

# **Employer-Industrial Sheet Metal Workers Local #16 Pension Trust**

c/o The William C. Earhart Company, Inc. • P. O. Box 4148 • Portland, OR 97208 • 3140 NE Broadway  
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## **NOTICE OF CRITICAL STATUS**

April 29, 2013

**TO:** PARTICIPANTS AND BENEFICIARIES  
SHEET METAL WORKERS LOCAL NO. 16  
SHEET METAL AND AIR CONDITIONING CONTRACTORS NATIONAL ASSOCIATION,  
COLUMBIA CHAPTER  
CONTRIBUTING EMPLOYERS  
PENSION BENEFIT GUARANTY CORPORATION  
SECRETARY OF LABOR

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This is to inform you that on March 29, 2013 the actuary for the Employer-Industrial Sheet Metal Workers Local No. 16 Pension Plan (the "Plan") certified to the U.S. Department of the Treasury, and to the Board of Trustees that the Plan is in critical status (the "red zone") for the Plan Year beginning January 1, 2013. Federal law requires that you receive this notice.

### **CRITICAL STATUS**

The Plan is considered to be in critical status because it has an impending funding deficiency. More specifically, the Plan's actuary determined that the Plan was in critical status last year and the Plan is projected to have an accumulated funding deficiency for the 2019, 2020, 2021 and 2022 plan years.

### **REHABILITATION PLAN**

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the Plan. In addition to revising the Plan's formula for future benefit accruals and making similar changes, the law permits pension plans in critical status to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. Certain adjustable benefits have already been reduced or eliminated (see below). If the Board of Trustees of the Plan determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions. Any reduction of adjustable benefits (other than a repeal of a recent benefit increase, as described below) will not reduce the level of a participant's basic benefit payable at normal retirement age. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after May 1, 2010. You should also know that whether or not the Plan further reduces adjustable benefits, effective as of April 30, 2010, the Plan has not been permitted to pay lump sum benefits or any other payment in excess of the monthly amount paid under a single life annuity (except for the payout of benefits worth less than \$5000) while it is in critical status.

As required by law, the Board of Trustees adopted a Rehabilitation Plan on November 4, 2010 in an effort to improve the financial health of the Plan. The Rehabilitation Plan includes two

schedules (default and alternative) of reductions in Plan benefits and/or increases in employer contributions for the consideration of the bargaining parties to the various collective bargaining agreements. It also includes unilateral Board of Trustee actions such as reductions in “adjustable benefits” for certain participants, such as those not subject to collective bargaining agreements due to being in inactive status.

### **ADJUSTABLE BENEFITS**

The Plan offers the following “adjustable benefits” that have been reduced or eliminated as part of the Rehabilitation Plan’s Default Schedule:

- 67% Joint-and-Survivor Pension;
- 100% Joint-and-Survivor Pension;
- 50% Joint-and-Survivor Pension with guarantee of no survivor payment reduction for first 60 months;
- 67% Joint-and-Survivor Pension with guarantee of no survivor payment reduction for first 60 months;
- 75% Joint-and-Survivor Pension with guarantee of no survivor payment reduction for first 60 months;
- 100% Joint-and-Survivor Pension with guarantee of no survivor payment reduction for first 60 months;
- 50% Joint-and-Survivor Pension “pop-up” option;
- 67% Joint-and-Survivor Pension “pop-up” option;
- 75% Joint-and-Survivor Pension “pop-up” option;
- 100% Joint-and-Survivor Pension “pop-up” option;
- Life Annuity with 60 months guaranteed;
- Life Annuity with 120 months guaranteed;
- Subsidized Early Retirement Pension;
- Service Pension;
- Service Pension in the event of a permanent closure;
- Disability Pension;
- Pre-Retirement Death Benefit for Vested Participants;
- Pre-Retirement Death Benefit for Non-Vested Participants;
- The Regular Pension formula for the portion of benefits accrued on or after January 1, 2005 is based on the following:
  - 2.25% of contributions on your behalf from January 1, 2005 through December 31, 2006.
  - 2.00% of contributions on your behalf from January 1, 2007 through December 31, 2007.
  - 0.40% of contributions on your behalf on and after January 1, 2008.

These represent improvements over prior benefit accrual formulas covering the same periods. Under the Rehabilitation Plan’s Default Schedule, benefit improvements within the 60 months preceding January 1, 2010 are rescinded, resulting in the following formula being applicable for those periods for pensions payable on or after January 1, 2011.

- 0.30% of contributions on your behalf on and after January 1, 2005.

The preceding description of benefits and payment forms is necessarily brief and does not cover all of the eligibility requirements or features. For more details, you should refer to your Summary Plan Description, the Rehabilitation Plan, or the Plan Document.

### **EMPLOYER SURCHARGE**

The law requires that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial situation beginning 30 days after the employer is notified that the Plan is in critical status. The surcharge is a percentage of an employer's negotiated contribution rate. A 5% surcharge is applicable the first plan year in critical status. The surcharge goes up to 10% for each succeeding plan year in which the Plan is in critical status, until the employer agrees to a collective bargaining agreement that implements one of the schedules in the Rehabilitation Plan.

The 5% surcharge was due with respect to any contribution required to be paid on or after May 30, 2010 and continued until December 31, 2010. The 10% surcharge applies to contributions required to be paid on or after January 1, 2011. Employers who adopted a schedule no longer pay a surcharge.

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

For more information about this notice, you may contact the Plan's Third Party Administrator at the following address:

Employer-Industrial Sheet Metal Workers Local No. 16 Pension Plan  
c/o William C. Earhart Company, Inc.  
P.O. Box 4148  
Portland, OR 97208  
(503) 460-5221

You can receive a copy of the Rehabilitation Plan by contacting the Plan's Third Party Administrator.