

# **EXHIBIT**

# **7**

DECLARATION OF STUART I WOHL

I, STUART I. WOHL, subject to the penalties provided by law for perjury, do hereby declare the following to be true and correct based on my personal knowledge.

1. I am a Senior Vice President and Senior Benefits Consultant for Segal. Segal is a human resource and benefits consulting firm with more than 1,000 employees throughout the U.S. and Canada. Segal's work includes retirement and health benefits consulting for hundreds of benefit plans, plan sponsors and administrators, and trusts. Segal employs a variety of professionals, including healthcare benefits consultants, actuaries, communication experts, accountants/CPAs, retirement and health benefit plan compliance attorneys, pension analysts, and healthcare analysts.
2. I have a bachelor's degree in Mathematics from Trenton State College and a master's degree in Operations Research from Baruch College of the City University of New York. I am a licensed Life and Health Insurance Consultant in Maryland, Virginia, and other states, and in Washington, D.C.
3. I have more than thirty years of healthcare consulting experience, with a retiree healthcare specialty. I currently lead Segal's consulting services to health plans for certain retirees and their families associated with Campbell Soup, Budd, Northwest Airlines, Federated-Allied Retail Stores, FedEx, Navistar, Allis-Chalmers, and White Motors, representing tens of thousands of retirees and their families.
4. In conjunction with other professionals, I have worked on restructuring healthcare plans for categories of retirees from the City of Detroit in 2013, United Airlines in 2004, Solutia in 2004, Dana in 2006, Walter Energy in 2015, Lone Star in 1994, Kodak in 2012,

Northwest Airlines in 2006, and Budd in 2014, among others over the course of my consulting work.

5. I currently lead Segal's consulting work for healthcare plans for employees and retirees of the City of Baltimore and for the State Health Plan for North Carolina.
6. I consult on healthcare vendor selection, network analysis, plan design, financial projects, budgets, rate setting, and retiree and employee communications.
7. In 1992 and 1993, I was part of the Segal team that supported the UAW and retirees in negotiations of a settlement that ultimately became the Shy agreement. I have worked continuously with the Supplemental Benefit Committee to consider how to best spend assets on benefit improvements.
8. I currently lead Segal's consulting services to the Supplemental Benefit Committee. Segal's team includes actuaries, actuarial analysts, benefits consultants, health analysts, and other professionals.
9. To prepare this declaration, I worked with other Segal professionals including Melanie Clark, ASA, FCA, MAAA, EA who led our actuarial analysis. She is a graduate of North Carolina State University and has more than twenty years of benefit consulting experience with a retiree healthcare specialty. She is an Associate of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary. Ms. Clark earned her credentials through the intense training and examination process prescribed by the guidelines of the Society of Actuaries.

## **BACKGROUND**

10. It is my understanding that the Supplemental Benefit Committee and Navistar, Inc. have been in litigation regarding the receipt of profit sharing for the years 2001 through 2014 and that the Supplemental Benefit Committee has been supporting litigation regarding the

use of Medicare Part D reimbursements as an offset to prescription drug costs as part of the calculation of retiree contributions.

11. Those two issues have required significant investments in time and money for the Supplemental Benefit Committee. I believe that the settlement of both of these issues would be a significant benefit for the 20,000+ participants who currently receive benefits from the Supplemental Benefit Committee.
12. The settlement of these issues provides enough funding to reasonably project that the healthcare benefits provided to the participants will be enhanced to be comparable to the value of the benefits provided prior to the Shy Agreement.
13. The Supplemental Plan subsidizes improvements to the current medical, prescription drug, and life insurance benefits and provides independent vision, hearing, and dental benefits. As part of this settlement, further enhancements to these benefits are already planned for 2022, including:
  - Lowering the monthly contributions paid by retirees to \$5 per person per month,
  - Reducing the deductibles on the medical plans to \$0, and
  - Reducing the out-of-pocket maximum for pre-Medicare participants to \$400.

Additionally, upon Court approval, the Supplemental Benefit Committee is planning to provide a new benefit to reimburse some or all of the standard Medicare Part B premiums paid to Medicare by each Medicare-eligible participant. The initial modeling indicates that this can be a recurring annual benefit covering all or virtually all of the annual standard Medicare Part B Premiums, but the Supplemental Benefit Committee will continue to monitor the costs and investments to determine the actual amount that can be reimbursed each year.

Please note that the Shy Agreement deductibles and out-of-pocket maximums are scheduled to increase at 6% per year, while the Supplemental Benefit Committee plans to

keep the \$0 deductible, \$400 out-of-pocket maximum, and \$5 monthly contribution in all years.

14. Without the settlement, and if the Supplemental Benefit Committee was not contributing towards the monthly retiree contributions, the Shy Agreement would require participants to pay \$176.75 per month for non-Medicare coverage and \$85.85 per month for Medicare coverage in 2022. In 2021, after Supplemental Plan contributions, the participants paid \$71.62 and \$22.26 per month, respectively. Without the settlement agreement and without the Supplemental Plan contributions, the Shy Agreement would call for a deductible of \$1,084 and an out-of-pocket maximum of \$2,709 in 2022. In 2021, with Supplemental Plan contributions, these amounts were \$600 and \$1,000 respectively.
15. Prescription drug benefits will continue at the same levels that existed in 2021, including the Supplemental Plan subsidizing improvements to lower retail prescription copays. The Supplemental Benefit Committee also plans to continue the current levels of dental, vision, hearing, and life insurance benefits.
16. While the current projections indicate that the benefit levels discussed above can continue indefinitely, the Supplemental Benefit Committee will continue to monitor the costs of benefits and asset levels to determine if any changes are needed to continue providing benefits for the lifetime of the participants.

#### **SEGAL'S ROLE**

17. Segal assisted the Supplemental Benefit Committee in the consideration and development of various settlement proposals. In particular, we were asked to project the levels of assets needed to support the costs of various benefit packages based on potential funding streams. Ultimately, we developed a model that incorporated the following for the lifetime of the participants:

- Cost of Benefits

1. Current benefits
  2. Administrative costs
  3. Potential benefit improvements (such as those previously discussed)
  4. Impact of Medicare Part D subsidies
- Assets
    1. Current assets
    2. Potential profit sharing payment scenarios provided by Duff and Phelps
    3. Anticipated future payments still owed from historical profit sharing litigation
    4. Net Asset Returns
    5. Potential settlement payment streams

This model provided a mechanism for the Supplemental Benefit Committee and its advisors to compare and discuss various settlement alternatives.

#### **ADDITIONAL CONSIDERATIONS**

18. With regard to future profit sharing payments, Duff and Phelps developed a number of potential profit sharing streams based on projections of various financial results of Navistar. None of these amounts were guaranteed and, as we have seen in the past, can vary widely from year to year. Additionally, there was significant concern over possible actions Navistar could take that would lower and/or eliminate future profit sharing payments. By agreeing to this settlement, the settlement funds are guaranteed and should be received in 2022.
19. Even if the profit sharing payments were easily projected and reasonably certain to be paid, the parties would need to deal with the Profit Sharing Cessation Date (PSCD) aspect of the Shy Agreement. Simplistically, the PSCD states that profit sharing payments cease

after the year that the assets of the Supplemental Plan exceed the present value of the benefits lost by the participants under the Shy Agreement. There were significant discussions between the Supplemental Plan's advisors and Navistar's advisors to identify and value those lost benefits. While agreement was reached on many items, there is still considerable disagreement regarding two major items:

- The first is the discount rate used to determine the present value of the benefit stream. The Supplemental Benefit Committee interprets the Shy Agreement to say that the discount rate should be what is used by Navistar in its current FASB calculations, while Navistar suggests a much higher rate. A higher rate reduces the present value of benefits, which would result in the PSCD being reached earlier.
- The second is the Medicare Part B Premium Reimbursement for the UAW retirees. Navistar believes that the UAW retirees received a fixed amount of \$36.60 per month toward Medicare Part B premiums, while the Supplemental Benefit Committee believes that the UAW retirees received the full amount (\$148.50 per month in 2021) of the Medicare Part B premiums. A lower benefit payment would result in the PSCD being reached earlier.

While the Supplemental Benefit Committee Advisors are confident in our positions on these two major issues, there is no guarantee as to what a court or arbitrator might decide if PSCD were to be litigated.

20. As noted earlier, the Supplemental Benefit Committee supports litigation arguing that Navistar improperly calculated retiree contribution rates for 2012-2021 by not including Medicare Part D subsidies as an offset to the costs of the prescription drug program. While the Supplemental Benefit Committee and its advisors are confident of their position, it is unclear what final litigation result would produce. The merits of that litigation, which was filed in 2016, have not yet been heard by the court, as Navistar has

asked for dismissal, saying it was filed after the statute of limitations. As such, there is uncertainty as to the ultimate result of that litigation.

21. The settlement agreement requires that the Medicare Part D subsidies be included as an offset to prescription drug costs beginning in 2022, which we estimate will reduce Supplemental Plan and retiree contributions by \$118 million (on a present value basis) over the lifetime of current retirees. The settlement agreement also provides an additional \$17 million for past damages. Based on our projections, this \$17 million represents less than 33% of the additional contributions paid by the retirees and the Supplemental Plan from 2012-2021.

**TIMING OF SETTLEMENT PAYMENTS**

22. It is important to the Supplemental Benefit Committee that the settlement agreement guarantees front loaded payments to provide the enhanced benefits to as many participants as possible. If payment of the settlement were delayed, the Supplemental Benefit Committee might need to delay the improvement of benefits, resulting in a reduced number of participants who could receive the enhanced benefits.
23. The table below shows a snapshot of the participants at various times since the Shy Agreement was implemented.

Year	Number of Retired Participants (including spouses)	Number of Actives Employees and Grow-ins
1993	58,149	14,827
2000	45,143	8,840
2010	37,011	2,158
2020	23,574	671

24. The number of covered participants continues to decrease. By 2030, we project that the number of covered participants will be close to 12,000. Our projections show that this population will average 3 ½ deaths per day over the next five years, which is consistent with what we have seen over the last ten years. If the parties were to continue to litigate the issues, there is a significant risk that even if the Supplemental Benefit Committee receives favorable rulings in all litigation (including support of the Medicare Part D subsidy litigation), it might be nearly impossible to spend those funds on enhanced benefits. For example, if \$742 million was received in 2030 instead of 2022, those funds would likely exceed the costs of all potential benefit improvements to the remaining covered participants, resulting in funds that could never be utilized.
25. Overall, I believe that this settlement is in the best interests of the participants and will provide these participants retiree health benefits that are valuable, comprehensive, and best-in-class.

I declare under penalty of perjury that the foregoing is true and correct.



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Stuart I. Wohl

Executed on: December 10, 2021

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