

SHEET METAL WORKERS LOCAL PENSION FUND
REHABILITATION PLAN ADOPTED JULY 1, 2009
UPDATED JUNE 22, 2016
Rehabilitation Period: May 1, 2011 – April 30, 2024

This rehabilitation plan document, which federal law requires, includes important information about the funding level of the Sheet Metal Workers' Local Pension Fund, Plan Number 001, Employer Identification Number 34-6666753 (Plan and Plan Sponsor).

Background

In 2006 the Pension Protection Act ("PPA") was enacted. Beginning with the 2008 plan year, that law requires the annual certification of the Plan's funding status as critical, endangered or neither.

On July 1, 2009 the Plan's actuary certified the Plan's funding status as critical for the 2009 plan year. The Plan was considered to be in critical status because the funded percentage was 47.2% and there were projected funding deficiencies starting at the end of the 2009-2010 plan year. The funded percentage is the percentage of earned benefits that could be funded with existing Plan assets. A projected funding deficiency is a sign that the anticipated liabilities of the Plan are outpacing its assets.

For 2011, the plan continued to be in critical status based on a funded percentage of 61.8% and the first projected funding deficiency at the end of the 2011-12 plan year.

For 2012, the plan continued to be in critical status based on a funded percentage of 53.7% and the first projected funding deficiency at the end of the 2012-13 plan year.

For 2013, the plan continued to be in critical status based on a funded percentage of 56.3% and the first projected funding deficiency at the end of the 2013-14 plan year.

For 2014, the plan continued to be in critical status based on a funded percentage of 58.7% and the first projected funding deficiency at the end of the 2014-15 plan year.

For 2015, the plan continued to be in critical status based on a funded percentage of 56.8% and the first projected funding deficiency at the end of the 2015-16 plan year.

The updated projections to the original rehabilitation plan are based on the May 1, 2015 Actuarial Valuation, unless otherwise noted.

The decline in funding is largely a result of the recent crisis in the financial markets and the reduction in work hours due to the 2008 recession. Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the Plan.

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Goals and Requirements of the Rehabilitation Plan

The goals of a rehabilitation plan are to emerge from critical status by the end of the rehabilitation period and to have no projected funding deficiencies for the 10-year period following the rehabilitation period. The Plan has 13 years in which to accomplish this goal. The Plan can no longer accomplish this goal and has elected to adopt the election of all reasonable measure to forestall insolvency.

All bargaining parties elected the Preferred Schedule of the original rehabilitation plan, therefore this updated plan includes only the Preferred Schedule.

Preferred Schedule

Benefit Changes effective August 1, 2009	<ul style="list-style-type: none"> • For all benefits: <ul style="list-style-type: none"> ○ Change the normal form of benefit payment from a 5-year certain and life annuity to life-only annuity. Amounts payable under optional payment forms will be actuarially adjusted to reflect their value relative to a life-only annuity. ○ Increase early retirement reduction factors from 3% per year prior to normal retirement age to actuarially equivalent reductions for the number of years prior to normal retirement age. ○ Eliminate the fully subsidized pop-up feature on joint & survivor payment forms. Participants who wish to elect a pop-up feature as part of a joint & survivor payment form will pay for the feature with an actuarial reduction to their benefit. ○ Eliminate the single lump-sum and 60-payment pre-retirement death benefits. The only pre-retirement death benefit offered will be the 50% survivor annuity payable to a surviving spouse of a deceased vested participant (payable beginning when the participant would have reached retirement age).
Benefit Changes effective August 1, 2013	<ul style="list-style-type: none"> • Benefit accruals for contributions on or after August 1, 2013 are suspended subject to reinstatement when the Rehabilitation Plan is reviewed by the Trustees in 2014.
Benefit Changes effective September 1, 2013	<ul style="list-style-type: none"> • Temporary Disability Benefits are eliminated for applications received on or after September 1, 2013.
Funding Changes	<p>Cumulative annual contribution rate increases of 10.0% in 2009, 2010, 2011.</p> <p>A 14.0% contribution rate increases of 14.0% in 2012.</p> <p>No future additional contribution rate increases are currently affordable.</p>

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Critical Status Limitations

Benefit Increase – No Plan amendment can increase the liabilities of the Plan by reason of any increase in benefits, any change in the accrual of benefits, or any change in the rate at which benefits become vested unless the Plan actuary certifies that the increase is paid for out of additional contributions not contemplated by the rehabilitation plan to accomplish the previously noted funding goal. Such restrictions continue until the end of the rehabilitation plan period or potentially earlier if the Plan emerges from critical status at an earlier point.

