

Notice of Critical Status For

Sheet Metal Workers Local #44 Retirement Income Plan

This is to inform you that on December 23, 2013 the plan actuary certified to the U.S. Department of the Treasury, and also to the plan sponsor, that the plan is in Critical Status for the plan year beginning October 1, 2013. 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.

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. This is the sixth year the plan has been in critical status. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. On December 9, 2008, you were notified that the Trustees adopted a Rehabilitation Plan that required contribution increases through May 1, 2018 and changed the annual benefit accrual level to 1.25% of contributions to a maximum of \$100. On October 30, 2008, you were notified that as of October 30, 2008 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) while it is in critical status. If the 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 will not reduce the level of a participant's basic benefit payable at normal retirement. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after October 30, 2008.

Adjustable Benefits

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

- Sixty-month payment guarantees;
- Disability benefits (if not yet in pay status);
- Early retirement benefit or retirement-type subsidy;
- Benefit payment options other than a qualified joint-and survivor annuity (QJSA);

Employer Surcharge

While a Fund is in critical status, the law requires that all contributing employers either comply with one of the contribution increase schedules of the Rehabilitation Plan or pay to the Pension Fund a surcharge to help correct the Pension Fund'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 10% surcharge is applicable for this plan year and for each succeeding year while the Fund is in critical status until such time as one of the contribution increase schedules is adopted. Since all contracts have adopted the Rehabilitation Plan, no contribution surcharge is due at this time.

Where to Get More Information

For more information about this Notice, you may contact SVS Associates, Inc. at 248 Parrish Street, Wilkes-Barre, PA 18702, by telephone at 570-829-4634 or by e-mail at svsassoc@aol.com. You have a right to receive a copy of the Rehabilitation Plan from the plan.

BEYER-BARBER COMPANY

1136 HAMILTON STREET, SUITE 103
ALLENTOWN, PENNSYLVANIA 18101

2014 JAN 15 11:11

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December 23, 2013

Board of Trustees
Sheet Metal Workers Local #44
248 Parrish Street
Wilkes-Barre, PA 18702

RE: Actuarial Certification of Funding Status as of October 1, 2013

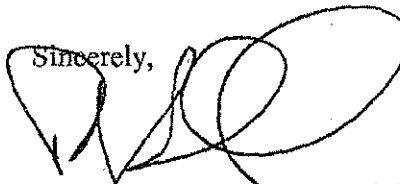
Ladies and Gentlemen:

In accordance with the provisions of the Pension Protection Act of 2006 (PPA), I have prepared an actuarial certification of the funding status of the Sheet Metal Workers Local #44 Retirement Income Plan as of October 1, 2013. The attached report provides details of the actuarial and projection assumptions and methods used, the resultant projections and the results of the application of Endangered and Critical testing performed.

As of October 1, 2013 the plan is IN CRITICAL STATUS as defined in Section 432 of the Internal Revenue Code. This determination has been made in accordance with generally accepted actuarial principals and practices and my understanding of the law.

The results of this certification will be reviewed with the Trustees at a future Trustee Meeting. The certification will also be mailed to the Secretary of the Treasury as required by law. In addition, I have prepared a draft of the Notice that is required to be sent to all participants and other interested parties within 30 days of this certification by January 22, 2014. This Notice has been mailed to you under a separate cover.

Sincerely,



Rande W. Sekol, EA, MAAA, MSPA, FCA
CEO & Chief Actuary

cc: Secretary of the Treasury
Charles W. Johnston, Esquire
SVS Associates



**ACTUARIAL CERTIFICATION OF FUNDING STATUS
UNDER THE PENSION PROTECTION ACT OF 2006**

Plan Name: Sheet Metal Workers Local #44 Retirement Income Plan

Plan Sponsor: Trustees of the Sheet Metal Workers Local #44 Retirement Income Plan

EIN: 23-6537135

Plan Number: 001

Plan Contact Information: Sheet Metal Workers Local #44 Retirement Income Plan

248 Parrish Street

Wilkes-Barre, PA 18702

Phone: 570-829-4634

Fax: 570-829-5775

Plan Year of Certification: October 1, 2013 to September 30, 2014

I hereby certify that the Sheet Metal Workers Local #44 Retirement Income Plan is **IN CRITICAL STATUS** for the 2013-2014 plan year as defined under Section 432 of the Internal Revenue Code. My projections are based on the Actuarial Valuation that was prepared as of October 1, 2012.

