Sheet Metal Workers' Pension Plan
OF SOUTHERN CALIFORNIA, ARIZONA & NEVADA
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April 27, 2012

TO: All Pension Plan Participants, Beneficiaries, and Alternate Payees

NOTICE OF CRITICAL STATUS FOR SHEET METAL WORKERS'

PENSION PLAN OF SOUTHERN CALIFORNIA, ARIZONA AND NEVADA

This is to inform you that on March 30, 2012 the Plan actuary certified to the U.S. Department of the Treasury, and also 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 funding problems. More specifically, the Plan's actuary determined that the Plan is critical because the Plan is projected to have an accumulated funding deficiency for the 2015 plan year without the Internal Revenue Code Section 431(d) amortization extension.

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. In addition to revisiting the plan's formula for future benefit accruals and making similar changes, 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 (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 April 29, 2012. But you should know that whether or not the Plan reduces adjustable benefits in the future, effective as of April 29, 2012 the Plan is not 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 payment of benefits worth less than $5,000 while it is in critical status.

Continued – Other Side

ADJUSTABLE BENEFITS

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

- Post-retirement death benefits;
- Fifty-four month payment guarantees;
- Disability benefits (if not yet in pay status);
- Early Retirement, Special Early Retirement, and Service Pension benefits;
- Benefit payment options other than a qualified joint-and-survivor annuity (QJSA);
- Other similar benefits, rights, or features under the Plan, such as pre-retirement death benefits, benefits of inactive participants, and future accruals and requirements for future accruals

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. 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 until the effective date of a collective bargaining agreement that implements a Rehabilitation Plan Schedule. The 5% surcharge is required on contributions due on and after May 29, 2012; in other words, it begins with contributions for May 2012 hours which are due in June 2012. The required surcharge increases to 10% beginning with contributions for January 2013 hours, which are due in February 2013.

WHERE TO GET MORE INFORMATION

For more information about this Notice, you may contact Richard Wondra, Administrative Director, at Sheet Metal Benefit Plans Administrative Corporation (SMBPAC), by phone at (800) 947-4338, or in person at 111 North Sepulveda Boulevard, Suite 100, Manhattan Beach, California 90266. After the Board of Trustees adopts the rehabilitation plan, you have a right to receive a copy of the rehabilitation plan from the Plan.

cc: Business Managers, Sheet Metal Workers' Locals 26, 88, 105, 206, 273 and 359
All Contributing Employers
All Employer Associations
Pension Benefit Guaranty Corporation (PBGC)
Legal Counsel
Consultants