Lump-Sum Payments – The Plan is generally not permitted to pay lump sum benefits while it is in critical status. Exceptions to this restriction are that lump sum payments are still permitted for:

- small benefits (benefits with an actuarial present value less than \$1,000) which may be immediately distributed without the consent of the participant, or
- makeup payments in the case of a retroactive annuity starting date or any similar payment of benefits owed with respect to a prior period.

Other Details Regarding the Rehabilitation Plan

Details Applicable to the Preferred Schedule

Assumed Return on Assets	0.35% for the 2015-2016 plan year; <i>plus</i> 8.00% in each plan year thereafter
Assumed Future Work	1,087,578 hours for the 2015-2016 plan year <i>plus</i> 950,000 hours for each plan year thereafter
2015 PPA Status	Critical
Length of Rehabilitation Period	13 years (Section 205 of WRERA elected)
Projected PPA Status at End of Rehabilitation Period	Critical. Plan must make use of the “exhaustion of all reasonable measures” clause at IRC 432(e)(3)(A)(ii).

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Preferred Schedule - Projected Credit Balances

Date	Credit Balance	Date	Credit Balance
4/30/2016	(2,178,000)	4/30/2026	(26,239,000)
4/30/2017	(2,618,000)	4/30/2027	(30,114,000)
4/30/2018	(2,827,000)	4/30/2028	(33,289,000)
4/30/2019	(6,082,000)	4/30/2029	(36,628,000)
4/30/2020	(9,190,000)	4/30/2030	(40,122,000)
4/30/2021	(12,016,000)	4/30/2031	(43,516,000)
4/30/2022	(14,751,000)	4/30/2032	(46,614,000)
4/30/2023	(17,516,000)	4/30/2033	(49,630,000)
4/30/2024	(19,711,000)	4/30/2034	(52,257,000)
4/30/2025	(22,529,000)		

Exhaustion of all Reasonable Measures Under IRC 432(e)(3)(A)(ii):

The benefit reductions in the above Preferred Schedule include all adjustable benefits other than the benefit credit rate. The present benefit credit rate is .36%. This reduction was made by the Trustees prior to the various effective dates appearing in the Pension Protection Act. The Trustees, based upon the information that presently is before them, are convinced that any further reduction to the benefit credit rate would significantly damage the ability of the Plan to meet its monthly benefit obligations and would accelerate insolvency. The Trustees reasonably have concluded that any further reduction in the benefit credit rate would cause Sheet Metal Workers' Local Union 33 to experience a loss of members and would make it much more difficult for the Union to attract new members. This would result in a decrease in contributions to the Plan and inevitably would cause a net decrease in future funding of the Plan.

In addition, investment losses since May, 2008 have made recovery by the Plan more difficult, to the point of being improbable. This situation was not anticipated by the Trustees when the original Rehabilitation Plan was developed and adopted. Significant contribution increases to the Plan have been made by signatory contractors since May, 2008. This has resulted in significant wage deferments by members of the Union. As indicated above, this undoubtedly will result in a loss of members by the Union and will make it extremely difficult for the Union to attract new members. These significant contribution increases have made it very difficult for signatory contractors to remain competitive in the sheet metal construction market. As with the Union's loss of membership, the Trustees anticipate, legitimately, that employers will seek to avoid their obligations under the Union's collective bargaining agreement, will terminate their operations or will seek bankruptcy protection to discharge their contribution obligations and any withdrawal liability allocations or assessments. This will result in a net decrease in future funding for the Plan. The Trustees will continue to monitor this situation on an annual basis and will make further adjustments to the Rehabilitation Plan as may be required.

