



AUTOMOBILE MECHANICS' LOCAL 701 PENSION FUND

361 S. FRONTAGE ROAD, SUITE 100 | BURR RIDGE, IL 60527

TELEPHONE: (708) 482-0220 | TOLL FREE: (800) 704-6271 | FAX: (708) 482-4242

Automobile Mechanics' Local No. 701 Union and Industry Pension Fund 2015 Funding Improvement Plan Effective October 21, 2015

The actuary for the Automobile Mechanics' Local No. 701 Union and Industry Pension Fund ("the Plan") has certified that the Plan is in Endangered Status for the plan year beginning as of January 1, 2015, per Internal Revenue Code ("IRC") Section 432(b)(1)(A), because the Plan's funded percentage for the year is less than 80%.

Background

Under IRC Section 432, as added by the Pension Protection Act of 2006 and amended by the Multiemployer Pension Reform Act of 2014, the Plan was certified as being in Critical Status in 2012, which required a Rehabilitation Plan to be adopted. The Rehabilitation Plan was adopted effective September 30, 2012. The goal of the Rehabilitation Plan was to enable the Plan to emerge from Critical Status by December 31, 2024. However, the Plan has emerged from Critical Status earlier than anticipated and is now in Endangered Status.

Generally, once a multiemployer pension plan is certified as being in Endangered Status, the plan sponsor must develop a plan to improve its financial health. Such a plan is referred to as a "Funding Improvement Plan." For this Plan, the Trustees must adopt a Funding Improvement Plan by the 240th day following March 31, 2015 (the day on which the actuary certified the Plan as being in Endangered Status). The Plan is now in a funding plan adoption period as a result of entering Endangered Status. This funding plan adoption period began on March 31, 2015. The Board of Trustees of the Plan (the "Trustees") has notified the Plan stakeholders that the Plan is now in Endangered Status, as required within 30 days after the actuary's certification. The funding plan adoption period will end on the day before the funding improvement period begins. The funding improvement period will begin on the first day of the first plan year after the earlier of:

- (i) The second anniversary of the date of the adoption of the Funding Improvement Plan, or
- (ii) The expiration of the collective bargaining agreements in effect on March 31, 2015 (the due date of the actuary's certification) that cover at least 75% of the Plan's active participants.

Effectively, the funding improvement period will begin on January 1, 2018 and is scheduled to last for ten years, through December 31, 2027.

The goal of this Funding Improvement Plan is to reduce the Plan's underfunding by 33% by the end of the funding improvement period and avoid an accumulated funding deficiency for the last plan year during the funding improvement period, as required by IRC Section 432. Emergence from endangered status will occur when the Plan's actuary can certify that the Plan's funded percentage is at least 80%, that the Plan does not have an accumulated funding deficiency, and that the Plan is projected to be able to avoid an accumulated funding deficiency for at least the next succeeding six plan years.

Within 30 days after the adoption of this Funding Improvement Plan, the Trustees shall provide to the bargaining parties one or more schedules showing revised benefit structures, revised contribution structures, or both, which, if adopted, may reasonably be expected to enable the Plan to meet the benchmarks described above. Additionally, the Trustees may prepare and provide the bargaining parties with additional information relating to contribution rates or benefit reductions, alternative schedules, or other information relevant to meeting the applicable benchmarks in accordance with this Funding Improvement Plan. The schedule or schedules described shall reflect any reductions in future benefit accruals, and increases in contributions, that the Trustees determine are reasonably necessary to meet the applicable benchmarks. One schedule shall be designated as the default schedule and such schedule shall assume that there are no amendments increasing contributions under the Plan (other than amendments increasing contributions necessary to meet the applicable benchmarks after future benefit accruals have been reduced to the maximum extent permitted by law). The default schedule shall generally be imposed if a collective bargaining agreement that was in effect on January 1, 2015 expires and the bargaining parties fail to adopt a contribution schedule consistent with this Funding Improvement Plan.

As noted above, the Plan was in Critical Status in the prior plan year, and, as a result, collective bargaining agreements are in place that were in compliance with the Rehabilitation Plan, including annual contribution rate increases and a \$75 per week redirection from monies that previously had been scheduled to be contributed to the Automobile Mechanics' Local No. 701 Union and Industry Welfare Fund (the "Welfare Fund").

Based upon reasonably anticipated experience and reasonable actuarial assumptions:

- No reduction in the amount of future benefit accruals is necessary to achieve the applicable benchmarks, assuming no amendments increasing contributions under the Plan; and
- For employers whose collective bargaining agreement includes a \$75 per week redirection from monies that previously had been scheduled to be contributed to the Welfare Fund, no increase in the rates of employer contributions, beyond those in current collective bargaining agreements, reduced by \$75 per week upon contract expiration, is necessary to achieve the applicable benchmarks, assuming no amendments reducing benefit accruals under the Plan.
- For employers whose collective bargaining agreement does not include a \$75 per week redirection from monies that previously had been scheduled to be contributed to the Welfare Fund, no increase in the rates of employer contributions, beyond those in current collective bargaining agreements are necessary to achieve the applicable benchmarks, assuming no amendments reducing benefit accruals under the Plan.

