction, the participant will have an accrual rate of 1.96% and his or her monthly benefit reduced to \$588.

2) Participants who retired during calendar year 1997 with an accrual rate of 4.73%.

For example: A participant who retired in 1997 with an accrual rate of 4.73% whose employers were responsible for \$30,000 in contributions on the participant's behalf to the Plan currently has a monthly benefit of \$1,419. Under the proposed benefit reduction, the participant will have an accrual rate of 1.96% and his or her monthly benefit reduced to \$588.

3) Participants who retired during calendar year 1998 with an accrual rate of 4.9%.

For example: A participant who retired in 1998 with an accrual rate of 4.9% whose employers were responsible for \$30,000 in contributions on the participant's behalf to the Plan currently has a monthly benefit of \$1,470. Under the proposed benefit reduction, the participant will have an accrual rate of 1.96% and his or her monthly benefit reduced to \$588.

4) Participants who retired from January 1, 1999 to June 30, 2003, and inactive vested participants who accrued all benefits prior to July 1, 2003, with an accrual rate of 5%.

For example: A participant who retired in 2001 with an accrual rate of 5.0% whose employers were responsible for \$30,000 in contributions on the participant's behalf to the Plan currently has a monthly benefit of \$1,500. Under

the proposed benefit reduction, the participant will have an accrual rate of 1.96% and his or her monthly benefit reduced to \$588.

5) Participants who accrued some or all benefits prior to January 1, 2005 at multiple accrual rates.

For example: A participant who retired on January 31, 2007 and whose employers were responsible for \$20,000 in contributions on the participant's behalf from January 1, 1995 through June 30, 2003 with an accrual rate of 5%, \$5,000 in contributions during the period from July 1, 2003 through December 31, 2004 with an accrual rate of 3%, and \$5,000 in contributions during the period from January 1, 2005 through January 31, 2007, with an accrual rate of 0.5% based on a \$200 monthly contribution rate.

This participant currently has a monthly benefit of \$1,175 (\$1,000 earned through June 30, 2003, \$150 for July 1, 2003 through December 31, 2004 and \$25 after January 1, 2005).

Under the proposed benefit reduction, the participant will have an accrual rate of 1.96% for benefits earned from 1995 through 2004; the participant's benefits earned from January 1, 2005 through January 31, 2007 will be unaffected by the benefit reduction. In total, the participant's monthly benefit will be reduced to \$515 (\$392 earned before June 30, 2003, \$98 for July 1, 2003 through December 31, 2004 and \$25 after January 1, 2005).

6) Participants who accrued all benefits from January 1, 2005 to the present.

For example: A participant who retired after working from 2009 through 2015 and whose employers were responsible for \$30,000 in contributions on the participant's behalf to the Plan with an accrual rate of 1.0% currently has a monthly benefit of \$300. Under the proposed benefit reduction, the participant's monthly benefit will remain unchanged.

Because the proposed suspension reduces benefits for Future Service before January 1, 2005, in general, the effect of the suspension is greater on participants who earned more Future Service during that period. However, even for participants with all their benefit accruals earned prior to January 1, 2005, the effect of the proposed reduction will depend on the accrual rates in effect at the time of their retirement. The proposed reduction would have a lesser relative effect on those retiring with lower accrual rates.

Participants with Future Service accrued only after January 1, 2005 would not be subject to any benefit reductions as the Future Service accrual rate after January 1, 2005 is lower than the suspension rate of 1.96%.

The proposed benefit suspension recognizes that certain groups are exempted from or subject to limitations on the application of the benefit reductions. These include the following groups:

- All participants that were awarded with a disability pension and beneficiaries of such participants are exempt from the benefit reductions;
- Any participant or beneficiary that would receive a benefit that is less than 110% of the PBGC guaranteed level will be reduced only up to 110% of the PBGC guaranteed level;
- All participants and beneficiaries who are at least age 80 as of July 1, 2017 are exempt from the benefit reductions; and
- For participants who are between ages 75 and 80 as of July 1, 2017, the benefit reduction is limited to the fully suspended benefit plus an additional amount. This additional amount equals $1/60^{\text{th}}$ of the difference between the current benefit and fully suspended benefit, multiplied by the number of months that the participant's age as of July 1, 2017 is over age 75.