

# AUTOMOTIVE INDUSTRIES PENSION FUND

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## ANNUAL FUNDING NOTICE

For the Automotive Industries Pension Plan

April 30, 2010

### Introduction

This notice includes important funding information about your pension plan (“the Plan”). This notice also provides a summary of federal rules governing multiemployer plans in reorganization and insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the Plan Year beginning January 1, 2009 and ending December 31, 2009 (referred to hereafter as “Plan Year”).

### Funded Percentage

The funded percentage of a plan is a measure of how well that plan is funded. This percentage is obtained by dividing the Plan’s assets by its liabilities on the valuation date for the plan year. In general, the higher the percentage, the better funded the plan. The Plan’s funded percentage for the Plan Year and 2 preceding plan years is set forth in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

	2009	2008	2007
Valuation Date	1/1/2009	1/1/2008	Not Applicable
Funded Percentage	65.97%	75.23%	Not Applicable
Value of Assets	\$1,289,664,443	1,546,799,903	Not Applicable
Value of Liabilities	\$1,954,990,113	2,055,963,752	Not Applicable

### Transition Data

For a brief transition period, the Plan is not required by law to report certain funding related information because such information may not exist for plan years before 2008. The plan has entered “not applicable” in the chart above to identify the information it does not have. In lieu of that information, however, the Plan is providing you with comparable information that reflects the funding status of the Plan under the law then in effect. For 2007, the Plan’s “funded current liability percentage” was 60.69%, the Plan’s assets were \$1,488,751,429, and Plan liabilities were \$2,453,164,824.

### Fair Market Value of Assets

Asset values in the chart above are actuarial values, not market values. Market values tend to show a clearer picture of a plan’s funded status as of a given point in time. However, because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes. While actuarial values fluctuate less than market values, they are estimates. As of December 31, 2009, the fair market value of the Plan’s assets was \$1,216,005,485 (preliminary figure, subject to change). As of December 31, 2008, the fair market value of the Plan’s assets was \$1,074,720,369. As of December 31, 2007, the fair market value of the Plan’s assets was \$1,696,450,216.22.

### Participant Information

The total number of participants in the plan as of the Plan’s valuation date was 27,213. Of this number, 5,661 were active participants, 8,572 were retired or separated from service and receiving benefits, 10,880 were retired or separated from service and entitled to future benefits and 2,100 were beneficiaries of deceased participants receiving or entitled to receive benefit.

Funding & Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the plan currently and over the years. The funding policy of the Plan is that participating employers contribute such amounts as are specified in the collective bargaining agreements. There are no employee contributions to this Plan. In addition, the Plan Actuary advises on the ability of the Plan to meet the minimum funding requirements under ERISA. All contributions are placed in a trust fund for the exclusive purpose of providing benefits to Plan participants and beneficiaries and to defray reasonable expenses of administration.

Once money is contributed to the Plan, the money is invested by qualified investment managers hired by plan officials called fiduciaries. Specific investments are made in accordance with the Plan’s investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries, who are responsible for plan investments, with guidelines or general instructions concerning various types or categories of investment management decisions. The investment policy of the Plan is to achieve the timely payment of benefits as they become due and a rate of return, net of expenses, which meets or exceeds the Plan’s stated actuarial return of 7.5% over a full market cycle. The policy seeks to balance the investment risk and investment return through a combination of capital appreciation and income, and through the diversification of Plan assets. Although it is understood that from time to time the Plan may not achieve its specified investment objectives and goals, the objective is to meet them over the long term.

In accordance with the Plan’s investment policy, the Plan’s assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<b>Asset Allocations</b>	<b>Percentage</b>
1. Interest-bearing cash	0%
2. U.S. government securities	11%
3. Corporate debt instruments (other than employer securities):	
Preferred	15%
All other	0%
4. Corporate stocks (other than employer securities):	
Preferred	0%
Common	60%
5. Partnership/joint venture interests	7%
6. Real estate (other than employer real property)	1%
7. Loans (other than to participants)	0%
8. Participant loans	0%
9. Value of interest in common/collective trusts	6%
10. Value of interest in pooled separate accounts	0%
11. Value of interest in master trust investment accounts	0%
12. Value of interest in 103-12 investment entities	0%
13. Value of interest in registered investment companies (e.g., mutual funds)	0%
14. Value of funds held in insurance co. general account (unallocated contracts)	0%
15. Employer-related investments:	0%
Employer Securities	0%
Employer real property	0%
16. Buildings and other property used in plan operation	0%
17. Other	0%

The above percentages are preliminary and subject to change once the Fund’s annual audit is completed.

