Automotive Machinists Pension Plan Update

From the Board of Trustees of the Automotive Machinists Pension Trust

January 2025

Solid Performance for Investments During 2023-2024 Plan Year

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.

The good news is that Plan's investments did well again for the 2023-2024 Plan year with a return of 13%. This provided a modest uptick in the Plan's funded status; however, it remains in the 'critical' zone as of October 1, 2024.

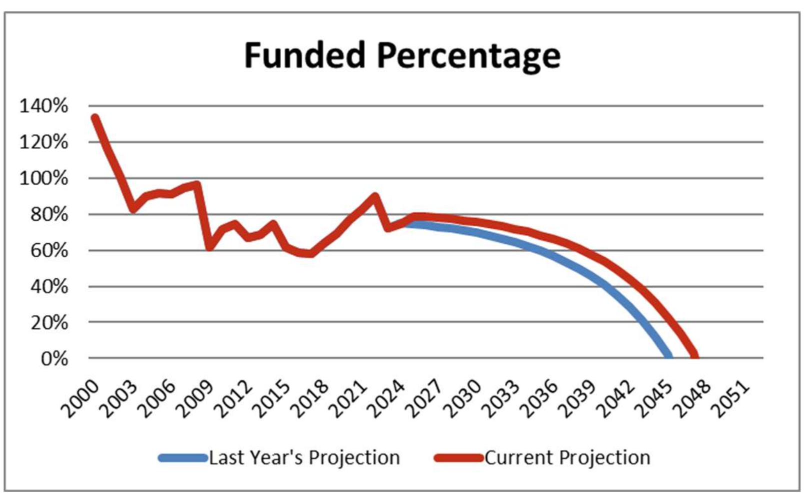
Even though our funding has improved, the Plan is eligible for special financial assistance through the American Rescue Plan Act of 2021 (ARPA). The ARPA special financial assistance program provides financial assistance to financially troubled plans that met specific criteria within a certain timeframe.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

The Plan's application for ARPA assistance is being finalized and we intend to submit it to the Pension Benefit Guaranty Corporation (PBGC) in February. It will be several months before we find out whether the application is approved. The assistance we receive will be based on assets as of December 31, 2022. The investment returns after that date do not impact the amount of assistance the Plan eventually receives.

So, what's next?

- 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. However, the Plan's asset return was in double digits for the second year in a row: 13% for the October 1, 2023 through September 30, 2024 Plan year.

While this was a good return, you can see from the chart on the left that it only moved out the date the Plan is projected to run out of money by a few years.

Keep in mind that these projections assume we will earn 6.5% each year in the future.

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 $83 million in benefit payments and expenses each year but will bring in only about $13 million in contributions plus $5 million in withdrawal liability payments. That means we need to earn about $65 million on our investments this year just to stay even. In addition, benefit payments are projected to go up to $89 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 remain hopeful that the Plan will receive special financial assistance under ARPA. The exact amount we may receive and when we receive it depend on many things beyond our control. 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 were reduced, but they are still important. 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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