Automotive Industries Pension Plan
Checklist Item #13

Does the application include a demonstration that the proposed suspension is equitably distributed, including:

- information on the effect of the suspension on the plan in the aggregate,
- information on the effect of the suspension for different categories or groups,
- a list of the factors taken into account,
- an explanation of why none of the factors listed in section 432(e)(9)(D)(vi) were taken into account (if applicable), and
- for each factor taken into account that is not one of the factors listed in section 432(e)(9)(D)(vi), an explanation of why the factor is relevant, and
- how any difference in treatment among categories or groups of individuals results from a reasonable application of the relevant factors?

See section 4.04.

Yes. The demonstrations of the effect of the suspension on the Plan in the aggregate and for the different groups is attached as Document No. 13.2. The other information requested above is set forth in the attached Document No. 13.1.
The application filed on behalf of the Automotive Industries Pension Trust Fund includes a proposed benefit reduction which was designed by the Board of Trustees to be equitably distributed among the affected Participants and Beneficiaries.

The plan provides a monthly accrued benefit for Future Service. Employees earn accruals for Future Service based on a percentage of contributions to the Fund on their behalf from a contributing employer. For those who retired before July 1, 2003, the accrual rate ranged from 2.75% to 5.0% depending on the retirement date, with lower rates generally effective for earlier retirements (accrual rates lower than 4.5% were retroactively increased to 4.5%). The accrual rate is 3% for Future Service from July 1, 2003 through December 31, 2004. The accrual rate ranges between 0.5% and 2% depending on amount of contributions (0.5% for monthly contributions up to $250, 1% for monthly contributions greater than $250 but less than or equal to $500, 2% for monthly contributions greater than $500) for Future Service from January 1, 2005 through June 30, 2008. The accrual rate is 1% for Future Service since July 1, 2008.

Under the proposed benefit reduction, the Trustees will lower the accrual rate to 1.96% for all Future Service accruals prior to January 1, 2005. For the demonstrations requested by Revenue Procedure 2016-27, section 4.04(2)(A), the Board of Trustees, in consultation with the Plan’s actuary and legal counsel, relied on regulations at 26 C.F.R. § 1.432(e)(9)-1(d)(6)(iv) and (v) to guide in the Board’s determination of the relevant groups. Based on the Board of Trustees’ best interpretation of the most relevant factors, the demonstrations in Document No. 13.2 show results for the treatment of the following groups:

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 some or all accrued benefits prior to January 1, 2005 at multiple accrual rates;
6) participants who accrued all benefits from January 1, 2005 to the present.

Such difference in treatment results from a reasonable application of the factors considered by the Trustees identified below. In general, those with Future Service prior to January 1, 2005 have benefited from higher accrual rates. The reduction of the historical accrual rate will help even out the differences in accrual rates between participants with Future Service before and after January 1, 2005.
Also, participants who have retired under the 2008 Rehabilitation Plan have not been eligible for any subsidized retirement benefits, which has further widened the gap in the benefit amount between those with Future Service before and after January 1, 2005.

The Trustees considered a number of factors in designing the benefit suspension. The Trustees considered the history of prior benefit reductions, including the reductions in the accrual rate since 2003 along with the elimination of adjustable benefits under the 2008 Rehabilitation Plan. Because of these prior benefit reductions, the Trustees also recognized that retirees would generally be impacted to a greater degree by the proposed benefit suspension than would active participants. The Trustees were also concerned that further reducing the accrual rate of active participants would cause a loss of support for the Plan and may lead to further employer withdrawals. These are all relevant factors that may be reasonably selected by the plan sponsor.

The Trustees considered the following factors listed in section 432(e)(9)(D)(vi) and discussed below:

- **Age and life expectancy**

  As required by law, benefits for participants age 80 and over are not affected by the proposed suspension, and benefits for participants age 75 and over, but that have not yet reached age 80, are affected to a lesser extent. There are no additional benefit reductions specific to age or life expectancy for participants under age 75. However, participants who accrued more of their benefit from service prior to 2005 will be affected to a greater degree by the proposed suspension, since the accrual rate is being reduced for that period. These participants may be, in general, older and with a shorter life expectancy.

- **Length of time in pay status**

  Participants who have been in pay status for an extended period may be exempt from any benefit suspensions due to age. There are no additional benefit reductions specific to the amount of time they have been in pay status. However, participants who accrued more of their benefit from service prior to 2005 and may have retired earlier will be affected to a greater degree by the proposed suspension, since the accrual rate is being reduced for that period.

