

**SOUTHWEST OHIO REGIONAL COUNCIL OF CARPENTERS PENSION PLAN  
2014 NOTICE OF CRITICAL STATUS**

*April 2014*

On March 28, 2014 the actuary for the Southwest Ohio Regional Council of Carpenters Pension Plan ("Plan") certified to the U.S. Department of the Treasury and the Plan Sponsor ("Board of Trustees") that the Plan continues to be in "critical status" for the 2014 Plan Year as defined by the *Pension Protection Act of 2006* (PPA). The 2014 Plan Year began on January 1, 2014 and will end on December 31, 2014. Federal law requires that you receive this Notice.

**Critical Status**

The Southwest Ohio Regional Council of Carpenters Pension Plan is in critical status because the Plan has funding or liquidity problems, or both. The 2009 Plan Year was the first year that the Plan was certified to be in critical status. This was because as of the Plan's 2009 PPA certification date the Plan was projected to have an accumulated funding deficiency for the 2013 Plan Year. 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 2014 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 this 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 April 9, 2010, the Board of Trustees of the Southwest Ohio Regional Council of Carpenters Pension adopted a rehabilitation plan that has been ratified by the bargaining parties. This plan was updated during the 2012 Plan Year. The Plan's actuary has certified that the Plan is making scheduled progress in meeting the requirements of its updated rehabilitation plan.

**Rehabilitation Plan**

Federal law requires that pension plans in critical status adopt a rehabilitation plan aimed at restoring the financial health of the plan. 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 prohibits pension plans in critical status from paying "restricted benefits".

On April 29, 2010, you were notified that the Plan is no longer allowed to pay any lump sum benefits, such as single sum disability benefits or death benefits, or any other payment in excess of the monthly amount paid under a single life annuity. The Plan is not permitted to pay these benefits because they are considered "restricted benefits" under federal law.

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As noted above, the Board of Trustees of the Southwest Ohio Regional Council of Carpenters Pension Plan adopted a rehabilitation plan on April 9, 2010 that was ratified by the bargaining parties. This rehabilitation plan was updated during the 2012 Plan Year. The Plan's updated rehabilitation plan is summarized below:

- Any participant who: (1) commences receipt of an Early Retirement Benefit on or after January 1, 2013, (2) is at least age 55, and (3) has 5 or more Years of Vesting Service will receive a monthly pension benefit equal to his actuarially reduced accrued benefit.
- Any participant who: (1) is disabled on or after January 1, 2013, (2) is eligible for a Total and Permanent Disability Retirement Benefit, and (3) has 5 or more Years of Vesting Service will receive a monthly pension benefit equal to his actuarially reduced accrued benefit.
- For deaths occurring on or after July 1, 2010, the amount payable to the surviving spouse of a vested, married participant who has not yet 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 & 50% Survivor Annuity, and (3) died. His 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 55<sup>th</sup> birthday.
- Finally, effective for retirements commencing on or after July 1, 2010, the Plan's suspension of benefit rules for Disqualifying Employment before Normal Retirement Age have been expanded. A participant who is receiving a Retirement Benefit from the Plan (other than a Disability Benefit) and who works in the industry covered by the Plan will have his monthly pension benefit suspended until his Normal Retirement Date. This suspension will occur regardless of where the work was performed or the number of hours the participant worked in the industry.

In addition to the changes outlined above, the rehabilitation plan also calls for increases in the hourly contribution rate. The contribution rate will need to increase by at least 25¢ per hour for each Plan Year until 2020. This means that the hourly contribution rate for a Journeyman will increase from \$5.20 per hour on June 1, 2009 to \$8.20 per hour by June 1, 2020. The hourly contribution rate was increased to \$6.45 per hour effective June 1, 2013.

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.

#### **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 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:

- Early Retirement Benefits or retirement-type subsidies;
- Disability Benefits (if not yet in pay status);
- Other similar benefits, rights, or features under the Plan, including the Plan's pre-retirement death benefits.

If the Trustees of the Plan determine that further benefit reductions are necessary, you will receive a separate Notice identifying the type of the reduction and the effect of those reductions. Any reduction in adjustable benefits will not reduce the level of your basic benefit payable at your Normal Retirement Age (generally, age 62). In addition, the reductions will only apply to Participants and beneficiaries whose Annuity Starting Date is on or after April 29, 2010.

### **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.

Because the Southwest Ohio Regional Council of Carpenters Pension Plan is operating under a rehabilitation plan, the employer surcharge is currently not applicable.

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

For more information about this Notice, you can contact the Board of Trustees of the Southwest Ohio Regional Council of Carpenters Pension Plan, c/o Compensation Programs of Ohio, Inc. at 33 Fitch Boulevard, Austintown, Ohio 44515, or by calling 1-800-435-2388. For identification purposes, the official Plan Number is 001 and the Plan Sponsor's Employer Identification Number, or "EIN", is 31-6127287. 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.