Critical or Endangered Status

Under federal pension law a plan generally will be considered to be in “endangered” status if, at the beginning of the plan year, the funded percentage of the plan is less than 80 percent or in “critical” status if the percentage is less than 65 percent (other factors may also apply). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status, the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation and

funding improvement plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time.

The Plan continued to be in Critical status in the 2009 Plan Year because of the following sets of reasons:

- A funding deficiency is projected in 5 years, the present value of vested benefits for non-actives is more than the present value of vested benefits for actives; and the normal cost plus interest on unfunded actuarial accrued liability is greater than the contributions for the current year; or
- A funding deficiency is projected in 5 years and the funded percentage is less than 65%; or
- In critical status for the 2008 plan year and a funding deficiency is projected in 10 years.

When the Plan was first certified to be in Critical status for the 2008 Plan Year, the Trustees adopted a Rehabilitation Plan in April 2008 in an effort to improve the Plan's funding situation. The Rehabilitation Plan included the following changes:

- Remove the early retirement subsidies (both the Rule of 85 and the 3% per year reductions from age 62) and provide only actuarial equivalent benefits from age 65 on all future Early Retirement awards;
- Eliminate future Disability Retirement Benefit awards;
- Eliminate 36-payment pre-retirement death benefit awards;
- Eliminate Automatic Joint and Survivor Benefit subsidies on all future benefit awards; and
- Eliminate all optional forms of payments on pension awards. This means that single participants will receive a single life annuity with no death benefits, while married participants will receive the reduced 50% Automatic Joint and Survivor Benefit.
- 12.5% increase in employer contributions per year for each of the next seven years beginning in 2013. The Rehabilitation Plan must be reflected in collective bargaining agreements entered into or renewed after April 27, 2008.

Based upon reasonable assumptions, the rehabilitation plan was expected to emerge from Critical status immediately following its 10-year rehabilitation period (2011 – 2020).

Under the terms of the Worker, Retiree and Employer Recovery Act of 2008, the Trustees voted to freeze the funding status for 2009 resulting in it not being required to update the rehabilitation plan for 2009. In addition, they voted to extend the rehabilitation period from 10 to 13 years.

The Trustees are currently evaluating the funding status of the Plan and options available to them and will update the rehabilitation plan in 2010.

You may obtain a copy of the Plan's rehabilitation plan and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement by contacting the plan administrator.

#### Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report (i.e., Form 5500) containing financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator at the following address:

Mr. Mike Schumacher  
c/o Automotive Industries Pension Fund  
Associated Third Party Administrators  
1640 South Loop Road Alameda, CA 94502

## Summary of Rules Governing Plans in Reorganization and Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so-called “plan reorganization rules,” a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC’s guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan’s available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan’s financial condition improves.

A plan that becomes insolvent must provide prompt notification of the insolvency to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

### Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan’s monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC’s maximum guarantee, therefore, is \$35.75 per month times a participant’s years of credited service.

*Example 1:* If a participant with 10 years of credited service has an accrued monthly benefit of \$500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant’s years of service ( $\$500/10$ ), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus  $\$24.75$  ( $.75 \times \$33$ ), or \$35.75. Thus, the participant’s guaranteed monthly benefit is \$357.50 ( $\$35.75 \times 10$ ).

*Example 2:* If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or  $\$200/10$ ). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus  $\$6.75$  ( $.75 \times \$9$ ), or \$17.75. Thus, the participant’s guaranteed monthly benefit would be \$177.50 ( $\$17.75 \times 10$ ).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In calculating a person’s monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan’s termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

### Where to Get More Information

For more information about this notice, you may contact the Plan administrator at the following address:

Mr. Mike Schumacher  
c/o Automotive Industries Pension Fund  
Associated Third Party Administrators  
1640 South Loop Road Alameda, CA 94502

For identification purposes, the official plan number is 001 and the plan sponsor’s employer identification number or “EIN” is 94-1133245. For more information about the PBGC and benefit guarantees, go to PBGC’s website, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).

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