

**Automotive Industries Pension Plan
Checklist Item #21**

Does the application describe how the plan sponsor took into account – or did not take into account – in the determination that all reasonable measures have been taken to avoid insolvency the impact of:

- **benefit and contribution levels on retaining active participants and bargaining groups under the plan, and**
- **past and anticipated contribution increases under the plan on employer attrition and retention levels?**

See section 5.03.

Yes. The documentation is attached as Document No. 21.1.

Impact of Benefit and Contribution Levels on Retaining Active Participants and Bargaining Groups under the Plan

The Trustees considered the impact of benefit and contribution levels on retaining active participants and bargaining groups under the Plan. The active participants' adjustable benefits were previously eliminated under the Rehabilitation Plan and the future service accrual rate reduced as much as possible in the default schedule, including to a very low benefit accrual rate of 1%. Due to the impact of the Rehabilitation Plan, active participants have already been seeking alternatives instead of remaining in the Plan. For example, at Union contract proposal meetings, participants often propose new retirement money should be bargained into a 401(k) plan or a different pension plan. *See Declaration of Donald Crosatto ("Crosatto Decl.")*, Document No. 19.2., ¶ 13. Any further reductions to the benefit accrual rate would put the Plan at increased risk of losing support from active participants. Nevertheless, once informed about MPRA, active participants tend to support the Plan making an application because they believe that the Plan's projected insolvency will mean they will receive little, if any, of their pension when they retire. *Crosatto Decl.*, Document No. 19.2., ¶ 14.

Impact of Past and Anticipated Contribution Increases on Employer Attrition and Retention Levels

As for the impact of past and anticipated contribution increases on employer attrition and retention levels, the average contribution levels have stayed relatively flat over the last 10 years (\$393.84 in 2006 to \$398.43 in 2015). Employers have been reluctant to agree to higher contribution levels because they must also pay the supplemental employer contributions under the Rehabilitation Plan. *Crosatto Decl.*, Document No. 19.2, ¶ 12. Trustees initially enacted a 12.5% cumulative supplemental employer contribution as part of the 2008 Rehabilitation Plan, scheduled to take effect beginning in 2013. Some employers were financially healthy and could afford such an increase. However, the smaller employers informed the Union that they would be unable to pay this supplemental employer contribution and threatened that they would have no choice but to go out of business or file for bankruptcy. *Crosatto Decl.*, Document No. 19.2, ¶ 6. The Trustees were convinced that the 12.5% cumulative supplemental employer contribution would cause the three largest contributing employers to pull out of the Plan and that if those employers left, the smaller employers would follow suit, leading to a mass withdrawal. *Crosatto Decl.*, Document No. 19.2, ¶ 7. In light of these factors, when it came time to update the Rehabilitation Plan in 2012, the Trustees determined that a maximum cumulative surcharge of 5% would allow the Plan to retain contributing employers and discourage withdrawals thereby allowing the Plan to maintain or possibly improve its funding status and forestall insolvency as long as possible. *Crosatto Decl.*, Document No. 19.2., ¶ 10.

Any increase in contributions would also make contributing employers less competitive in the marketplace and increase the risk of future bankruptcies or withdrawals.