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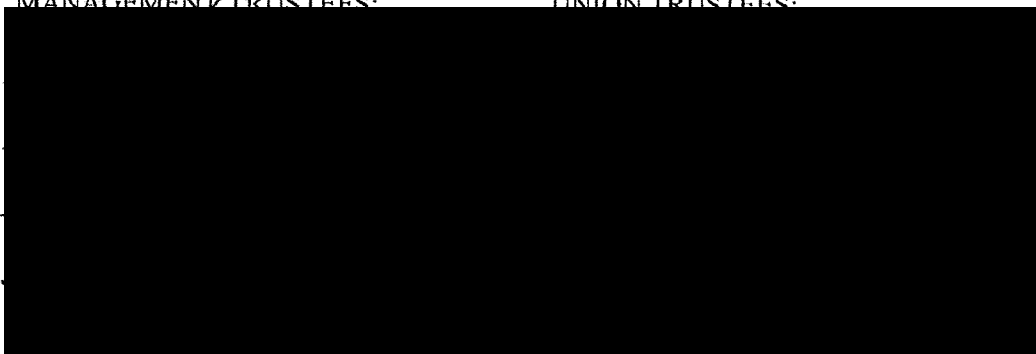
The Trustees reasonably believe, based upon the information and projections received from the Plan's actuary, that the above projections meet the criteria for forestalling insolvency.

IN WITNESS WHEREOF, we have approved and adopted this Rehabilitation Plan this 22nd day of June, 2016.

APPROVED:

MANAGEMENT TRUSTEES:

UNION TRUSTEES:



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Background

In 2006 the Pension Protection Act (“PPA”) was enacted. Beginning with the 2008 plan year, the law requires the annual certification of the Plan’s funding status as critical, endangered or neither. The Multiemployer Pension Reform Act of 2014 (“MPRA”) added critical and declining status as a status for plan’s projected to become insolvent.

On July 1, 2009 the Plan’s actuary certified the Plan’s funding status as critical for the 2009 plan year. The Plan was considered to be in critical status because the funded percentage was 47.2% and there were projected funding deficiencies starting at the end of the 2009-2010 plan year. The funded percentage is the percentage of earned benefits that could be funded with existing Plan assets. A projected funding deficiency is a sign that the anticipated liabilities of the Plan are outpacing its assets.

For 2011, the Plan continued to be in critical status based on a funded percentage of 61.8% and the first projected funding deficiency at the end of the 2011-2012 plan year.

For 2012, the Plan continued to be in critical status based on a funded percentage of 53.7% and the first projected funding deficiency at the end of the 2012-2013 plan year.

For 2013, the Plan continued to be in critical status based on a funded percentage of 56.3% and the first projected funding deficiency at the end of the 2013-2014 plan year.

For 2014, the Plan continued to be in critical status based on a funded percentage of 58.7% and the first projected funding deficiency at the end of the 2014-2015 plan year.

For 2015, the Plan continued to be in critical status based on a funded percentage of 56.8% and the first projected funding deficiency at the end of the 2015-2016 plan year.

For 2016, the Plan was certified to be in critical and declining status based on a projected insolvency in the 2033-2034 plan year.

For 2017, the Plan continued to be in critical and declining status based on a projected insolvency in the 2031-2032 plan year.

The updated projections to the original rehabilitation plan are based on the May 1, 2017 Actuarial Valuation, unless otherwise noted.

The decline in funding is largely a result of the Great Recession and the reduction in work hours due to that event. Federal law requires pension plan in critical or critical and declining status to adopt a rehabilitation plan aimed at restoring the financial health of the plan.

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Goals and Requirements of the Rehabilitation Plan

The goals of a rehabilitation plan are to emerge from critical or critical and declining status by the end of the rehabilitation period and to have no projected funding deficiencies for the 10-year period following the rehabilitation period. The Plan has 13 years in which to accomplish this goal. The Plan can no longer accomplish this goal and has elected to adopt the election of all reasonable measures to forestall insolvency.

