

Employer-Industrial Sheet Metal Workers Local #16 Pension Trust

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NOTICE OF CRITICAL STATUS

April 2012

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

This is to inform you that on March 30, 2012 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, 2012. 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 a funding deficiency is projected in the next ten 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 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 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 Administrator at the following address:

Employer-Industrial Sheet Metal Workers Local No. 16 Pension Plan
c/o The 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 Administrator.