

Notice of Critical Status for Sheet Metal Workers' Local No. 40 Pension Plan

April 30, 2009

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Participants, Beneficiaries, Contributing Employers, and Sheet Metal Workers' Local No. 40:

The Pension Protection Act (the "Act"), signed into law in 2006, is intended to improve the financial condition of pension plans. The Act introduced several formal safeguards and controls and added notification requirements for Trustees to share more information about a plan's financial circumstances with participants, contributing employers and others directly related to the plan. Many of the Act's safeguard provisions relate to funding, which, in simplest terms, is how much a plan has coming in, going out, and what is in reserve (or "in the bank") for the future. The safeguards are intended to create more discipline to prevent future funding problems and correct those that have already developed.

Starting with the 2008 plan year, the Act requires us to test the Pension Plan annually to classify its funding status. Standardized measurements were established for classifying plans based on their funding issues. Plans that are in "endangered" status (yellow zone) or "critical" status (red zone) must notify all plan participants, beneficiaries, unions, and contributing employers of the plan's status, as well as have a plan to restore the plan's financial health. Last year, we notified you that the Pension Plan was in endangered status for 2008.

This is to inform you that on March 31, 2009 the plan actuary certified to the U.S. Department of the Treasury, and also to the Board of Trustees of the Pension Plan, that the Plan is in critical status for the plan year beginning January 1, 2009. Federal law requires that you receive this notice.

Critical Status

The plan is considered to be in critical status because it has funding or liquidity problems, or both. More specifically, the plan's actuary determined that the Plan's funded percentage is less than 65% and the Plan is projected to have a funding deficiency within the next five years.

Rehabilitation Plan and Possibility of 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 to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. If the trustees of the Plan determine that 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. In addition, the reductions may only apply to monthly benefits if payable to participants and beneficiaries whose benefit commencement date is on or after April 30, 2009.

Adjustable Benefits

The Pension Plan offers the following adjustable benefits which may be reduced or eliminated as part of any rehabilitation plan the Pension Plan may adopt

- Disability benefits (if not yet in pay status);
- Early retirement subsidies;
- Lump sum death benefits;
- Benefit payment options other than a qualified joint-and-survivor annuity (QJSA);
- Other similar benefits, rights, or features under the plan, including possibly the Reserve Fund sometimes called Local Pension COLA.

If the trustees of the Plan determine that benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions.

Employer Surcharge

The law requires that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial situation. 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.

The amount of the surcharge for the remainder of the 2009 Plan year (from May 30, 2009 until December 31, 2009) is 5% of the amount employers are otherwise required to contribute to the Plan under the applicable collective bargaining agreement. Beginning January 1, 2010, the contribution surcharge will increase to 10% of the negotiated contribution rate. **These contribution surcharges end on the effective date of a collective bargaining agreement amendment that includes terms consistent with the Rehabilitation Plan.**

The Sheet Metal Workers' Local No. 40 Pension Plan Board of Trustees is currently developing a Rehabilitation Plan that will improve the Pension Plan's funding status and satisfy the Act's requirements. If the bargaining parties amend the collective bargaining agreements to be consistent with that Rehabilitation Plan prior to May 30, 2009, surcharges will not be imposed.

While this Rehabilitation Plan is expected to be adequate to meet the standards that the Act sets for plans in the red zone, we will be re-testing the Plan's funding every year. Depending on what happens with the Plan's investments, the timing of participants' retirements, the amount of covered work and other financial factors, we may need to revise the Rehabilitation Plan.

What's Next

We understand that legally required notices like this one can create concern about the Plan's future. While the critical zone label is required to be used by law, the fact is that we are working with our actuaries and consultants to address these issues and take the actions necessary to improve the Plan's financial condition. However, since the Pension Plan is influenced by economic and financial variables beyond our control (such as market volatility and changes in participation and/or the number of contributing employers), unexpected developments can affect the Plan's status and any future corrective actions needed.

Once the Rehabilitation Plan is adopted, any benefit or other Plan provision changes will be communicated to all affected individuals and parties before any changes are made. Please remember that no future benefit changes will apply to any retiree or beneficiary currently in pay status (with benefits started by April 30, 2009).

Where to Get More Information

For more information about this Notice or a copy of the Rehabilitation Plan when it has been finalized, you may contact the Board of Trustees, Sheet Metal Workers' Local No. 40 Pension Fund, (860-529-2616), 100 Old Forge Rd, Rocky Hill, CT 06067-3758.

As required by law, this notice is being provided to the Pension Benefit Guaranty Corporation (PBGC) and the Department of Labor.