



# SHEET METAL WORKERS' NATIONAL PENSION FUND

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## Summary of Changes to the Rehabilitation Plan of the Sheet Metal Workers' National Pension Fund ("NPF")

This is a summary of recently adopted changes to the NPF Rehabilitation Plan ("RP"). The actual language of the RP and other Plan Documents always controls over the contents of this or any other summary. The actual language of the amended RP is being finalized and is slated for distribution next month.

### 1. The Current Alternative Schedule Continues in Force and Effect

Since NPF issued its RP in 2008, it has offered two schedules: the Alternative Schedule that presently requires 7% annual increases in Contribution Rates but preserves more benefits; and a Default Schedule which does not currently require contribution increases but which makes greater changes to adjustable benefits. If your Local Collective Bargaining Agreement ("CBA") is covered by the current Alternative Schedule **and** the current annual contribution rate increases have been paid, and will be paid in the future, then none of the changes explained below will affect that CBA. If the Default Schedule covers your Local CBA, none of the changes will affect that CBA.

The RP has now been amended: (a) to provide a second alternative schedule; (b) to require make-up contributions for current Alternative Schedule CBA's that have not paid 7% as presently required under the Alternative Schedule; and (c) to explain the effect of failing to make alternative schedule increases once a CBA expires.

### 2. The Second Alternative Schedule ("SAS")

There is now a Second Alternative Schedule (also referred to as "SAS") that bargaining parties (Local Unions and Employers) may adopt if their CBA is covered by the current 7% Alternative Schedule **and** all 7% increases have been paid. *Of course, the bargaining parties are completely free to continue to adopt the current 7% Alternative Schedule.* The annual Contribution Rate increase for the SAS is equal to one-half (50%) of the annual increase required under the current Alternative Schedule, or 3.5%. The principle features of SAS are:

- The SAS is not available unless the bargaining parties have paid the 7% annual increases in their Contribution Rate under the current Alternative Schedule (and Make-up Contributions, if any, as explained in section 3 below).
- The bargaining parties must negotiate the SAS into an Alternative Schedule CBA.<sup>1</sup> It cannot be adopted solely by a Local Union's allocation from the wage and fringe package. The Fund Office will offer sample acceptable CBA language.
- SAS must be broadly adopted. It cannot be adopted into some multiemployer CBA's within a Local area but not others. For example, it would not be acceptable for 9 of 12 Employers to adopt it under a standard form of union agreement, but three others not adopt it.
- SAS currently requires a 3.5% annual contribution increase (which is one-half the current Alternative Schedule annual 7% increase).

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<sup>1</sup>SAS is also not available to bargaining parties that have previously adopted the Default Schedule.

- In light of the lower annual increase, the following additional benefit adjustments apply:
  - The rate of accrual is reduced to 1% on all Contributions Hours. Remember that the rate of accrual for a 55/30 Contribution Rate is 70% of this amount, or .7%.
  - Subsidized early retirement benefits are eliminated before age 60<sup>2</sup> or 62<sup>3</sup>, depending upon eligibility. Please note that an eligible Participant will still be able to retire once he attains age 55; however, the benefit will be subject to full actuarial reduction unless he qualifies for subsidies at age 60 or 62.
- The Disability Benefit is available to eligible recipients as if they were age 55. The benefit is equivalent to unsubsidized early retirement payable at age 55. (Remember that no Disability Benefit is payable once Participants reach age 55; instead they may apply for early retirement benefits.)
- As always, the Trustees have sole and absolute discretion to approve or reject the adoption of any schedule by the bargaining parties (as well as to interpret or apply any provision of the RP).

