

## Sheet Metal Workers' International Association

Local Union # 202 Pension Fund

P.O. Box 12260

St. Louis, Mo. 63157

Phone: (314) 535-4803

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### **NOTICE OF CRITICAL STATUS FOR LOCAL 202 SHEET METAL WORKERS PENSION FUND**

This is to inform you that on September 28, 2016 the Plan Actuary certified to the U.S. Department of the Treasury, and also to the Board of Trustees, that the Local 202 Sheet Metal Workers Pension Fund ("Pension Plan") is in Critical Status for the Plan Year beginning July 1, 2016. Federal law requires that you receive this notice. This Notice is being sent to all Participants, Beneficiaries and Alternative Payees of the Pension Plan, all Contributing Employers, Local 202, Sheet Metal Workers International Association, AFL-CIO ("Local 202"), the Pension Benefit Guaranty Corporation, and the United States Department of Labor.

#### **CRITICAL STATUS**

The Pension Plan is considered to be in Critical Status because it has funding problems. More specifically, the Plan Actuary determined that over the next three Plan Years the Pension Plan is projected to have an accumulated funding deficiency for the Plan Year beginning July 1, 2019. Based on this information, the Plan Actuary has certified to the Board of Trustees and the Internal Revenue Service that the Pension Plan is in Critical Status for the for the Plan Year beginning July 1, 2016.

#### **REHABILITATION PLAN AND REDUCTION IN BENEFITS**

Federal law requires pension plans in Critical Status to adopt a "Rehabilitation Plan" aimed at restoring the financial health of the plan. The law permits pension plans in Critical Status to reduce benefit accruals to an amount not less than 1% of Employer contributions and reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan.

By this Notice dated October 30, 2016, you are being notified that the Board of Trustees has adopted a Rehabilitation Plan and Amendments to the Pension Plan Document reducing the rate of Future Service Credit from 2.2% to 1% of Employer Contributions due for hours worked on or after July 1, 2017 and eliminating the following adjustable benefits:

- Disability benefits not yet in pay status, effective for applications filed on or after January 1, 2017;
- Early retirement benefit subsidy, effective for early retirement benefits with commencement dates on or after July 1, 2017; and

- ☒ Five year payment guarantees on the Standard Form of Benefit (Life Annuity and Husband and Wife 50% Surviving Spouse Annuity), Husband and Wife 75% Surviving Spouse Annuity, Husband and Wife 100% Surviving Spouse Annuity, and Standard Form Pre-Retirement Surviving Spouse Annuity effective for benefits with commencement dates on or after January 1, 2017.

In addition, effective as of October 30, 2016, by law the Pension Plan is not permitted to pay lump sum benefits (or any other payment) in excess of the monthly amount paid under a single life annuity while the Pension Plan is in Critical Status.

### **EMPLOYER SURCHARGE**

Prior to the adoption of a Rehabilitation Plan, the law requires that all Contributing Employers pay to the Plan a surcharge to help correct the Pension Plan's financial situation. The amount of the surcharge is equal to a percentage of the amount a Contributing Employer is otherwise required to contribute to the Pension Plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge is applicable in the initial critical year. A 10% surcharge is applicable for each succeeding Plan Year thereafter in which the Pension Plan is in Critical Status and the collective bargaining parties have not adopted a collective bargaining agreement consistent with the then current Rehabilitation Plan.

Because the existing collective bargaining agreements between the Contributing Employers and Local 202 are consistent with the schedule of contributions required by the Rehabilitation Plan adopted by the Trustees, no Contributing Employer will be required to pay a surcharge.

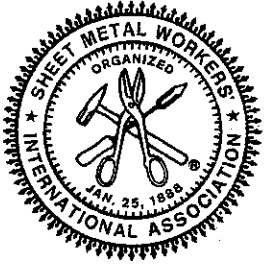
### **WHERE TO GET MORE INFORMATION**

For more information about this Notice, you may contact the Fund Office at (314) 535-4803. When it is approved by the Board of Trustees, you will have a right to receive a copy of the Rehabilitation Plan from the Plan.

