

# AUTOMOTIVE INDUSTRIES PENSION FUND

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## ANNUAL FUNDING NOTICE For the Automotive Industries Pension Plan

### 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, 2013 and ending December 31, 2013 (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.

	2013	2012	2011
Valuation Date	1/1/2013	1/1/2012	1/1/2011
Funded Percentage	56.70%	59.27%	62.29%
Value of Assets	\$1,109,688,507	\$1,163,639,416	\$1,231,077,065
Value of Liabilities	\$1,957,159,781	\$1,963,150,821	\$1,976,368,800

### 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, 2013, the fair market value of the Plan’s assets was \$1,328,275,314 (preliminary figure subject to change). As of December 31, 2012, the fair market value of the Plan’s assets was \$1,206,675,435. As of December 31, 2011, the fair market value of the Plan’s assets was \$1,162,980,990.

### Participant Information

The total number of participants in the plan as of the Plan’s valuation date was 23,753. Of this number, 3,973 were active participants, 8,929 were retired or separated from service and receiving benefits, and 10,851 were retired or separated from service and entitled to future benefits.

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

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 2013 Plan Year because of the following sets of reasons

- The Plan has an accumulated funding deficiency for the current Plan Year.
- Over the next three Plan Years, the Plan is projected to have an accumulated funding deficiency for the 2014, 2015 and 2016 Plan Years.
- The sum of the Plan's normal cost and interest on the unfunded benefits for the current Plan Year exceeds the present value of all expected contributions for the Plan Year; the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants; and over the next four Plan Years, the Plan is projected to have an accumulated funding deficiency for the 2014, 2015, 2016 and 2017 Plan Years.
- The funded percentage of the Plan is 65% or less and over the next four Plan Years, the Plan is projected to have an accumulated funding deficiency for the 2014, 2015, 2016 and 2017 Plan Years.
- The Plan was in critical status last year and over the next 9 years, the Plan is projected to have an accumulated funding deficiency for the 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 Plan Years.

This plan was initially classified as critical (*Red Zone*) for 2008 and the Trustees adopted a rehabilitation plan. Under the rehabilitation plan, new collective bargaining agreements negotiated after April 27, 2008 must include the maximum benefit reductions allowed by law. These reductions include the removal of all early retirement subsidies, joint and survivor subsidies, disability pensions, the 36-payment pre-retirement death benefit and all benefit options besides the single life annuity or the QJSA. The rehabilitation plan also includes supplemental off-benefit contributions to the plan beginning January 1, 2013. On March 8, 2011, the Trustees eliminated the early retirement pension for inactive vested participants and the supplemental contributions under the rehabilitation plan were reduced to encourage continued plan participation by employers.

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.

#### **Events with Material Effect on Assets or Liabilities**

Federal law requires trustees to provide in the notice a written explanation of events, taking effect in the current plan year, which are expected to have a material effect on Plan liabilities or assets. For the Plan Year beginning on January 1, 2014 and ending on December 31, 2014, there are no known events.

#### **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).