### **3. Make-up Contributions under Alternative Schedules**

The current Alternative Schedule requires annual contribution increases of 7% from 2011 through 2017. In a superseded version of the Alternative Schedule, those increases were 5% in 2011 and 2012. A few areas did not pay 7% Contribution increases in 2011 and still fewer may pay less than 7% in future years (given specific terms and limitations in their CBA's). As these CBA's expire, these areas are required to pay *more than 7%*. These areas will pay 10%, plus 1% for each year that 7% was not paid – for the number of years the bargaining parties elected to pay less than 7%. *Note again that the SAS (3.5% increase) is not available to bargaining parties that have failed to pay the current 7% annual increases unless and until all Make-up Contributions have been paid.*

*Here is a hypothetical illustration.* Suppose Local X, paid 5% Contribution Rate increase from May 1, 2011 thru April 30, 2012. In its new CBA, the bargaining parties intend to pay 7% as is currently required. However, they cannot just pay 7%, they must pay 11% for one year, May 1, 2012 through April 30, 2013 and pay 7% thereafter (unless the bargaining parties adopt SAS effective after Make-up Contributions are fully paid). The 11% consists of 10% (as the initial charge for the delay) + 1% (for the one year delay) = 11%.

In the first quarter of 2012, NPF will send out information detailing current anticipated increases under the current Alternative Schedule (that's 7% increases and Make-up Contributions, if any) for the years 2012 through 2017 to each Local Union and Employer Association.

### **4. If an Alternative Schedule increases is not paid in full after a CBA Expires**

The Trustees expect bargaining parties that have adopted an Alternative Schedule in their CBA's to continue to adopt it. In the event, however, a CBA which had adopted an alternative schedule expires

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<sup>2</sup> A Participant who would have met the service and eligibility requirements for a 55/30 Pension as of his Effective Date of pension would qualify for full benefits at age 60 under the SAS.

<sup>3</sup> A Participant who would have met the service and eligibility requirements for a Special Early Retirement Pension would qualify for full benefits at age 62 under the SAS.

and no Contribution Rate increases are paid thereafter, or the full required increase is not paid after expiration, the RP imposes the following consequences:

- The rate of accrual is reduced to 1% on all Contribution Hours. Note: the rate of accrual for a 55/30 CBA string is 70% of this amount, or .7%.
- All early retirement subsidies are eliminated before age 62.<sup>4</sup> Please keep in mind that an eligible Participant will still be able to retire once he attains age 55; however, the benefit is subject to a full actuarial reduction for age at retirement.
- The 60-month guarantee – which is currently available under the Alternative Schedule for the Lifetime Pension and the 50% Joint and Survivor Annuity form of benefit payment – is eliminated.
- The reversion option (referred to as a pop-up feature) currently associated with Joint and Survivor Annuity Options is eliminated.
- The Disability Benefit is available to eligible recipients as if they were age 55. The benefit is equivalent to unsubsidized early retirement payable at age 55. (Remember that no Disability Benefit is payable once Participants reach age 55; instead they may apply for early retirement benefits.)

*Here is an illustration.* Suppose a CBA has adopted either the original Alternative Schedule, which presently requires 7% annual increase, or the SAS, which presently requires one-half of the 7% increase, or 3.5%. A CBA expires and the bargaining parties do not negotiate the required increases. In that event, the consequences outlined above will apply.

**IMPORTANT:** This is **not** a new Schedule; bargaining parties cannot negotiate into a Collective Bargaining Agreement during its term.

## 5. More Information?

The Fund Office plans to distribute the revised Rehabilitation Plan and Schedules in mid-February. If you are opening negotiations before then and have specific questions, contact Ken Colombo ([kcolombo@smwnpf.org](mailto:kcolombo@smwnpf.org)) or Debbie Elkins ([delkins@smwnpf.org](mailto:delkins@smwnpf.org)) or Marc LeBlanc ([mleblanc@smwnpf.org](mailto:mleblanc@smwnpf.org)).

As always, you can e-mail the Board of Trustees at [bot@smwnpf.org](mailto:bot@smwnpf.org) or contact the Fund Office ([info@smwnpf.org](mailto:info@smwnpf.org)).

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<sup>4</sup> A Participant who would have met the service and eligibility requirements for a Special Early Retirement Pension would qualify for full benefits at age 62.