All bargaining parties elected the Preferred Schedule of the original rehabilitation plan, therefore this updated rehabilitation plan includes only Preferred Schedule.

Preferred Schedule

Benefit Changes effective August 1, 2009	<p>For all benefits:</p> <ul style="list-style-type: none"> • Change the normal form of benefit payment from a 5-year certain and life annuity to life-only annuity. Amounts payable under optional payment forms will be actuarially adjusted to reflect their value relative to a life-only annuity. • Increase early retirement reduction factors from 3% per year prior to normal retirement age to actuarially equivalent reductions for the number of years prior normal retirement age. • Eliminate the fully subsidized pop-up feature on joint & survivor payment forms. Participants who wish to elect a pop-up feature as part of a joint & survivor payment form will pay for the feature with an actuarial reduction to their benefit. • Eliminate the single lump-sum and 60-payment pre-retirement death benefits. The only pre-retirement death benefit offered will be the 50% survivor annuity payable to a surviving spouse of a deceased vested participant (payable beginning when the participant would have reached retirement age).
Benefit Changes effective August 1, 2013	Benefit accruals for contributions on or after August 1, 2013 are suspended subject to annual review.
Benefit Changes effective Sept. 1, 2013	Temporary Disability Benefits are eliminated for applications received on or after September 1, 2013.
Funding Changes	<ul style="list-style-type: none"> • Cumulative annual contribution rate increases of 10.0% in 2009, 2010, 2011. • A 14.0% contribution rate increases of 14.0% in 2012. • No future additional contribution rate increases are currently affordable.

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Critical and Declining Status Limitations

Benefit Increase – No plan amendments can increase the liabilities of the Plan by reason of any increase in benefits, any change in the accrual of benefits, or any change in the rate at which benefits become vested unless the Plan actuary certifies that the increase is paid for out of additional contributions not contemplated by the rehabilitation plan to accomplish the previously noted funding goal. Such restrictions continue until the end of the rehabilitation plan period or potentially earlier if the Plan emerges from critical and declining status at an earlier point.

Lump-Sum Payments – The Plan is generally not permitted to pay lump sum benefits while it is in critical and declining status. Exceptions to this restriction are that lump sum payments are still permitted for:

- Small benefits (benefits with an actuarial present value less than \$1,000) which may be immediately distributed without the consent of the participant, or
- Make up payments in the case of a retroactive annuity starting date or any similar payment of benefits owed with respect to a prior period.

Other Details Regarding the Rehabilitation Plan

Details Applicable to the Preferred Schedule

Assumed Return on Assets	9.0% for the 2017-2018 plan year; and 6.5% for each plan year thereafter
Assumed Future Work	1,100,000 hours for 2017-2018 and 2018-2019 plan years; 1,000,000 hours for 2019-2020, 2020-2021 and 2021-2022 plan years; and 950,000 hours for each plan year thereafter
2017 PPA Status	Critical and declining
Length of Rehabilitation Period	13 years (Section 2015 or WRERA elected)
Projected PPA Status at End of Rehabilitation Period	Critical and declining. Plan must make use of the “exhaustion of all reasonable measures” clause of IRC 432(e)(3)(A)(ii).
Projected Year of Insolvency	2032-2033 plan year

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Exhaustion of All Reasonable Measures Under IRC 432(e)(3)(A)(ii)

The benefit reductions in the above Preferred Schedule include all adjustable benefit reductions, including a suspension of future accruals.

The required contribution rate increases in the original rehabilitation plan has resulted in significant wage deferments to the Plan by members of the Union. The Trustees believe that additional contribution rate increases will result in a loss of members by the Union and will make it extremely difficult for the Union to attract new members. This would result in a decrease in contributions to the Plan and inevitably would cause a net decrease in future funding of the Plan.

The Trustees continue to monitor the situation annually.

The Trustees reasonably believe, based upon the information and projections received from the Plan's actuary, that the Plan meets the criteria for forestalling insolvency.

IN WITNESS WHEREOF, we have approved and adopted this Rehabilitation Plan this 1st day March, 2018.

Approved:

MANAGEMENT TRUSTEES:

UNION TRUSTEES:
