Automotive Machinists Pension Plan Update

From the Board of Trustees of the Automotive Machinists Pension Trust

January 2024

Investments Boosted the Plan's Funding Level as of October 1, 2023

If you have been reading these annual Plan updates, you know that the Plan is very sensitive to investment returns, and the projection of the Plan's future funding outlook has flipped from bad to okay and back again the last several years.

Once again, the Plan's investment returns rebounded and provided an almost 12% return for the 2022-2023 Plan year. This boosts the Plan's funded status from 'critical and declining' to 'critical' as of October 1, 2023.

Even though our funding has improved, the Plan remains eligible for special financial assistance through the American Rescue Plan Act of 2021 (ARPA). The ARPA special financial assistance program provides financial assistance to financially troubled plans that met specific criteria within a certain timeframe. Because the Plan's status was "critical and declining" as of October 1, 2022, we remain eligible to file for ARPA assistance.

The ARPA program has had some changes since last year. While we were not allowed to apply last March as expected, we are on the waiting list to apply. The assistance we receive will be based on assets as of December 31, 2022. The investment returns after that date will not impact the amount of assistance the Plan eventually receives.

So, what's next?

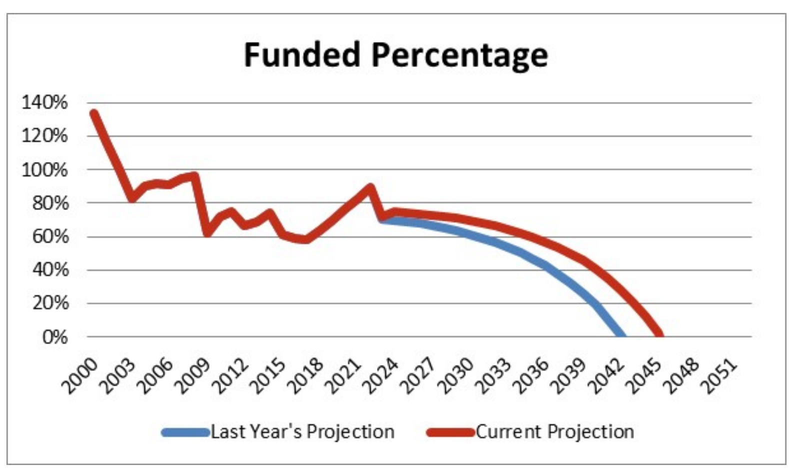
- We have no way to know when we will be able to apply for assistance.
- We won't know for sure how much ARPA money the Plan could receive until we apply and all of the calculations are complete, it may be a little or a lot.
- Whatever funds we receive will be used to pay benefits. This will allow the Plan to keep our money invested and growing for the future. This assistance is not a loan — the Plan does **not** have to pay it back.
- If we receive this assistance, we will be prohibited from reducing benefits under MPRA (the Multi-employer Pension Reform Act) even if the Plan were to reach critical and declining status again at some point in the future.
- There continue to be **no changes** to your Plan benefits or the operation of the Plan.

The Outlook Has Modestly Improved

Investment returns continue to be quite volatile – this time, in a positive direction. Following a steep drop in 2022, the Plan's assets returned nearly 12% for the October 1, 2022 through September 30, 2023 Plan year.

While this was a good return, and enough to move the Plan from 'critical and declining' to 'critical' status, you can see from the chart on the right that it moved out the date the Plan is projected to run out of money by only a few years.

Keep in mind that this projection assumes we will earn 6.5% each year in the future, the assumption we use for purposes of these projections.



Volatility: investment returns

- We've seen the funding projections flip back and forth between good news and bad news because of the Plan's sensitivity to investment returns.
- Future investment returns will largely determine the Plan's funding moving ahead.
- The projections in the chart on the previous page assume we will earn 6.5% each year in the future. Even with ARPA financial assistance, investment returns will remain very important to the Plan's future path.

An uphill climb: negative cash flow

- The Plan pays out about $80 million in benefit payments each year but will bring in only about $12 million in contributions plus almost $6 million in withdrawal liability payments. That means we need to earn about $60 million on our investments this year just to stay even. In addition, benefit payments are projected to go up to $90 million per year which will keep pressure on investment returns in the future.
- Whatever assistance we receive from ARPA will help with cash flow in the near term. That money will be used for a substantial portion of benefit payments, allowing us to keep our assets invested.

Important for the long term: sustainable contributions

- As a reminder, in 2021, rehabilitation plan contributions were reduced to 100% from 162.5%.
- This was intended to find the right balance to help the Plan's funding and maintain a strong base of hours, which has been steadily declining.
- We will keep pursuing withdrawal liability payments from withdrawing employers wherever possible to replace lost income from any further declines in hours.

What's Next?

We are preparing to apply for special financial assistance under ARPA so that we're ready to file as soon as we are allowed. The exact timing of when we file an application and the amount we may receive depend on many things beyond our control. We are watching all of the relevant factors to ensure we do the best we can for the Plan. In the meantime:

- The Plan continues to operate as usual. We do not expect further changes to benefits or contribution levels for the time being.
- The Trustees are carefully monitoring the Trust's investments and assets and are actively pursuing withdrawal liability payments from withdrawing employers.
- Rehabilitation contributions have been reduced, but they aren't going away. The rehabilitation plan remains essential to the stability of the Plan.

We will continue to do all we can to protect your benefits and keep you informed each step of the way.

Learn More

Want to know more about how the pension works? Visit www.automotivemachinistspension.com and click on the link under "INFORMATIONAL VIDEOS."

This series of short (about 3 to 5 minutes each) videos will give you:

- An update on the status of the Plan
- Information about how the Plan is governed
- An understanding of how the Plan is funded
- An overview of the role investments play in the Plan.

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