

**SHEET METAL WORKERS LOCAL NO. 224 PENSION FUND**  
**2013 NOTICE OF CRITICAL STATUS**  
*April 2013*

This Notice is to inform you that on March 18, 2013, the actuary for the Sheet Metal Workers Local No. 224 Pension Fund ("Plan") certified to the United States Department of the Treasury and to the Plan Sponsor ("the Board of Trustees") that the Plan is in critical status for the 2013 Plan Year. The 2013 Plan Year begins on January 1, 2013 and ends on December 31, 2013. Federal law requires that you receive this Notice.

**Critical Status**

The 2012 Plan Year was the first year that the Plan was certified to be in critical status. The Plan's actuary determined that the Plan was projected to have an accumulated funding deficiency for the 2015 Plan Year as of the Plan's 2012 PPA certification date. A funding deficiency means that expected contributions to the Plan will not be sufficient to meet the government's minimum contribution requirements for funding purposes. It does not mean that the Plan is insolvent.

The Plan continues to be in critical status for the 2013 Plan Year because the Plan's actuary has determined that the Plan has not passed the "Emergence Test" that would enable it to come out of critical status. In order to pass the Emergence Test, the Plan's actuary must certify that the Plan is not projected to have an accumulated funding deficiency for the current Plan Year or any of the nine succeeding Plan Years.

On March 15, 2012 the Board of Trustees adopted a rehabilitation plan as required by the *Pension Protection Act of 2006* and the Plan is operating under this rehabilitation plan. The Plan's actuary has certified that the Plan is making scheduled progress as required under its rehabilitation plan.

**Rehabilitation Plan**

Federal law requires that plans in critical status adopt a rehabilitation plan aimed at improving the plan's funded percentage. A rehabilitation plan may include: (1) the reduction or even the elimination of future benefit accruals, (2) the reduction or elimination of "adjustable benefits", and/or (3) increases in the hourly contribution rate. Federal law also stipulates that plans in critical status are not allowed to pay "restricted benefits", such as lump sum benefits or any other payment in excess of the monthly amount paid under a Single Life Annuity.

The Board of Trustees of the Sheet Metal Workers Local No. 224 Pension Fund adopted a rehabilitation plan on March 15, 2012 that was ratified by the bargaining parties. This plan includes benefit restrictions, benefit changes, and increases in the hourly contribution rate.

Effective April 2, 2012 the Plan will be restricted from paying the following benefits:

- The Level Income Option form of payment was eliminated for any Participant who commences receipt of an Early Retirement Benefit before reaching age 62 and has an Annuity Starting Date on or after April 2, 2012.

- ☑ The fully subsidized pop-up provision was eliminated for any Participant who elects to receive their monthly pension payment as a Qualified Joint and Survivor Annuity and has an Annuity Starting Date on or after April 2, 2012.
- ☑ Effective April 2, 2012, the Return of Contributions Death Benefit was eliminated. This benefit was paid to the designated beneficiary of an Active Participant who was not married at the time of his death or to the designated beneficiary of a Vested Active Participant who, along with his spouse, waived the Qualified Pre-Retirement Survivor Annuity.
- ☑ Effective April 2, 2012, the 36-month pension payment guarantee was eliminated. This benefit was paid to the designated beneficiary of a deceased Retired Participant who, along with his spouse (if applicable), waived the Qualified Joint and Survivor Annuity and died before receiving 36 monthly pension payments from the Plan.

Changes in the Plan's Early Retirement Benefits, Total and Permanent Disability Benefits, Qualified Pre-retirement Survivor Benefits, and Optional Payment Forms are outlined below:

- ☑ A Participant who is fully vested will not be eligible for any Early Retirement Benefits after June 1, 2012 unless he is considered an Active Participant in the Plan. The Plan Document defines an Active Participant as a Participant who has completed at least: (1) 320 hours in each of the two Plan Years immediately preceding the Plan Year in which he retires; or (2) 640 hours in the Plan Year that immediately precedes the Plan Year in which he retires. A vested Participant who is not considered Active under the Plan will be entitled to a monthly pension equal to his Accrued Benefit at his Normal Retirement Date.
- ☑ An Active Participant who commences receipt of an Early Retirement Benefit and has an Annuity Starting Date after June 1, 2012 will be eligible for an unreduced Early Retirement Benefit if he is at least 57 years old and has earned 30 or more Years of Vesting Credit. His unreduced Early Retirement Benefit will be equal to his vested Accrued Benefit, and no reduction will be applied to reflect early commencement.
- ☑ An Active Participant will be able to commence receipt of a reduced Early Retirement Benefit if he is at least 55 years old and has earned 5 or more Years of Vesting Credit. His Early Retirement Benefit will be equal to his vested Accrued Benefit, reduced by  $\frac{1}{4}$  of 1% (0.0025) for each month that his Early Retirement Date precedes his attainment of age 62.
- ☑ A Participant who becomes disabled according to the terms and conditions of the Plan after June 1, 2012 and is eligible for a Disability Retirement Benefit will receive a monthly pension equal to his vested Accrued Benefit, reduced by  $\frac{1}{4}$  of 1% (0.0025) for each month that his Disability Retirement Date precedes his attainment of age 62. There will be a maximum reduction of 21%.
- ☑ For deaths occurring after June 1, 2012, the amount payable to the surviving spouse of a vested, married Participant who has not retired will be calculated as though he: (1) retired on the day of his death or at his Earliest Retirement Age, if later, (2) elected to receive his benefit as a Qualified Joint and 50% Survivor Annuity, and (3) died. The surviving spouse will then receive monthly pension payments equal to 50% of the benefit that would have been payable to the Participant. These payments will be made to the Participant's surviving

spouse for the remainder of her lifetime. However, no benefit payments will be made to the surviving spouse before the first day of the month following the Participant's Earliest Eligible Retirement Date.

- ☑ Effective for Annuity Starting Dates on or after May 1, 2012, all of the forms of pension payment offered under the Plan will be actuarially equivalent to the amount payable as a Single Life Annuity.
- ☑ Effective for Annuity Starting Dates on or after May 1, 2012, a Participant can elect to receive a reduced Qualified Joint and Survivor Annuity (50%, 75%, or 100%) with the pop-up provision, along with the consent of his spouse. This benefit will be paid on an actuarially reduced basis. Under the pop-up provision, the monthly pension being paid to a Participant who elected a Joint and Survivor Annuity will increase to the amount payable as a Single Life Annuity if the Participant's spouse predeceases the Participant.
- ☑ Effective for Annuity Starting Dates on or after May 1, 2012, an actuarially equivalent Life Annuity with 60 payments guaranteed will be added as an optional form of payment. A Participant, with the consent of his spouse (if applicable), can elect to receive his monthly pension on a reduced basis as a Life Annuity with 60 payments guaranteed. Under this form of payment, if the Participant dies before receiving 60 monthly pension payments, monthly benefits will be paid to the Participant's spouse or designated beneficiary until a total of 60 monthly payments have been paid by the Plan.

In addition to the benefit changes outlined above, the rehabilitation plan calls for increases in the hourly contribution rate. Effective June 1, 2012, \$1.25 per hour was reallocated from the Health & Welfare Plan to the Pension Plan. This increase was in addition to the \$0.35 increase that was already negotiated. Thus, the hourly contribution rate for a Journeyman increased by \$1.60 from \$7.53 per hour to \$9.13 per hour for hours worked on or after June 1, 2012.

The rehabilitation plan will be reviewed annually with the Plan's actuary and other professionals. Based on such review, the rehabilitation plan may be amended to include additional benefit reductions and/or contribution rate increases. You can request 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.

### Adjustable Benefits

If it is ever determined that the Plan's rehabilitation plan needs to be amended, federal law permits pension plans in critical status to further reduce or eliminate "adjustable benefits". The Plan offers the following "adjustable benefits" which could be reduced or eliminated as an amendment to the rehabilitation plan:

- ☑ Subsidized Early Retirement Benefits;
- ☑ Unreduced Early Retirement Benefits;
- ☑ Disability Benefits (if not yet in pay status);
- ☑ Benefit payment options, other than a Qualified Joint and Survivor Annuity (QJSA); and
- ☑ Other similar benefits, rights, or features under the Plan.

If the Board of Trustees of the Plan ever determines that any additional benefit reductions are necessary, you will receive a separate Notice in the future identifying the reductions and explaining their effect. Any reduction of "adjustable benefits" will not reduce the level of the basic benefit payable at your Normal Retirement Age. In addition, the reductions will only apply to participants and beneficiaries with an Annuity Starting Date on or after April 2, 2012.

### **Employer Surcharge**

Federal law requires that all contributing employers pay a surcharge to the plan to help correct the financial situation of a plan in critical status. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge is applicable in the initial critical year and a 10% surcharge is applicable for each succeeding plan year thereafter in which the plan is in critical status.

Since the Board of Trustees adopted a rehabilitation plan that was ratified by the Plan's bargaining parties, the Plan's contributing employers will not have to pay a surcharge to the Plan at this time.

### **Where to Get More Information**

For more information about this Notice, you can contact the Fund Office at 4949 Northcutt Place, Dayton, Ohio 45414, or by calling 937-274-5881. For identification purposes, the official Plan Number is 001 and the Plan Sponsor's Employer Identification Number, or "EIN", is 31-6171353. You have the right to request a copy of the Plan's rehabilitation plan and the actuarial and financial data that documents any action taken by the Plan toward fiscal improvement by contacting the Plan Administrator.