This Plan was certified to be in Critical Status since the 2008 plan year and a Rehabilitation Plan was developed and adopted on November 6, 2008 intended to allow the Plan to emerge from Critical Status by the end of the Rehabilitation Period. The Rehabilitation Period begins October 1, 2010 and ends September 30, 2020. Projections based on the October 1, 2011 Valuation demonstrated that the Rehabilitation Plan, as adopted, was no longer projected to allow the Plan to emerge from Critical Status by the end of the Rehabilitation Period. As a result, the Trustees adopted as their objective the goal of emerging from Critical Status at a later point in time, by September 30, 2036, and adopted an update to the Rehabilitation Plan in 2012 that achieved this objective. Updated projections based on the October 1, 2012 Valuation now reflect that the plan is projected to emerge from Critical Status by September 30, 2040. As a result, the Trustees have adopted an update to the Rehabilitation Plan in 2013 which reflects this change in objective.

This determination has been made in accordance with generally accepted actuarial principals and practices and my understanding of the law. The actuarial assumptions, projection assumptions and methods used follow this certification. This certification is based on the understanding that the Sheet Metal Workers Local #44 Retirement Income Plan qualifies as a multiemployer plan in accordance with the law for the 2013-2014 plan year.

To the best of my knowledge, the information supplied in this certification including the following exhibits is complete and accurate, and in my opinion represent my best estimate of anticipated experience under the plan.



Rande W. Sekol, EA, MAAA, MSPA, FCA

Enrolled Actuary No. 11-03192

Beyer-Barber Company

1136 Hamilton Street, Suite 103

Allentown, PA 18101

Phone: 610-435-9577

Fax: 610-435-2663

Date: December 23, 2013



EXHIBIT I

PENSION PROTECTION ACT OF 2006 FUNDING STATUS DETERMINATION

CRITICAL STATUS TESTING

Test 1

1. Was the plan certified to be in Critical Status for the prior plan year? YES
2. Is the plan projected to have an accumulated funding deficiency for the plan year or any of the 9 succeeding plan years, without regard to the use of the shortfall method but taking into account extensions of amortization periods under section 304(d) of ERISA? YES
3. Critical status if both #1 and #2 are YES? CRITICAL

Test 2

1. Is Funded Percentage below 65%? YES
2. Is the sum of assets and the present value of expected contributions for the current plan year and each of the next 6 plan years less than the present value of benefits to be paid during that period? NO
3. Critical status if both #1 and #2 are YES? NOT CRITICAL

Test 3

1. Does the plan have an accumulated funding deficiency in the current plan year? NO
2. Is the plan projected to have an accumulated funding deficiency within the 3 succeeding Plan years (4 succeeding Plan years if the Funded Percentage is 65% or less)? YES
3. Critical Status if either #1 or #2 is YES? CRITICAL

Test 4

1. Does normal cost plus interest on the unfunded accrued liability exceed the expected contributions? NO
2. Is the present value of nonforfeitable benefits for inactives greater than the present value of nonforfeitable benefits for actives? YES
3. Does the plan have an expected accumulated funding deficiency for the current plan year or for any of the succeeding 4 plan years? YES
4. Critical Status if #1, #2 and #3 are "YES"? NOT CRITICAL



EXHIBIT I, cont'd

PENSION PROTECTION ACT OF 2006
FUNDING STATUS DETERMINATION

CRITICAL STATUS TESTING, cont'd

Test 5

- | | | |
|---|----|---------------------|
| 1. Is the sum of the market value of assets plus the expected contributions for the current and 4 succeeding plan years less than the present value of benefits expected to be paid during that period including plan expenses? | NO | |
| 2. Critical Status if #1 is "YES"? | | <u>NOT CRITICAL</u> |