Please keep this notice with your copy of the Summary Plan Description.

cc United States Department of Labor  
Employee Benefits Security Administration  
Public Disclosure Room N-1513  
200 Constitution Ave., NW  
Washington, D.C. 20210

Pension Benefit Guaranty Corporation  
Multiemployer Program Division  
1200 K Street, NW, Suite 93  
Washington, D.C. 20005



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### **SUMMARY OF MATERIAL MODIFICATION/204(h) NOTICE FOR LOCAL 202 SHEET METAL WORKERS PENSION FUND**

The Trustees of the Local 202 Sheet Metal Workers Pension Fund ("Pension Plan") are committed to maintaining the long term security of the benefits that you have earned under the Pension Plan. The past success of the Pension Plan has been the result of the long term commitment of the Contributing Employers, the Union and the participants to support sound funding of the Pension Plan.

On September 28, 2016, the Plan Actuary certified to the U.S. Department of the Treasury, and also to the Board of Trustees, that the Pension Plan is in Critical Status under the Pension Protection Act of 2006 ("PPA") for the Plan Year beginning July 1, 2016. The PPA requires pension plans in Critical Status to adopt a "Rehabilitation Plan" aimed at restoring the financial health of the plan. The PPA prohibits plans in Critical Status from providing lump sum benefits except for the payment of small lump sums. The PPA also permits pension plans in Critical Status to reduce, or even eliminate, benefits called "adjustable benefits" as part of a Rehabilitation Plan.

In response to the determination of Critical Status and in conformity with the Rehabilitation Plan adopted by the Trustees and the PPA, the Trustees of the Pension Plan have decided that it is necessary to make the following amendments to the Pension Plan:

#### **REDUCTION IN THE RATE OF FUTURE SERVICE CREDIT EFFECTIVE JULY 1, 2017**

**Current Plan Rule:** The rate of Future Service Credit on hours worked on or after June 30, 2007 is equal to 2.2% of Employer Contributions. Other Future Service Factors apply for work before July 1, 2007.

**Amended Plan Rule:** The rate of Future Service Credit on hours worked on or after July 1, 2017 will be equal to 1% of Employer Contributions. Other Future Service Factors apply for work before July 1, 2017.

**Example:** Smith was credited for \$10,000 in contributions for service performed on or before June 30, 1996; \$15,000 from July 1, 1996 through June 30, 2007; \$18,000 from July 1, 2007 through June 30, 2017; and \$5,000 from July 1, 2017 through December 31, 2018. His Future Service Credit for such service would be \$520 ( $\$10,000 \times$

5.2%) plus \$496 ( $\$15,000 \times 4.6\%$ ) plus \$396 ( $\$18,000 \times 2.2\%$ ) plus \$50 ( $\$5,000 \times 1.0\%$ ), for a total of \$1,656.

### **REDUCTION IN EARLY RETIREMENT BENEFITS EFFECTIVE JULY 1, 2017**

**Current Plan Rule:** Upon early retirement from Covered Service on or after July 1, 1998, the benefit that you would have been entitled to receive as a Normal Retirement Benefit will be reduced by 3% for each year that you retire early between ages 60 and 65, 5% for each year that you retire early between ages 55 to 60, and a proportionate part for each partial year.

**Amended Plan Rule:** Upon early retirement from Covered Service on or after July 1, 2017, the benefit that you would have been entitled to receive as a Normal Retirement Benefit will be actuarially reduced to reflect your age as of your Early Retirement Date.

### **CHANGE IN STANDARD FORM OF PAYMENT FOR UNMARRIED PARTICIPANTS EFFECTIVE JANUARY 1, 2017**

**Current Plan Rule:** If you are not married at the time that your benefit becomes payable, your benefit will be paid to you as a Life Annuity with 5 Years Certain which is the Standard Form of Payment. Under this form, your benefit will be paid to you as long as you live and ensures that if you should die before receiving benefits for 5 years, your beneficiary will receive payments for the rest of the period.

**Amended Plan Rule:** Effective for benefits which commence on or after January 1, 2017, if you are not married at the time that your benefit becomes payable, the Standard Form of Payment will be paid to you as a Life Annuity *without* the 5 Years Certain feature. Under this form, your benefit will be paid to you as long as you live. Once you die, however, no further benefits will be payable from the Pension Plan.

Note that you may still elect to receive your benefits in the form of a Life Annuity with 5 Years Certain option; however, your benefit will be subject to an actuarial reduction to reflect the value of the five years of guaranteed benefit payments.

### **CHANGE IN STANDARD FORM OF PAYMENT FOR MARRIED PARTICIPANTS AND HUSBAND AND WIFE 75% AND 100% SURVIVING SPOUSE ANNUITY OPTION EFFECTIVE JANUARY 1, 2017**

**Current Plan Rule:** If you are married and you elect the Husband and Wife 50% Surviving Spouse Annuity payment option or (with the consent of your spouse) the Husband and Wife 75% or 100% Surviving Spouse Annuity options, your benefit will be the actuarial equivalent of the Life Annuity with 5 Years Certain, which is the Standard Form of Payment, but will be less than under the Life Annuity with 5 Years Certain because it may be paid out for a longer period than if it were paid only during your lifetime. In addition, if you die before receiving benefits for five years,

your spouse will receive the full amount of your benefit for the remainder of the five years; thereafter, your spouse will receive 50%, 75%, or 100% respectively, of your benefit for the remainder of her life.

**Amended Plan Rule:** Effective January 1, 2017, if you are married and you elect the Husband and Wife 50% Surviving Spouse Annuity payment option or (with the consent of your spouse) the Husband and Wife 75% or 100% Surviving Spouse Annuity option, your benefit will be the actuarial equivalent of the Life Annuity without the 5 Years Certain feature, which is the Standard Form of Payment, but will be less than under the Life Annuity because it may be paid out for a longer period than if it were paid only during your lifetime. In addition, if you die before receiving benefits for five years, your spouse will no longer receive the full amount of your benefit for the remainder of the five years. Instead, she will receive only 50%, 75%, or 100% respectively, of your benefit for the remainder of her life.

Note that, with the consent of your spouse, you may still elect the Husband and Wife 50% Surviving Spouse Annuity with 5 Years Certain option; however, your benefit will be subject to an actuarial reduction to reflect the value of the 5 years of guaranteed benefit payments.

#### **CHANGE IN STANDARD FORM PRE-RETIREMENT SURVIVING SPOUSE ANNUITY OPTION EFFECTIVE JANUARY 1, 2017**

If you are vested when you die, your surviving spouse may elect a Standard Form Pre-Retirement Surviving Spouse Annuity or a Lump Sum equal to the greater of the present value of Standard Form Pre-Retirement Surviving Spouse Annuity or the amount of Employer Contributions made on your behalf. Note, however, that effective as of October 30, 2016, by law the Pension Plan is not permitted to pay lump sum benefits (or any other payment) in excess of the monthly amount paid under a single life annuity while the Pension Plan is in Critical Status.

**Current Plan Rule:** The Standard Form Pre-Retirement Surviving Spouse Annuity is an annuity with monthly payments equal to what your surviving spouse would have received under the Husband and Wife 50% Surviving Spouse Annuity (actuarial equivalent of the Life Annuity with 5 Years Certain feature) as if you retired on the day before you died. If you die before reaching age 55, the annuity will be a single life annuity that is actuarially reduced to be the equivalent of the annuity your surviving spouse would have received if you had terminated employment on the date of death, lived to age 55 and then died the next day. If your surviving spouse dies before receiving 60 monthly payments, the sum of the remainder of the 60 payments will go in equal parts to her surviving children, and if none, to her estate.

**Amended Plan Rule:** Effective January 1, 2017, the Standard Form Pre-Retirement Surviving Spouse Annuity is an annuity with monthly payments equal to what your surviving spouse would have received under the Husband and Wife 50% Surviving Spouse Annuity (actuarial equivalent of the Life Annuity without 5 Years Certain feature) as if you retired on the day before you died. If you die before

reaching age 55, the annuity will be a single life annuity that is actuarially reduced to be the equivalent of the annuity your surviving spouse would have received if you had terminated employment on the date of death, lived to age 55 and then died the next day. If your surviving spouse dies before receiving 60 monthly payments, no further benefits will be payable from the Pension Plan.

**NO NEW APPLICATIONS FOR DISABILITY BENEFITS EFFECTIVE JANUARY 1, 2017**

Effective January 1, 2017, the Pension Plan will not accept new applications for Disability Benefits and will not pay Disability Benefits for applications filed on or after that date regardless of the date the Participant became disabled. Disability Benefits in Pay Status and applications for Disability Benefits received prior to January 1, 2017 will not be affected by this change.

If you have any questions regarding these Plan changes, please contact the Fund Office at (314) 535-4803. Please keep this notice with your copy of the Summary Plan Description.

**THE BOARD OF TRUSTEES OF  
THE LOCAL 202 SHEET METAL WORKERS PENSION FUND**