

April 2025

**Notice of Critical Status For**

**Sheet Metal Workers Pension Plan of Northern California**

This is to inform you that on March 31, 2025 the Plan actuary certified to the U.S. Department of the Treasury, and also to the Plan sponsor (the Board of Trustees of the Sheet Metal Workers Pension Plan of Northern California), that the Plan is in critical status for the Plan year beginning January 1, 2025. Federal law requires that you receive this notice.

**Critical Status**

The Sheet Metal Workers Pension Plan of Northern California 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 has an accumulated funding deficiency for the current 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 15<sup>th</sup> year the Plan has been in critical status. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" and to take other actions to improve the Plan's funding position as part of a Rehabilitation Plan. The Trustees have taken numerous actions over the past fifteen years to attempt to improve the Plan's funding condition.

The Trustees amended the Plan as of July 1, 2009-June 30, 2012, to provide that no benefit accruals would be earned on the required additional employer contributions provided in the collective bargaining agreement (allocated by the members). That same rule was extended for the period from July 1, 2012-June 30, 2015. Those increased contributions constituted 35% in the 2009-2010 period, and 25%, 10% and 10% over the following three years. Additional contributions have been made in each year since that time. In an attempt to provide additional savings to the Plan, as of July 1, 2009, the Trustees changed the unreduced retirement age to age 55, from age 52. Thus, any new employee starting Covered Employment on or after that date could not retire with an unreduced early pension until age 55. Moreover, existing Participants who were eligible could retire at age 52, but any benefits earned on or after July 1, 2009, will not be paid until the Participant attains age 55. In the early stages of the Rehabilitation Plan, you were notified that the Plan eliminated the Social Security Benefit Option, which is a form of adjustable benefits. Moreover, the Trustees amended the Plan to provide that only certain disability benefits would be paid (disability benefits are another adjustable benefit).

In 2016 the Trustees amended the Plan to provide that effective as of January 1, 2017, the Plan provided a new benefit formula known as a Variable Benefits Accrual Rate ("VBAR") in which the value of the pension benefits earned was based on the Plan's investment earnings in recent years. In September 2019, the Trustees reduced the cash death benefit from 100% of contributions to a maximum of \$15,000 in certain situations (for those out of the industry for three years) and eliminated the Unreduced Early Retirement Benefit for those out of the Industry for three consecutive years. In November 2019, the Trustees modified the VBAR formula to further protect

the Plan from paying higher benefits when investment yields in certain years were excessive as required by the PPA.

Additionally, the Rehabilitation Plan was amended on December 13, 2021. The updated Rehabilitation Plan includes significant changes as of January 1, 2022, including elimination of the VBAR formula structure for future accruals, elimination of the National Pension Plan Make-Up Benefit, and changes to both Disability and Pre-Retirement Death Benefits. The Plan also contains significant changes to early retirement benefits including eligibility for unreduced pension benefits that were effective April 1, 2022. The amended Rehabilitation Plan also calls for increases in contribution rates over the next 3 years and an additional \$9 million to be contributed by Local 104. The Board has adopted this updated Rehabilitation Plan that contains reasonable measures aimed at enabling the Plan to emerge from Critical Status within 25 years.

The Board of Trustees will continue to monitor the Plan's progress under the Rehabilitation Plan. 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. The above is an attempt to briefly summarize actions that have taken place. The Plan documents and amendments provide for these changes in more detail. You may request a copy of the Rehabilitation Plan by contacting the Plan Administrator.

### **Adjustable Benefits**

Pursuant to the PPA and DOL guidance, the Plan offers the following adjustable benefits which may be reduced or eliminated as part of any Rehabilitation Plan the pension Plan may adopt. At this stage, while some changes have been made (such as elimination of the Social Security Adjustment Option and reduction of the disability and cash death benefits in certain situations), these benefits still remain in the Plan in some form.

- ☐ Pre-retirement death benefits;
- ☐ Post-retirement death benefits;
- ☐ Disability benefits (if not yet in pay status);
- ☐ Early or unreduced retirement benefit or retirement-type subsidy;
- ☐ Benefit payment options other than a qualified joint-and survivor annuity (QJSA);

For a detailed description of the specific Plan changes adopted as part of the Rehabilitation Plan by the Board of Trustees, including "grandfathered" benefits protected from elimination, a copy of the Rehabilitation Plan is available from the Plan Administrator. The Board of Trustees is required to notify you if any of these changes will be made in the future.

### **Employer Surcharge**

The law requires that for contributing employers that do not pay the required contributions under the collective bargaining agreement, they are required to pay to the Plan a surcharge to help correct the Plan's financial situation. The contribution rate increases between SMACNA and Local 104 have been determined to be the appropriate contribution levels. Thus for employers who are not part of those collective bargaining agreements, if they refuse to pay the required amounts under the SMACNA Agreements, a surcharge can be assessed. 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. Employers will be informed if a surcharge is appropriate.

## Where to Get More Information

For more information about this notice, you may contact Soyara Guzman, BeneSys Administrators, 3240B Constitution Drive, Livermore, CA 94551; 925-208-9994. For identification purposes, the official Plan number is 001, and the Plan sponsor's name and employer identification number or "EIN" are Sheet Metal Workers Pension Trust and 51-6115939.

3. Add the two amounts together:  $\$11 + \$24.75 = \$35.75$
4. Multiply by years of credited service:  $\$35.75 \times 10 \text{ years} = \$357.50$

In this example, the participant's guaranteed monthly benefit is \$357.50.

*Example 2: Participant with a \$200 Monthly Benefit and 10 Years of Service.*

1. Find the accrual rate:  $\$200/10 = \$20$  accrual rate.
2. Apply PBGC formula:  
Take 100 percent of the first \$11 = \$11  
Take 75 percent of the next \$9 = \$6.75
3. Add the two amounts together:  $\$11 + \$6.75 = \$17.75$
4. Multiply by years of credited service:  $\$17.75 \times 10 \text{ years} = \$177.50$

In this example, the participant's guaranteed monthly benefit is \$177.50.