

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

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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 29, 2013 the Plan actuary certified to the U.S. Department of the Treasury, and also to the plan sponsor, the Board of Trustees, that the Plan is in critical status (the "red zone") for the plan year beginning January 1, 2013. This is the second year in a row the Plan has been in critical status. 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 has 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 REQUIREMENT 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 revising 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. In a related development, on April 29, 2012 you were notified that as of that date 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 the Plan is in critical status.

ADJUSTABLE BENEFITS

The Plan currently 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

Continued – Other Side

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 April 29, 2012.

BOARD ADOPTION OF 2012 REHABILITATION PLAN

The Trustees of the Plan have determined that it is necessary to change the formula for future benefit accruals and reduce or eliminate certain adjustable benefits, beginning in 2014, and to require certain contribution increases beginning in 2014 or after (depending on the rehabilitation plan "schedule" selected by the collective bargaining parties), as part of a rehabilitation plan. The Trustees adopted the "2012 Rehabilitation Plan" in October 2012; you will receive a separate notice in the future identifying and explaining the effect of the reductions and other changes set forth in the 2012 Rehabilitation Plan. If the Trustees determine that further benefit reductions are necessary, you will receive a separate notice in the future identifying and explaining the effect of those reductions.

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. With certain 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 until the effective date of a collective bargaining agreement that implements a rehabilitation plan schedule. Most, if not all, regular contributing employers to the Plan are no longer obligated to pay a surcharge to the Plan, as a result of the adoption of a schedule or schedules in the 2012 Rehabilitation Plan.

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 or by mail at 111 North Sepulveda Boulevard, Suite 100, Manhattan Beach, California 90266. You have a right to receive a copy of the 2012 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)
Office of the United States Secretary of Labor
Legal Counsel
Consultants