

**SHEET METAL WORKERS LOCAL NO. 224 PENSION FUND
2012 NOTICE OF CRITICAL STATUS**

April 2, 2012

This Notice is to inform you that on March 19, 2012, the Plan Actuary for the Sheet Metal Workers Local No. 224 Pension Fund ("Plan") certified to the United States Department of the Treasury and to the Plan Sponsor ("the Board of Trustees") that the Plan is in critical status for the 2012 Plan Year. The 2012 Plan Year begins on January 1, 2012 and ends on December 31, 2012. 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 is projected to have an accumulated funding deficiency for the 2015 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.

Rehabilitation Plan

Federal law requires pension plans that are in critical status adopt a rehabilitation plan aimed at restoring the financial health of the plan. On March 15, 2012 the Board of Trustees adopted a rehabilitation plan that was ratified by the Plan's bargaining parties. A rehabilitation plan can 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. Any reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement.

In addition, effective April 2, 2012, the Plan will not be permitted to pay lump sum benefits or any other payment in excess of the monthly amount paid under a Single Life Annuity while it is in critical status. The benefits that the Plan is now restricted from paying are as follows:

- Effective for Annuity Starting Dates occurring on or after April 2, 2012, the Level Income Option form of payment will be eliminated for any Participant who commences receipt of an Early Retirement Benefit before reaching age 62.
- Effective for Annuity Starting Dates occurring on or after April 2, 2012, the fully subsidized pop-up provision will be eliminated for any Participant who elects to receive their monthly pension payment as a Qualified Joint and Survivor Annuity.
- Effective April 2, 2012, the Return of Contributions Death Benefit will be eliminated. This benefit was paid to the designated beneficiary of an Active Plan Participant who was not married at the time of his death or to the designated beneficiary of a Vested Active Plan Participant who, along with his spouse, waived the Qualified Pre-Retirement Survivor Annuity.
- Effective April 2, 2012, the 36-month pension payment guarantee will be eliminated. This benefit was paid to the designated beneficiary of a deceased Retired Participant who, along with his spouse (if applicable), waived the Qualified Joint and Survivor Annuity and died before receiving 36 monthly pension payments from the Plan.

In addition to the above benefit restrictions, the Board of Trustees adopted a rehabilitation plan that includes a combination of benefit changes and increases in the contribution rate. The Plan's rehabilitation plan is summarized below.

- ☑ A Participant who is fully vested will not be eligible for any Early Retirement Benefits after June 1, 2012 unless he is considered an Active Participant in the Plan. The Plan Document defines an Active Participant as a Participant who has completed at least: (1) 320 hours in each of the two Plan Years immediately preceding the Plan Year in which he retires; or (2) 640 hours in the Plan Year that immediately precedes the Plan Year in which he retires. A vested Participant who is not considered Active under the Plan will be entitled to a monthly pension equal to his Accrued Benefit at his Normal Retirement Date.
- ☑ An Active Participant who commences receipt of an Early Retirement Benefit and has an Annuity Starting Date after June 1, 2012, will be eligible for an unreduced Early Retirement Benefit only if he is at least 57 years old and has earned 30 or more Years of Vesting Credit. His unreduced Early Retirement Benefit will be equal to his vested Accrued Benefit, and no reduction will be applied to reflect early commencement.
- ☑ An Active Participant will be able to commence receipt of a reduced Early Retirement Benefit if he is at least 55 years old and has earned 5 or more Years of Vesting Credit. His reduced Early Retirement Benefit will be equal to his vested Accrued Benefit, reduced by $\frac{1}{4}$ of 1% (0.0025) for each month that his Early Retirement Date precedes his attainment of age 62.
- ☑ A Participant who becomes disabled according to the terms and conditions of the Plan after June 1, 2012 and is eligible for a Disability Retirement Benefit will receive a monthly pension equal to his vested Accrued Benefit, reduced by $\frac{1}{4}$ of 1% (0.0025) for each month that his Disability Retirement Date precedes his attainment of age 62. There will be a maximum reduction of 21%.
- ☑ For deaths occurring after June 1, 2012, the amount payable to the surviving spouse of a vested, married Participant who has not 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 and 50% Survivor Annuity, and (3) died. The 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 1st day of the month following the Participant's Earliest Eligible Retirement Date.
- ☑ In addition to the benefit changes outlined above, the rehabilitation plan adopted by the Board of Trustees also calls for increases in the hourly contribution rate. Effective June 1, 2012, \$1.25 per hour will be reallocated from the Health & Welfare Plan to the Pension Plan. This increase will be in addition to the \$0.35 increase that has already been negotiated. This means that the hourly contribution rate for a Journeyman will increase by \$1.60 from \$7.53 per hour to \$9.13 per hour for hours worked on or after June 1, 2012.

Effective for Annuity Starting Dates on or after May 1, 2012, all of the forms of pension payment offered under the Plan will be actuarially equivalent to the amount payable as a Single Life Annuity.

The Board of Trustees has adopted a number of new optional forms of payment that are intended to provide retirees with additional options. These forms of payment are described below:

- Effective for Annuity Starting Dates on or after May 1, 2012, a Participant may elect to receive a reduced Qualified Joint and Survivor Annuity (50%, 75%, or 100%) with the pop-up provision, along with the consent of his spouse. This benefit will be paid on an actuarially reduced basis. Under the pop-up provision, the monthly pension being paid to a Participant who elected a Joint and Survivor Annuity will increase to the amount payable as a Single Life Annuity if the Participant's spouse predeceases the Participant.
- Effective for Annuity Starting Dates on or after May 1, 2012, an actuarially equivalent Life Annuity with 60 payments guaranteed will be added as an optional form of payment. A Participant, with the consent of his spouse (if applicable), can elect to receive his monthly pension on a reduced basis as a Life Annuity with 60 payments guaranteed. Under this form of payment, if the Participant dies before receiving 60 monthly pension payments, monthly benefits will be paid to the Participant's spouse or designated beneficiary until a total of 60 monthly payments have been paid by the Plan.

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 further 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:

- Subsidized Early Retirement Benefits;
- Unreduced Early Retirement Benefits;
- Disability Benefits (if not yet in pay status);
- Benefit payment options, other than a Qualified Joint and Survivor Annuity (QJSA); and
- Other similar benefits, rights, or features under the Plan.

If the Board of Trustees of the Plan ever determines that any additional benefit reductions are necessary, you will receive a separate Notice in the future identifying the reductions and explaining their effect. Any reduction of "adjustable benefits" will not reduce the level of the basic benefit payable at your Normal Retirement Age. In addition, the reductions will only apply to participants and beneficiaries with an Annuity Starting Date on or after April 2, 2012.

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.

Since the Board of Trustees adopted a rehabilitation plan that was ratified by the Plan's bargaining parties, the Plan's contributing employers will not have to pay a surcharge to the Plan at this time.

Where to Get More Information

For more information about this Notice, you can contact the Fund Office at 4949 Northcutt Place, Dayton, Ohio 45414, or by calling 937-274-5881. For identification purposes, the official Plan Number is 001 and the Plan Sponsor's Employer Identification Number, or "EIN", is 31-6171353. 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.