Default Schedule

Therefore, for employers whose collective bargaining agreement includes a \$75 per week redirection from monies that previously had been scheduled to be contributed to the Welfare Fund the default Funding Improvement Plan schedule consists of maintaining the current rate of employer contributions reduced by \$75 per week upon contract expiration and the current level of benefit accrual. The weekly contribution rates will remain at the ultimate level in the current collective bargaining agreements, reduced by \$75 per week upon the expiration of the current bargaining agreements. For employers whose collective bargaining agreement does not include a \$75 per week redirection from monies that previously had been scheduled to be contributed to the Welfare Fund, the default Funding Improvement Plan schedule consists of maintaining the current rate of employer contributions and the current level of benefit accrual and contributions consistent with the current collective bargaining agreements. Accordingly, the weekly contribution rates will remain at the ultimate level in the current collective bargaining agreements.

Preferred Schedule

For employers whose collective bargaining agreement includes a \$75 per week redirection from monies that previously had been scheduled to be contributed to the Welfare Fund the preferred Funding Improvement Plan schedule shall consist of maintaining the \$75 per week redirection from monies that previously had been scheduled to be contributed to the Welfare Fund and the current rate of employer contributions until December 31, 2017 and the current level of benefit accrual. The weekly contribution rates will remain at the ultimate level in the current collective bargaining agreements, reduced by \$75 per week after December 31, 2017. For employers whose collective bargaining agreement does not include a \$75 per week redirection from monies that previously had been scheduled to be contributed to the Welfare Fund, the preferred Funding Improvement Plan schedule shall consist of maintaining the current rate of employer contributions and the current level of benefit accrual and contributions consistent with the current collective bargaining agreements. Accordingly, the weekly contribution rates will remain at the ultimate level in the current collective bargaining agreements.

According to projections by the Plan actuary, the Plan is anticipated to achieve a 33% reduction in underfunding (based on the funded percentage as of January 1, 2015) by the end of the funding improvement period and have no accumulated funding deficiency for any plan year during the funding improvement period. The projection is based upon reasonably anticipated experience and reasonable actuarial assumptions.

A Funding Improvement Plan must provide annual standards for meeting the requirements of the plan. This Funding Improvement Plan's annual standards will involve a test by the actuary each plan year to determine whether the Plan is still on track to meet the applicable benchmarks by December 31, 2027. This Funding Improvement Plan will be updated each year to reflect the Plan's most recent actuarial experience and will be filed with the Plan's annual report (Form 5500).

Rules for Operation of Plan during Adoption and Funding Improvement Periods

Beginning March 31, 2015 and ending on the date this Funding Improvement Plan is adopted, the Trustees may not accept any collective bargaining agreements that provide for:

- a reduction in level of contributions for any participants;
- a suspension of contributions with respect to any period of service; or
- any new direct or indirect exclusion of younger or newly hired employees

Additionally, from March 31, 2015 to the date this Funding Improvement Plan is adopted, the Trustees are prohibited from adopting any plan amendments that increase liabilities through:

- increases in benefits;
- improvements to benefit accrual rates; or
- acceleration of the vesting schedule.

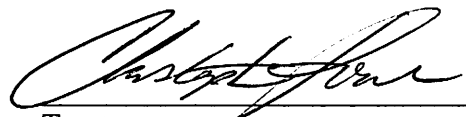
An exception exists if such an amendment is required for Internal Revenue Service qualification or to comply with other applicable law.

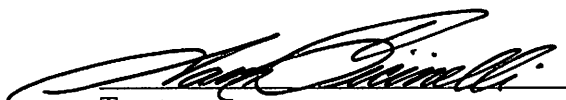
Following the date this Funding Improvement Plan is adopted, the Plan cannot be amended so as to be inconsistent with this Funding Improvement Plan. Additionally, the Plan cannot be amended following the date this Funding Improvement Plan is adopted if the amendment would increase benefits, including future benefit accruals, unless the Plan actuary certifies that the increase is paid for out of additional contributions not contemplated by this Funding Improvement Plan and that the Plan is still reasonably expected to meet the benchmarks contemplated herein.

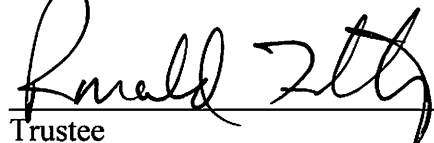
Adoption of the Funding Improvement Plan

This Funding Improvement Plan is hereby adopted by the Board of Trustees of the Automobile Mechanics' Local No. 701 Union and Industry Pension Trust Fund as of this 21st day of October, 2015.


Trustee


Trustee


Trustee


Trustee


Trustee

Trustee