

# Automotive Machinists Pension Plan Update



From the Board of Trustees of the  
Automotive Machinists Pension Trust

January 2023

## Putting the Plan on a Better Path for the Future

If you have been reading these annual Plan updates, you know that the Plan has been in “critical” status in terms of funding for some time. As we’ve shared before, the Plan has occasionally been at the edge of critical and declining status and is very sensitive to investment returns. Because of that, the projection of the Plan’s future funding outlook has flipped from bad to okay and back again the last several years.

The American Rescue Plan Act of 2021 (ARPA) provides financial assistance to financially troubled plans that meet specific criteria within a certain timeframe. Previously, we shared that our Plan might have been eligible for this assistance only if it was in critical and declining status in 2022. As of January 1, 2022, we did not qualify because of the high returns we had through 2021. At the time, we shared with you that we missed the window for financial assistance from ARPA.

However, due to the dramatic negative returns in 2022, if we assess the Plan’s funding as of October 1, 2022 instead, the Plan is critical and declining, and thus eligible to file for assistance. Therefore, we have changed the Plan Year from the calendar year to October 1 – September 30, effective October 1, 2022. Making this change gives us the best opportunity to take advantage of the ARPA special financial assistance program.

What does all of this mean for you and the Plan?

- Our window for filing for ARPA money opens in March 2023. There are several factors that determine the best time to apply, which we are watching. We may apply in March, but could apply later, if beneficial.
- We won’t know how much ARPA money the Plan could receive until we apply – it may be a little or a lot. It could even be zero.
- Whatever funds we receive would be used to pay benefits. That would 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, under current law we would 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.
- Changing the Plan Year means that we had a short year from January 1, 2022 – September 30, 2022 for financial reporting purposes only. This is why you’re receiving this mailing in January instead of in April, as in prior years. There’s **no change** to the benefits you are earning, which will still be computed on a calendar year basis.

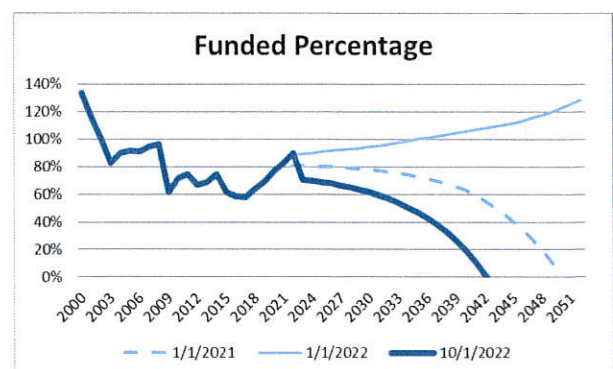
## Rough Year for Investment Returns

Investment returns have continued to be quite volatile. After two very good years, the return through January 1, 2022 through September 30, 2022 was negative 18%.

As of October 1, 2022, the projection of the Plan’s funded percentage has reversed course again. You can see from the chart on the right how much the funded percentage projections have changed from year to year due to the Plan’s sensitivity to investment returns. Currently, the Plan is projected to run out of money before October 1, 2042 (within 20 years), resulting in critical and declining status.

While we do not welcome this change in status, it likely would have happened at some point. Because it happened in 2022, we are able to apply for financial assistance.

It’s important to 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 \$15 million in contributions plus almost \$5 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 so the amount we have to earn continues to grow.
- 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?

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We are preparing to apply for special financial assistance under ARPA after the application window opens for our Plan in March. The exact timing of when we file an application and the amount we may receive depend on many things. 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

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Want to know more about how the pension works? Visit [www.automotivemachinistspension.com](http://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.

### Automotive Machinists Pension Trust

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