- **Amount of benefit**

  Please see response under “History of benefit increases and reductions,” below.

- **Type of benefit: survivor, normal retirement, early retirement**

  The proposed benefit reduction does not specifically target certain types of benefits. However, subsidized early retirements and survivor benefits will generally be impacted to a greater degree by the reduction in accrual rate than unsubsidized benefits. Participants with subsidized benefits
will exhibit a greater decline in the actual value of their retirement benefit than would a similarly-situated participant with unsubsidized benefits.

Here is an example. Assume participants A and B both earned a $1,000 accrued benefit for service before January 1, 2005 and both retired at age 55. Participant A retires under the Rule of 85 and Participant B retires under the 2008 Rehabilitation Plan schedule without a subsidy. Participant A’s monthly benefit is $1,000 and Participant B’s monthly benefit is $377 after applying the early retirement factor at age 55. If the accrual rate were reduced by 40%, Participant A would receive $600 and B would get $227. Therefore, Participant A’s benefit would be reduced by $400 and B’s benefit would be reduced by $150 under the proposed suspension.

- Extent to which participant or beneficiary is receiving a subsidized benefit

Upon the enactment of the Rehabilitation Plan, new Collective Bargaining Agreements negotiated after April 27, 2008 eliminated the Rule of Unreduced Early Retirement Benefit and eliminated subsidies for Early Retirement and the Joint and Survivor benefit. Participants and their surviving spouses who retired after implementation of the Rehabilitation Plan schedule were not eligible for subsidized benefits. Participants who accumulated more benefits prior to January 1, 2005 were also more likely to retire prior to the Rehabilitation Plan with a subsidized benefit. Although the proposed benefit reduction does not target subsidies, participants with subsidized benefits will exhibit a greater decline in the actual value of their retirement benefit than would a similarly-situated participant with unsubsidized benefits, as shown by the example in the section above.

- History of benefit increases and reductions

The Trustees considered that the Rehabilitation Plan eliminated adjustable benefits (including early retirement subsidies, joint and survivor subsidies, optional payment forms, guaranteed payments and disability retirements) and reduced the accrual rate to 1% for all Future Service since January 1, 2005.

The accrual rate rose steadily over time, increasing from 2.75% and peaking in the period from January 1, 1999 through June 30, 2003 at 5% (accrual rates lower than 4.5% were retroactively increased to 4.5%). The accrual rate was decreased to 3% effective July 1, 2003. The accrual rate ranges between 0.5% and 2% (depending on amount of contributions) for Future Service from January 1, 2005 through June 30, 2008. Effective July 1, 2008, the accrual rate has been 1%.

Participants retiring prior to the Rehabilitation Plan remained eligible for the subsidized benefits and accrued more of their benefits during the years in which the Plan’s accrual rate ranged from 2.75% to 5%.
Participants received adjustable benefits and a higher accrual rate when the Plan was in good financial shape. Once the Plan encountered financial difficulties and sustaining those benefits was no longer feasible, the Trustees implemented accrual rate reductions in 2003 and 2005, and eliminated adjustable benefits and fixed the accrual rate at 1% in the 2008 Rehabilitation Plan. Participants who retired prior to the Rehabilitation Plan’s implementation were not subject to these benefit reductions and have maintained pensions with the higher accrual rates. The Trustees determined that reducing the historically high accrual rates to a capped accrual rate serves to even out the differences in benefits between participants due to the more generous accrual rates prior to January 1, 2005.

- Any discrepancies between active and retiree benefits

The Trustees considered that active participants have been subject to greater benefit reductions due to the decrease in accrual rates since January 1, 2005 and the elimination of subsidized benefits in the 2008 Rehabilitation Plan. The proposed benefit suspension which reduces the highest historical accrual rates to a flat capped rate will generally impact retiree benefits to a larger degree than active benefits. The Trustees determined that this will even out the differences in benefits between actives and retirees due to the more generous accrual rates prior to 2005.

- Extent to which active participants are reasonably likely to withdraw support for the plan, accelerating employer withdrawals from the plan and increasing the risk of additional benefit reductions for participants in and out of pay status

The Trustees considered that further benefit reductions to active participants beyond those imposed by the 2008 Rehabilitation Plan and the updated 2012 Rehabilitation Plan would cause employers and participants to consider withdrawing from the Plan. The current low accrual rate already makes it difficult to retain existing employers, attract new employers and retain the support of Plan participants. In fact, no new contributing employers have joined the Plan since 2008. See Declaration of Donald Crosatto, Document No. 19.2, ¶ 11.

