

Automotive Machinists Pension Trust

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Administered by
Welfare & Pension Administration Service, Inc.

January 27, 2023

TO: All Participants, Beneficiaries, Local Unions, Contributing Employers, Pension Benefit Guaranty Corporation and Secretary of Labor

RE: October 1, 2022 Notice of Critical and Declining Status for the Automotive Machinists Pension Trust

The Pension Protection Act of 2006 (“PPA”) amended ERISA and the Internal Revenue Code to, among other things, impose additional funding rules for multiemployer plans with the goal of improving the financial condition of these Plans. Beginning in 2008, the Retirement Plan’s actuary was required to annually certify to the Secretary of the Treasury and the Retirement Plan’s Board of Trustees whether or not the Retirement Plan is in Endangered or Critical Status. As you were notified as of January 1, 2009 through 2022, the actuary certified that the Retirement Plan was in Critical Status for those Plan Years. As of October 1, 2022, the actuary certified that the Retirement Plan was in Critical and Declining Status for the 2022-2023 Plan Year.

The Plan Year has changed from the calendar year to October 1st – September 30th, effective October 1, 2022. This notice is for the Plan Year October 1, 2022 to September 30, 2023.

Critical and Declining Status – 2022-2023 Plan Year

The purpose of this notice is to inform you that on December 29, 2022, the actuary certified to the U.S. Department of the Treasury and the Board of Trustees that the Retirement Plan is now in Critical and Declining Status for the October 1, 2022 to September 30, 2023 Plan Year. Federal Law requires that you receive this additional notice. The Plan is considered to be in critical and declining status because it meets the criteria for critical status and is projected to become insolvent (run out of money to pay benefits) within 20 years. As of October 1, 2022, the Plan is projected to be insolvent during the 2041-2042 Plan Year.¹ This is when the Retirement Plan is currently projected to no longer have sufficient assets to pay retiree benefits and would apply for financial assistance from the PBGC at that time.

Rehabilitation Plan

Federal law requires Pension Plans in critical status to adopt a Rehabilitation Plan aimed at restoring the financial health of the Plan. The law permits pension plans to reduce, or even eliminate, benefits called “adjustable benefits” as part of a Rehabilitation Plan. On April 23, 2009, you were notified that the Plan reduced or eliminated adjustable benefits as a part of its initial Rehabilitation Plan.

¹ Although the Retirement Plan is currently projected to become insolvent in the 2041-2042 plan year, the American Rescue Plan Act (ARPA), signed into law in March 2021, included help for critical and declining plans like the Automotive Machinists Pension Trust. The Special Financial Assistance available through the ARPA is intended to allow such plans to pay benefits, at their current levels, through 2051. The exact amount of Special Financial Assistance that the Retirement Plan will receive is not known at this time; however, it is expected that the Plan will be able to apply for the assistance in March 2023. Even with the Special Financial Assistance, the Plan is still likely to become insolvent eventually. When that happens, the Plan would apply for financial assistance from the PBGC; although benefit amounts may be reduced at that time.

On March 23, 2009, you were notified that as of March 24, 2009, the Plan is not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in critical status. If the Trustees of the Plan determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any further reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement.

Adjustable Benefits

The Plan offers the following adjustable benefits which may be reduced or eliminated as part of any Rehabilitation Plan. Although these benefits were not eliminated entirely, most or all of the additional value of these benefits was reduced or eliminated under the Preferred Schedule of the Rehabilitation Plan adopted in 2009 and updated through 2012:

1. Disability benefits (if not yet in pay status);
2. Early retirement benefits;
3. Benefit payment options other than a qualified joint and survivor annuity (QJSA);

Further, under certain circumstances, the Plan Sponsor of a plan in critical and declining status may apply for approval to amend the Plan to reduce current and future payment obligations to participants and beneficiaries.

You will receive a separate notice if the Trustees decide to adjust benefits again, if any, as part of a revised rehabilitation plan.

Employer Surcharge and Additional Contributions

Prior to the adoption of the Rehabilitation Plan by the employer and union, the law requires that all contributing employers pay to the Retirement Plan a surcharge to help correct the Retirement Plan's financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the Retirement Plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge is applicable in the initial critical year and a 10% surcharge is applicable for each succeeding Plan Year thereafter in which the Retirement Plan is in Critical or Critical and Declining Status.

The surcharge contribution ends for an employer once the collective bargaining parties adopt the Rehabilitation Plan for that employer, or when the Rehabilitation Plan is automatically adopted as provided under the Pension Protection Act. At that time, the employer's contribution increases are defined by the Rehabilitation Plan schedule.

Where to Get More Information

For more information about this Notice, you may contact the Seattle Administration Office at (206) 441-7574, or toll free at (800) 732-1121. You have a right to receive a copy of the Rehabilitation Plan from the Plan.

The Administration Office
Automotive Machinists Pension Trust