

Automotive Machinists Pension Trust

2815 2nd Avenue, Suite 300 • P.O. Box 34203 • Seattle, Washington 98124
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Administered by
Welfare & Pension Administration Service, Inc.

January 9, 2013

**To: All Participating Employers and Unions
Automotive Machinists Pension Trust**

Re: Changes to the 2012 Rehabilitation Plan

The enclosed notice describes recent changes to the Rehabilitation Plan for the Automotive Machinists Pension Trust. No action is required – this letter simply explains what is happening and why.

What's Happening

The updated rehabilitation plan affects employer contributions only – participant benefits are not affected beyond changes already made in 2009 with the initial Rehabilitation Plan. The prior contribution schedule required 25% annual increases up to 125%. While the new schedule requires ultimate contribution increases up to 162.5%, the rate of increase was slowed to allow for an easier transition. After four 25% annual increases (up to 100%), subsequent annual increases will be 12.5% from 100% to 162.5%. Under the Default Schedule, the one-time contribution increase will change from 160% to 208%.

Background

The Pension Protection Act of 2006 (PPA) requires an annual certification of the Plan's status. Because the Plan was in critical status beginning in 2009, the Trustees developed and now monitor the Rehabilitation Plan. The Rehabilitation Plan includes two schedules (Schedule A and the Default Schedule). Bargaining parties must select from these two schedules, which mandate new contribution rates and new accrued benefit features.

The monitoring process for the Rehabilitation Plan is an annual test that must reflect the ongoing experience of the Plan. Because the Rehabilitation Plan must meet projected future plan metrics (primarily, improving funded status and avoiding a projected funding deficiency), the two schedules were developed by projecting the new contribution and benefit structures into the future, using both demographics and investment return assumptions.

Why the Current Changes Are Necessary

Performance of the investment markets plays a major role in pension plan funding and the metrics used to monitor the Rehabilitation Plan. The lack of positive market returns in recent years has been driven by a variety of economic factors outside our control.

The poor investment markets in 2011 negatively impacted our plan's funding, and were not sufficient to keep the 2011 Rehabilitation Plan on target. However, the Trustees incorporated the Plan's positive 2012 year to date investment performance in developing the Rehabilitation Plan update for 2012. This allows the current changes to be less severe than if they had been based solely on 2011 performance.

How Participating Employers Are Affected

Virtually all bargaining agreements that have thus far adopted the Rehabilitation Plan have chosen Schedule A. The initial four years of required contributions were intentionally left unchanged, to provide for consistency among different bargaining units. Any existing bargaining agreement will be unaffected by the new schedule until it expires or is renegotiated. At that time, the new agreement will pick up the Schedule A increases where the previous agreement ended. The smaller annual increases are intended to provide some relief to the bargaining parties.

While the hope is that favorable investment returns will allow these future projected increases to be removed eventually, the Trustees made the changes as required by law, in response to the plan's actual experience.

The Trustees certainly understand the impact of requiring additional funding-only contributions to improve the financial health of the Plan. They continue to evaluate and receive professional guidance about the plan's available options and investment strategy in light of the current economic environment.

Board of Trustees Automotive Machinists Pension Trust

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January 9, 2013

**TO: All Participating Employers and Unions
Automotive Machinists Pension Trust**

RE: Notice of Updated Rehabilitation Plan

This notice is to inform you that the Board of Trustees of the Automotive Machinists Pension Trust (“Trust”) has reviewed the Trust’s Rehabilitation Plan for the 2012 Plan Year in accordance with the provisions of the Pension Protection Act of 2006 (“PPA”) and found that changes are needed to meet the requirements of the PPA for improving the long term financial health of the Trust. Specifically, additional contributions will be required under the Default Schedule and Schedule A.

On March 29, 2012, the plan actuary certified to the US Department of the Treasury, and also to the plan sponsor, that the Plan is in critical status for the plan year beginning January 1, 2012. The Trust is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the Plan was in critical status in 2011 and the Plan is projected to have an accumulated funding deficiency for the 2019 plan year.

The Rehabilitation Period for the Trust began on January 1, 2012 and will end on December 31, 2021, or when the Trust emerges from critical status, if earlier. During this period the Trustees will not adopt amendments that increase benefits or future accruals unless the Trust’s actuary certifies that such increases are paid for out of additional contributions not contemplated by the Rehabilitation Plan and, after taking into account the benefit increases, the plan is still reasonably expected to emerge from critical status by the end of the Rehabilitation Period in accordance with the Rehabilitation Plan.

The 2012 Rehabilitation Plan includes the attached schedules of benefit and contribution structures that, if adopted by the bargaining parties, are reasonably expected to enable the plan to emerge from critical status by December 31, 2021. The 2012 Rehabilitation Plan applies to collective bargaining agreements adopted on or after January 1, 2013.

The Trustees will continue to update the Rehabilitation Plan annually in accordance with the PPA.

**Board of Trustees
Automotive Machinists Pension Trust**

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Automotive Machinists Pension Trust

2012 Rehabilitation Plan

Schedule A

The revised contribution schedule shown below is the only change to Schedule A from the 2011 rehabilitation plan. The benefit changes are repeated here for completeness.

	Schedule A	Effective Date
Scheduled increase in contributions above latest negotiated rate (prior to critical status)	Year 1: 25% Year 2: 50% Year 3: 75% Year 4: 100% Year 5: 112.5% Year 6: 125.0% Year 7: 137.5% Year 8: 150.0% Year 9: 162.5%	Immediately upon renegotiation of collective bargaining agreement (begins from most recent contribution level if prior rehabilitation plan was adopted)
Accrual rate on future contributions	1%	July 1, 2009
Early retirement subsidies	Eliminated on all benefits	July 1, 2009
Disability retirement subsidies	Eliminated for all participants with disability applications submitted on/after effective date and take disability retirement per the application	May 1, 2009
Pre-retirement death (return of contributions)	Eliminated	July 1, 2009

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2012 Rehabilitation Plan

Default Schedule

The revised contribution increase shown below is the only change to the default schedule from the 2011 rehabilitation plan. The benefit changes are repeated here for completeness.

	Default Schedule	Effective Date
Increase in contributions above latest negotiated rate	Increase of 208%	Immediately upon renegotiation of collective bargaining agreement
Accrual rate on future contributions	1%	July 1, 2009
Early retirement subsidies	Eliminated on all future benefit accruals. Subsidies are still applied to accrued benefit as of July 1, 2009.	July 1, 2009
Disability retirement subsidies	Eliminated for all participants with disability applications submitted on/after effective date and take disability retirement per the application	May 1, 2009
Pre-retirement death (return of contributions)	Eliminated	July 1, 2009
Post-retirement death life annuity (return of contributions)	Eliminated (future benefits only)	July 1, 2009

As required under the PPA, should bargaining parties be unable to agree on a contribution and benefit schedule consistent with Schedule A, the Trustees will implement for all participants covered by the bargaining parties' collective bargaining agreement the above Default Schedule of increased contributions and reduced benefits on the date that is 180 days after the date on which the collective bargaining agreement expires.