If a prospective reduction in the current 1% accrual rate for active participants were adopted, the Trustees believed that this would lead to a loss of contributing employers whose employees would consider leaving the Plan to participate in other pension plans (such as the IAM National Pension Fund) which have richer benefits. A loss of contributions from active participants will affect all participants (active, retired and inactive vested) as the funding of plan benefits depends on contributions received. See Declaration of Donald Crosatto, Document No. 19.2, ¶ 13.
## Automotive Industries Pension Plan
### Demonstration of Distribution of Benefit Suspensions

#### Exhibit for Rev. Proc. 4.04(1)(a) and 4.04(2)(A)

<table>
<thead>
<tr>
<th>Participant Groups</th>
<th>Total Participants*</th>
<th>Beneficiaries</th>
<th>QDRO/APs</th>
<th>Average Pre-Suspension</th>
<th>Average Post-Suspension</th>
<th>Average Reduction</th>
<th>Reduction in PVAB as of Jan 1, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2,893</td>
<td>1,141</td>
<td>51</td>
<td>$530</td>
<td>$522</td>
<td>-2%</td>
<td>$2,338,392</td>
</tr>
<tr>
<td>2</td>
<td>342</td>
<td>62</td>
<td>13</td>
<td>$813</td>
<td>$734</td>
<td>-10%</td>
<td>$2,759,760</td>
</tr>
<tr>
<td>3</td>
<td>360</td>
<td>62</td>
<td>14</td>
<td>$1,041</td>
<td>$859</td>
<td>-17%</td>
<td>$7,129,567</td>
</tr>
<tr>
<td>4</td>
<td>11,962</td>
<td>655</td>
<td>218</td>
<td>$716</td>
<td>$449</td>
<td>-37%</td>
<td>$250,169,100</td>
</tr>
<tr>
<td>5</td>
<td>7,784</td>
<td>113</td>
<td>88</td>
<td>$1,759</td>
<td>$961</td>
<td>-45%</td>
<td>$484,529,898</td>
</tr>
<tr>
<td>6</td>
<td>2,215</td>
<td>1</td>
<td>1</td>
<td>$203</td>
<td>$203</td>
<td>0%</td>
<td>$0</td>
</tr>
<tr>
<td>Total</td>
<td>25,556</td>
<td>2,034</td>
<td>385</td>
<td>$974</td>
<td>$601</td>
<td>-38%</td>
<td>$746,926,717</td>
</tr>
</tbody>
</table>

* Includes beneficiaries and QDRO/APs

#### Exhibit for Rev. Proc. 4.04(1)(b) and 4.04(2)(A)

<table>
<thead>
<tr>
<th>Reduction</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Cuts</td>
<td>2,617</td>
<td>240</td>
<td>219</td>
<td>1,949</td>
<td>431</td>
<td>2,215</td>
<td>7,671</td>
</tr>
<tr>
<td>0-10%</td>
<td>229</td>
<td>65</td>
<td>80</td>
<td>3,568</td>
<td>797</td>
<td></td>
<td>4,739</td>
</tr>
<tr>
<td>10-20%</td>
<td>24</td>
<td>13</td>
<td>13</td>
<td>1,146</td>
<td>504</td>
<td></td>
<td>1,700</td>
</tr>
<tr>
<td>20-30%</td>
<td>14</td>
<td>7</td>
<td>7</td>
<td>762</td>
<td>620</td>
<td></td>
<td>1,410</td>
</tr>
<tr>
<td>30-40%</td>
<td>5</td>
<td>7</td>
<td>13</td>
<td>855</td>
<td>931</td>
<td></td>
<td>1,811</td>
</tr>
<tr>
<td>40-50%</td>
<td>2</td>
<td>3</td>
<td>9</td>
<td>834</td>
<td>1,559</td>
<td></td>
<td>2,407</td>
</tr>
<tr>
<td>50-60%</td>
<td>2</td>
<td>7</td>
<td>18</td>
<td>1,011</td>
<td>2,748</td>
<td></td>
<td>3,786</td>
</tr>
<tr>
<td>60-61%</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1,837</td>
<td>194</td>
<td></td>
<td>2,032</td>
</tr>
<tr>
<td>Total</td>
<td>2,893</td>
<td>342</td>
<td>360</td>
<td>11,962</td>
<td>7,784</td>
<td>2,215</td>
<td>25,556</td>
</tr>
</tbody>
</table>