Sheet Metal Workers' International Association
Local Union # 202 Pension Fund
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NOTICE OF CRITICAL STATUS FOR LOCAL 202 SHEET METAL WORKERS PENSION FUND

This is to inform you that on September 23, 2020 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, 2020. Federal law requires that you receive this notice. This Notice is being sent to all Participants, Beneficiaries and Alternate 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 the Plan does not meet the criteria necessary to emerge from critical status since the Plan is projected to have a funding deficiency within the next two (2) Plan Years. 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, 2020. This is the fifth year the Plan has been in critical status.

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. However, due to the Pension Plan's current asset values and demographics, the Rehabilitation Plan adopted by the Trustees in October 2016 was designed to forestall insolvency, within the meaning of Section 432(e)(3) of the Internal Revenue Code. In the event that the Pension Plan becomes insolvent, in accordance with the Employee Retirement Income Security Act (ERISA), benefits will be reduced for all participants, retirees and beneficiaries to levels guaranteed by the Pension Benefit Guaranty Corporation (PBGC).

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. On October 30, 2016, you were notified that the Board of Trustees 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, since October 30, 2016, by law the Pension 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 while the Pension Plan is in Critical Status.

Based upon the recommendation of the Plan Actuary, the Trustees have determined that it is not necessary to revise the Rehabilitation Plan adopted by the Trustees; however, if, in the future, the 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 will not reduce the level of a participant's basic benefit payable at normal retirement.

EMPLOYER SURCHARGE

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 is 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.

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 930
Washington, D.C. 20005