CONCLUSION: THE PLAN IS IN CRITICAL STATUS

ENDANGERED STATUS TESTING

- | | | |
|---|-----|-----------------------|
| 1. Is the plan in Critical Status? | YES | |
| 2. Is Funded Percentage below 80%? | YES | |
| 3. Does the plan have an expected accumulated funding deficiency for the current plan year or for any of the succeeding 6 plan years taking into account any extension of amortization periods under Section 304(d) of ERISA? | YES | |
| 4. Endangered Status if #1 is "NO" and either #2 or #3 is "YES"? | | <u>NOT ENDANGERED</u> |

CONCLUSION: THE PLAN IS NOT IN ENDANGERED STATUS



EXHIBIT II

**PENSION PROTECTION ACT OF 2006
PROJECTION RESULTS**

<u>Year</u>	<u>Active Population</u>	<u>Inactive Population</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability</u>	<u>Funded Percentage</u>	<u>9/30 FSA Credit Balance*</u>
2013	223	263	\$16,911,512	\$26,288,115	64%	\$1,106,977
2014	223	264	18,017,206	27,551,483	65%	171,383
2015	223	267	19,217,239	28,870,106	67%	-829,716

*The FSA Credit Balance is shown without the use of the 5 year amortization extension but includes the adoption of the special funding rules as permitted by Section 431(b)(8) of the Internal Revenue Code, as added by Section 211(a)(2) of the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010.



EXHIBIT III

PENSION PROTECTION ACT OF 2006 FORECAST PROJECTION METHODS AND ASSUMPTIONS

Assets:

Valued as of: September 30, 2012
Source of assets: Audited financial statement
Adjustments: None

Method Used to Project Assets: Assets are projected based on deterministic modeling. The return for October 1, 2012 through September 30, 2013 was estimated based on investment advisor projection. Returns for later forecast years are based on the 8.0% investment return assumption. The investment return assumption is based on the application of historical investment returns by asset class applied to the current investment portfolio.

Method Used to Project Liabilities: Liabilities are projected based on deterministic forecasting techniques and actuarial assumptions.

Other Anticipated Changes from Original Valuation/Schedule MB: None.

Active Membership: Active membership is assumed to decrease by approximately 4.3% in 2013 and then remain constant based on information provided by the employer and union trustees of the Fund.

Anticipated Employer Contributions:

Basis for current year: Reflect the actual contributions received by the fund for the valuation year.

Basis for projection years: Reflect actual increase in the contribution rate scheduled to take effect May 1, 2013 that is in the current collective bargaining agreement. No increases that are required under the Rehabilitation Plan but not contained in a collective bargaining agreement are taken into account.

Pension Relief Act of 2010: When recognizing future portions of the eligible net investment losses in the actuarial value of assets, the Trustees adopted the prospective method.



EXHIBIT IV

PENSION PROTECTION ACT OF 2006 ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Cost Method: Unit Credit Cost Method

Actuarial Asset Valuation Method: 5 Year Smoothed market value in accordance with Approval 15 of Revenue Procedure 95-51 as modified by Revenue Procedure 98-10.

Actuarial Assumptions:

Mortality: The 1983 Group Annuity Mortality Table for males. Female mortality is assumed to be equivalent to that of males six years younger.

Disability Mortality: Rates for disabled lives are assumed to equal those of healthy lives ten years older.

Interest: A rate of 8.0% per annum.

Retirement Age: Retirement is assumed at Normal Retirement Age.

Termination: Annual rates based on the following scale as a percentage:

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	5.00%	7.50%
30	3.75%	5.00%
35	2.50%	3.75%
40	1.50%	2.50%
45	0.75%	1.25%
50	0.00%	0.00%

Expenses: An estimated amount based on the actual expenses paid in the prior plan year.

Hours Worked: Hours per active member:

<u>Year</u>	<u>Hours</u>
2012	1,300
2013	1,300
2014 & later	1,400

Incidence of Disability, Active Lives: Rates of Disablement in accordance with the 1952 Disability Study of the Society of Actuaries, Period 2, Benefit 5 Rates.

Payment Form For Retirement: Five (5) Year Certain and Life.

