Automotive Machinists Pension Plan Update

From the Board of Trustees
Automotive Machinists Pension Trust

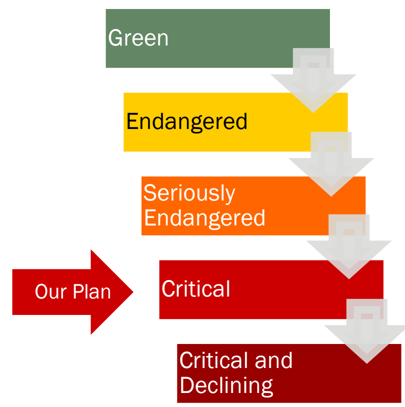
April 2018

Good News

Last year at this time, we reported that it was very likely that the Plan would drop into the 'critical and declining' zone. The Plan is still in the 'critical' zone, but no longer projected to drop further in the near future.

What happened?

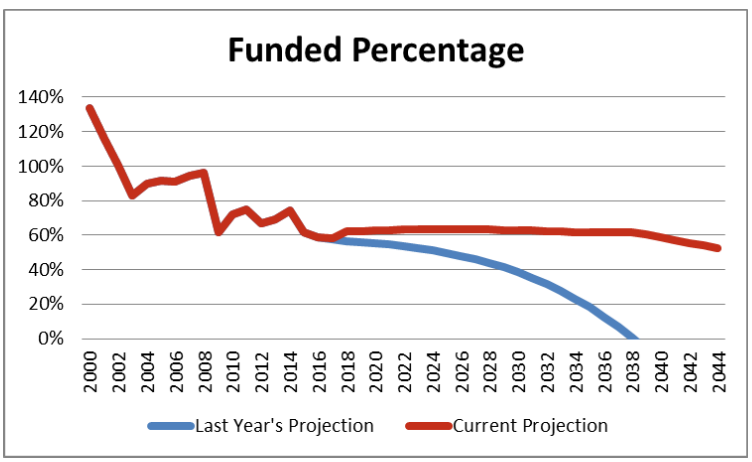
- Daimler, the Plan's largest employer, withdrew from the Plan (which is actually good for the Plan; keep reading to learn why).
- The Plan's investment return for 2017 was 15%.



What does this mean for you? These events have stabilized the Plan's funding. The idea that we might have to reduce benefits to save the Plan is off the table for now.

The Plan's Funding Is Projected to Level Out

Last year, we told you that the funding level was projected to be on a steep decline (the blue line in the chart below). Now, the funding level is projected to level out (the red line in the chart below).



While the impact of our 15% return on investments for 2017 was much smaller than the Daimler withdrawal in changing the direction of this line, it's still very important.

Future investment returns will largely determine what the funding line looks like moving ahead.

Just as things look very different now than they did a year ago, they could look very different again next year. For example, if we had a 20% return in 2018, the Plan would be projected to be 100% funded 20 years from now. However, if we had a negative 10% return in 2018, we'd be back to a projection of running out of money in 20 years. Those kinds of returns are unusual, but we've had both in the last 20 years.

As you can see in the chart above, this isn't a total turnaround. We're in much better shape than we were, but funding is still projected to be much lower than where it needs to be, and the line is not trending up. A lot depends on what happens over the next few years.

About the Daimler Withdrawal

On the surface, having the Plan's largest employer leave may not seem like good news. However, this helps the Plan in two ways:

- Daimler's anticipated payments to the Plan over the next 20 years will be higher than what they would have paid if they had stayed in the Plan. (Employers who withdraw are still responsible for their portion of the Plan's liability.)
- Daimler participants will no longer be earning benefits under the Plan, meaning a slowdown in the growth of the Plan's liability (they will have a different retirement plan going forward).

The Plan's funding is all about making sure there are enough assets (money on hand, earnings on investments, and contributions coming in) to cover liabilities (future benefit payments). Usually, more participants earning benefits is a good thing for the Plan because that means more contributions coming in. In this case, contributions will be coming in more quickly with no related increase in benefits that will need to be paid out. Because Daimler was the largest employer in the Plan, the impact of their withdrawal is significant.

What Happens If?

To get back to a well-funded Plan, we need good investment returns and a strong base of active participants with plenty of hours to work. As you can see, the events of one year can have a big impact on the Plan — for better or for worse.

What if the Plan Does Better Than Expected?	What if the Plan Does Not Meet Expectations?
The red line on the chart on the previous page assumes that the Plan earns 6.5% per year in investment returns. Another really good return next year would set us up well for getting back on track. The Daimler withdrawal gave us a big boost (assuming they continue to make their payments) and stabilized the situation. What we need to turn that line upward are investment returns that consistently meet (and some that beat) our 6.5% assumption.	If investment returns are poor, we could end up back where we were — facing the difficult choice of trying to save the Plan or letting it run out of money. Keeping the Plan going allows us to pay higher benefits than the PBGC would pay, gives us a better chance of maintaining a strong contribution base — increasing our odds of being able to pay benefits for the long haul — and provides active participants a better chance of earning meaningful benefits in the future.

Learn More

Join us at an upcoming meeting to learn more and get your questions answered. See the enclosed flyer or visit www.automotivemachinistspension.com for details.

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