Automotive Industries Pension Plan
Checklist Item #23

Does the application include a copy of the proposed ballot, excluding the information regarding the statement in opposition, the individualized estimate, and the voting procedures?

See section 6.01.

Yes. A copy of the proposed ballot is attached as Document No. 23.1.

Document No. 23.1

Ballot for Ratification of Benefit Reductions
Automotive Industries Pension Plan

ATTENTION AUTOMOTIVE INDUSTRIES PENSION PLAN PARTICIPANTS, RETIREES AND BENEFICIARIES:

As described in the Notice of Application for Approval of a Proposed Reduction in Benefits under the Automotive Industries Pension Plan ("Notice"), which was mailed to you on or about [DATE], 2016, the Joint Board of Trustees ("Board of Trustees") of the Automotive Industries Pension Plan ("Plan") submitted an application to the U.S. Department of the Treasury to reduce benefits pursuant to the Multiemployer Pension Reform Act of 2014 ("MPRA"). The Notice explained that if the Plan's application to reduce benefits is approved by the Secretary of the Treasury, participants and beneficiaries in pay status of the Plan will be given the opportunity to vote on whether the benefit reductions should go into effect.

On [DATE], the Plan's proposed plan of benefit reductions was approved by the Secretary of the Treasury, in consultation with PBGC and the Secretary of Labor.

This ballot is designed to assist you in deciding whether to vote to approve the proposed plan of benefit reductions. Your actual vote must be cast by telephone or electronically using a secure website, as described at the end of this ballot. Do not attempt to cast your vote by mailing the ballot to the Plan. Please read all information and instructions contained below before casting your vote.

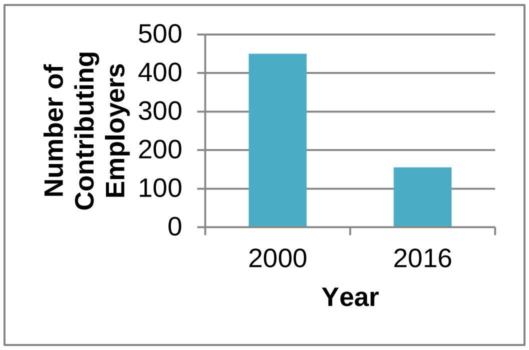
The Plan's Statement in Support

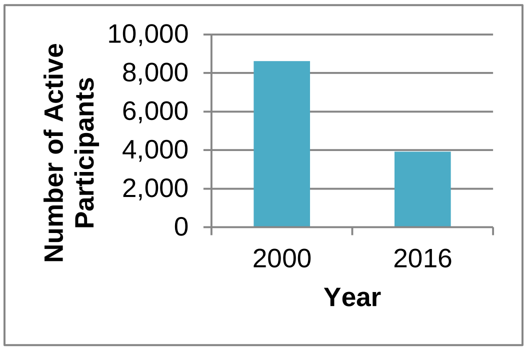
The Board of Trustees is dedicated to safeguarding the financial condition of the Plan in order to provide retirement benefits to all participants, including active participants, retirees, inactive vested participants and beneficiaries, who have worked for and earned a retirement benefit. We know that you worked hard for your pension and you deserve to have a secure retirement. Unfortunately, in order to preserve the retirement benefits for all participants and to keep the Plan solvent the Board must reduce certain benefits. Without these pension reductions, the Plan is projected to become **insolvent by 2029.** This means that the Plan will run out of money and will be unable to pay benefits.

How Did The Plan Get Into This Financial Situation?

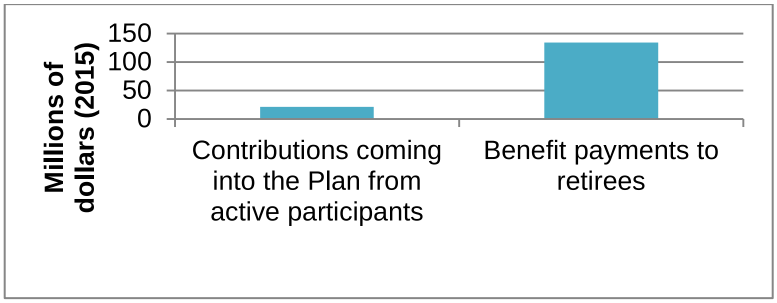
- *Economic recessions*: The economic recessions of 2001 and 2008 hit the automotive industry particularly hard. The recessions, including the General Motors and Chrysler bankruptcies, resulted in the closing, bankruptcy or sale of many automotive dealerships, automotive parts retail shops and other automotive related businesses in the Bay Area.

- *Decline in Contributing Employers*: The closing and bankruptcy of the many Bay Area automotive dealerships, automotive parts retail shops and other automotive related businesses resulted in a decline in the number of contributing employers and the number of active (working) participants.





As a result of the decline in contributing employers, benefit payments to retirees greatly exceed the contributions coming into the Plan.



This has put an enormous pressure on the assets of the Plan.

- *Financial Market Declines*: Plan investments have not sufficiently recovered from the market declines of 2000-2002 and the market crash of 2008. The Plan lost 28% of its investment value in 2008 alone. Plan investments have performed well in recent years on a percentage basis, but because those gains were made on a smaller amount of assets, these gains have been insufficient to undo the significant losses since 2000.

