



Sheet Metal Workers' Pension Plan of Northern California



NOTICE OF CRITICAL STATUS FOR

SHEET METAL WORKERS PENSION PLAN OF NORTHERN CALIFORNIA

To: All Participants, Beneficiaries, Participating Unions and Contributing Employers

The Pension Protection Act of 2006 ("PPA") added requirements for measuring the financial health of multiemployer plans such as the Sheet Metal Workers Pension Plan of Northern California (the "Fund" or "Plan"). Starting with the 2008 Plan Year, the PPA requires that a Pension Fund's actuary determine annually the Fund's status under these new requirements and to certify that status both to the IRS and to the Board of Trustees as the plan sponsor. It is important to note that if the Fund's status for a Plan Year is in "endangered" ("yellow zone") or "critical" ("red zone") status, the Trustees must notify all Plan Participants in writing of this certification and take corrective action to restore the financial health of the Plan.

Red Zone ("Critical" Status)

This letter serves as notice that as of March 30, 2010, the Fund's actuary determined and certified that the Fund is in "critical" status for the 2010 Plan Year. This determination was made because, based on the PPA's new funding requirements, the Fund contributions are less than required to avoid a funding deficit. While "critical" status is a label that the PPA requires, the Fund is, in fact, meeting its funding goals and is expected to continue doing so into the future.

The PPA also requires that any pension fund in the red zone adopt a Funding Rehabilitation Plan ("FRP"). The FRP is an action plan, to be proposed to the bargaining parties, which based on reasonably anticipated experience and under reasonable actuarial assumptions is designed to significantly increase a plan's funded percentage and to avoid any accumulated funding deficiency. The FRP will be developed no later than late this fall and a notice describing the FRP will be provided to the bargaining parties shortly after that.

Funding Rehabilitation Plan ("FRP")

The Collective Bargaining Agreement ("CBA") currently in effect provides that sufficient annual contributions increases will be made to the Fund to fund the benefits that Participants are earning and we expect that the Plan's funded percentage will continue to improve inline with PPA requirements. Because of contribution increases already agreed to by the bargaining parties, it is not anticipated that there will be a need for a reduction in benefits (which is an option under PPA).

The Board of Trustees does not expect that any other changes will be needed to meet the PPA's requirement for a FRP, while the current CBA is in effect. Please note that the PPA requires our Plan's funded status be reviewed and certified annually and notices like this one, explaining the outcome, will be sent each year until our Plan is no longer in the "red zone." Likewise, the FRP will also be updated

on an annual basis. While our goal is to remain on track with the Plan's funding schedule, there are several variables beyond our control, which our advisors will monitor yearly, including investment market volatility and changes in hours worked by Plan participants.

We understand that legally required notices like this one can create anxiety and concern about the Fund's future. The Board of Trustees remains confident that the Fund will continue to provide our Participants and their families with secure retirement benefits.

If you have questions or would like additional information, you may contact Bonnie Maraia at BeneSys Administrators, 2610 Crow Canyon Road, Suite 200, San Ramon, CA 94583; 925-208-9999.

Sincerely,

The Board of Trustees