

**SHEET METAL WORKERS LOCAL NO. 224 PENSION FUND**  
**2014 NOTICE OF CRITICAL STATUS**  
*April 2014*

On March 28, 2014 the actuary for the Sheet Metal Workers Local No. 224 Pension Fund ("Plan") certified to the U.S. Department of the Treasury and the Plan Sponsor ("Board of Trustees") that the Plan continues to be in "critical status" for the 2014 Plan Year as defined by the *Pension Protection Act of 2006* (PPA). The 2014 Plan Year began on January 1, 2014 and will end on December 31, 2014. Federal law requires that you receive this Notice.

**Critical Status**

The Sheet Metal Workers Local No. 224 Pension Fund is in critical status because the Plan has funding or liquidity problems, or both. The 2012 Plan Year was the first year that the Plan was certified to be in critical status. This was because as of the Plan's 2012 PPA certification date the Plan was 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.

The Plan continues to be in critical status for the 2014 Plan Year because the Plan's actuary has determined that the Plan has not passed the "Emergence Test" that would enable it to come out of critical status. In order to pass this Test, the Plan's actuary must certify that the Plan is not projected to have an accumulated funding deficiency for the current Plan Year or any of the nine succeeding Plan Years.

On March 15, 2012, the Board of Trustees of the Sheet Metal Workers Local No. 224 Pension Fund adopted a rehabilitation plan that has been ratified by the bargaining parties. This plan was updated during the 2013 Plan Year. The Plan's actuary has certified that the Plan is making scheduled progress in meeting the requirements of its updated rehabilitation plan.

**Rehabilitation Plan**

Federal law requires that plans in critical status adopt a rehabilitation plan aimed at improving the plan's funded percentage. A rehabilitation plan may 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. Federal law also stipulates that plans in critical status are not allowed to pay "restricted benefits", such as lump sum benefits or any other payment in excess of the monthly amount paid under a Single Life Annuity.

The Board of Trustees of the Sheet Metal Workers Local No. 224 Pension Fund adopted a rehabilitation plan that includes benefit restrictions, benefit changes, and increases in the hourly contribution rate. This plan was updated during the 2013 Plan Year. The Plan's updated rehabilitation plan is summarized below:

- ☑ A vested Participant will not be eligible for any Early Retirement Benefits after June 1, 2012 unless he is considered an Active Participant in the Plan. An Active Participant is 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 at his Normal Retirement Date.
- ☑ Effective for retirements after June 1, 2012, an Active Participant can commence receipt of a reduced Early Retirement Benefit if he is at least age 55 and has earned 5 or more Years of Vesting Credit. His Early Retirement Benefit will be equal to his vested Accrued Benefit, reduced by  $\frac{1}{4}$  of 1% for each month that his Early Retirement Date precedes his attainment of age 62.
- ☑ Effective for retirements after June 1, 2012, an Active Participant will be eligible for an unreduced Early Retirement Benefit 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.
- ☑ A Participant who becomes disabled according to the terms 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% 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 first day of the month following the Participant's Earliest Eligible Retirement Date.
- ☑ 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.
- ☑ Effective April 2, 2012, the fully subsidized pop-up provision was eliminated for any Participant who elects to receive their monthly pension payment as a Qualified Joint and Survivor Annuity. On or after May 1, 2012, a Participant can opt to receive an actuarially equivalent Qualified Joint and Survivor Annuity (50%, 75%, or 100%) with the pop-up provision, along with the consent of his spouse. 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 choose 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.
- ☑ The Level Income Option form of payment was eliminated for any Participant who commences receipt of an Early Retirement Benefit before reaching age 62 and has an Annuity Starting Date on or after *April 2, 2012*.
- ☑ Effective *April 2, 2012*, the Return of Contributions Death Benefit was eliminated. This benefit was paid to the designated beneficiary of an Active Participant who was not married at the time of his death or to the designated beneficiary of a Vested Active Participant who, along with his spouse, waived the Qualified Pre-Retirement Survivor Annuity.
- ☑ Effective *April 2, 2012*, the 36-month pension payment guarantee was 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 benefit changes outlined above, the rehabilitation plan calls for increases in the hourly contribution rate. Effective June 1, 2012, \$1.25 per hour was reallocated from the Health & Welfare Plan to the Pension Plan. This increase was in addition to the \$0.35 increase that was already negotiated. Thus, the hourly contribution rate for a Journeyman increased by \$1.60 from \$7.53 per hour to \$9.13 per hour for hours worked on or after June 1, 2012. Effective June 1, 2013, \$0.25 was reallocated back to the Welfare Plan. This resulted in the Journeyman contribution rate decreasing to \$8.88 per hour.

The rehabilitation plan will be reviewed annually with the Plan's actuary and other professionals. Based on such review, the rehabilitation plan may be amended to include additional benefit reductions and/or contribution rate increases.

### **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 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 Trustees of the Plan determine that further benefit reductions are necessary, you will receive a separate Notice identifying the type of the reduction and the effect of those reductions. Any reduction in adjustable benefits will not reduce the level of your basic benefit payable at your Normal Retirement Age (generally, age 65). In addition, the reductions will only apply to Participants and beneficiaries whose Annuity Starting Date is 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.

Because the Sheet Metal Workers Local No. 224 Pension Fund is operating under a rehabilitation plan, the employer surcharge is currently not applicable.

### **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.