<u>Past Measures Taken By The Trustees</u>

- *Cuts in Benefit Accrual Rate*. The benefit accrual rate, which reached 5% in 1999, was reduced in 2003 and 2005 and has been at 1% since the 2008 Rehabilitation Plan.

- *Other Benefits Eliminated*. The 2008 Rehabilitation Plan eliminated benefits for active (working) participants and inactive vested participants, such as the “Rule of 85” unreduced early retirement benefit, early retirement subsidies, early retirement for inactive vested participants and disability benefits.

- *Employers Pay 5% Cumulative Supplemental Contributions from 2013 to 2019.* Employers pay an extra 5% on every dollar that they are otherwise required to contribute to the Plan. This 5% supplemental contribution is cumulative (i.e., 5% in 2013, 10.3% in 2014 and is 40.7% in 2019). The supplemental contributions do not grant participants additional benefits but instead help to strengthen the Plan's funding status. In other words, this means that current retiree benefits are being paid in part out of these supplemental contributions.

<u>Why Should I Support the Reduction Plan?</u>

Despite the Board of Trustees' actions, the Plan remains in a difficult financial position. If the benefit reductions are not implemented and the Plan becomes insolvent it would be turned over to the Pension Benefit Guaranty Corporation ("PBGC"), a federal agency which insures benefits of pension plan participants. The PBGC will pay the benefit provided by the Plan up to the PBGC's legal limit. The benefits paid by the PBGC would ***be less*** than the proposed benefits under this reduction.

Of further concern, the PBGC has projected that it will run out of money in its multiemployer program to pay the PBGC guaranteed benefit in 2025, four years before the Plan is scheduled to run out of money. Should both the Plan and the PBGC run out of money, your benefit could be reduced even further than the guarantee level **to almost zero**.

Some retirees may perceive that they are better off receiving their full benefit through the projected insolvency date. However, insolvency could occur earlier, for example, should employers leave the Plan or should Plan investments return less than expected. With the reduction plan, however, the Plan is projected to remain solvent and continue to make benefit payments for all participants.

The reduction plan fully protects the most vulnerable persons. Participants on disability pensions and participants age 80 and over will not have their pension benefits reduced at all (participants between ages 75 and 79 are partially protected). However, the PBGC does not grant these protections based on disability or age, so if the Plan becomes insolvent, the pensions of these participants will be reduced to the level of the PBGC guarantee.

We realize that these changes will have a big impact on you and your family. The Board of Trustees has considered all of its options to come up with a fair and equitable reduction plan that will protect the most vulnerable participants and prevent the Plan from becoming insolvent. The reduction plan is not a temporary fix – it will restore the Plan to sound financial health and allow us to pay pension benefits far into the future for current retirees and currently working participants.

The reduction plan will go into effect unless a majority of eligible voters vote to reject the reduction plan. Thus, a failure to vote has the same effect on the outcome of the vote as a vote in favor of the reduction plan. **To preserve the retirement security for all Plan Participants, we urge you to vote to approve this reduction plan**.

Description of Proposed Benefit Reductions

Under the proposed reduction plan, accrued benefits of all participants (and beneficiaries) will be reduced by limiting the monthly benefit accrual rate for service for a contributing employer prior to January 1, 2005 to 1.96% of contributions. This means that for any month prior to January 1, 2005 in which you accrued a benefit in excess of 1.96% of contributions, your benefit will be recalculated for those months.

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 Trustees have identified groups of participants with the same or similar accrual rates and the impact of the proposed benefit reduction on each of those groups is as follows:

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 reduction plan reduces benefits for accruals before January 1, 2005, the effect of the reduction plan is greater on participants who earned more benefits during that period. Participants with only service after January 1, 2005 would not be subject to any benefit reductions as the accrual rate after January 1, 2005 is lower than the reduction plan rate of 1.96%.

Statement In Opposition

(To be compiled from comments received by the Treasury)

Plan is Projected to Remain Solvent Indefinitely if Benefit Reductions are Implemented

The Plan's actuary has certified that the Plan is projected to avoid insolvency, if the proposed benefit reductions under the reduction plan are implemented. This projection requires the use of certain assumptions, so the determination is subject to some uncertainty.

Individualized Benefit Estimate

A copy of the individualized estimate of how the proposed reduction applies to you is included with this ballot.

Secretary of Treasury's Approval of the Proposed Reduction Plan

This proposed reduction plan of benefit reductions has been reviewed and approved by the Secretary of Treasury, in consultation with the PBGC and the Secretary of Labor.

Reduction Plan Commencement Date

If approved, the reductions of benefits described below will commence on July 1, 2017 and will remain in effect indefinitely.

Factors Taken Into Account in Designing Benefit Reductions

In deciding whether the proposed reduction is spread fairly, the Board of Trustees took into account the following factors:

- Age
- Life expectancy
- Length of time in payment status
- Amount of benefit
- Type of benefit-survivor, normal, retirement, early retirement
- Extent of benefit subsidy
- History of benefit increases and reductions
- Discrepancies between active and retiree benefits
- Extent to which suspension will result in withdrawal of participant support of the plan