



SHEET METAL WORKERS' NATIONAL PENSION FUND

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ALEXANDRIA, VA 22314**

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**Notice of Reduction in Adjustable Benefits for Persons whose Bargaining Parties Adopted
the 2008 Alternative Schedule**

November 4, 2008

As you know from previous communications, the Sheet Metal Workers' National Pension Fund (NPF or Fund) is in "critical status" for the 2008 Plan Year (January 1, 2008 - December 31, 2008) for purposes of ERISA. ERISA is the federal law that governs multiemployer pension plans like the NPF. As required by ERISA, the Board of Trustees has adopted a Rehabilitation Plan. The Rehabilitation Plan combines benefit reductions and contribution increases that are intended to enable NPF to emerge from critical status within a 10 - 12 year Rehabilitation Period. The benefit reductions include changes to "adjustable benefits" as defined in ERISA. For copies of previous communications, the Rehabilitation Plan and Schedules, and other information, go to NPF's website www.smwnpf.org and click on the Pension Protection Act section, or contact NPF at info@smwnpf.org or 601 N. Fairfax St., Suite 500, Alexandria, VA 22314, 1-800-231-4622. You can also find a summary of the Rehabilitation Plan and Schedules in NPF's 2008 Summary Plan Description.

The Rehabilitation Plan includes two Schedules: the 2008 Alternative Schedule and the 2008 Default Schedule. The purpose of this communication is to give you 30-days notice that benefits can be reduced to the extent described below under the provisions of the 2008 Alternative Schedule. Note that benefit reductions are less under the 2008 Alternative Schedule than those under the Default Schedule. With one exception related to COLA increases, the benefit reductions described below do not reduce the level of your accrued benefit payable at Normal Retirement Age (age 65).

We are sending you this Notice because the NPF's records show that your Local Union and Employers who contribute to the Fund under your Collective Bargaining Agreement have adopted the 2008 Alternative Schedule. NPF records indicate that:

- You worked in Covered Employment during 2007 or the current 2008 Plan Year under a Collective Bargaining Agreement that incorporates the 2008 Alternative Schedule and you have not separated from Covered Employment;* or
- Your Effective Date of Pension is on or after March 1, 2008 and you worked in Covered Employment in 2007 or 2008 under a Collective Bargaining Agreement, which now incorporates the 2008 Alternative Schedule.

This Notice also applies to Beneficiaries and alternate payees of Participants described above and employees of other employers who participate in the Fund under agreements (that reflect the 2008 Alternative Schedule) other than Collective Bargaining Agreements.

* In other words, it is our understanding that you will work in Covered Employment until you retire under the NPF. If you leave Covered Employment prior to your Effective Date of Pension, you may be classified as a Participant "with respect to whom contributions are not required to be made" and further reductions will apply.

If you do not believe that this Notice applies to you, please write to the Fund Office at the above address (you may call but we will need written information on, among other things, your work history).

As stated, with one exception, the benefit reductions described below do not reduce the level of your accrued benefit payable at Normal Retirement Age (age 65). The one exception is any benefit increase that did not take effect more than 60 months before January 1, 2008 (see discussion below under the heading, "**Reduction in Post-Retirement Increases**"). Therefore, any scheduled increases that were to take effect in the future – such as the NPF COLA Benefit increases – will not occur, even though this reduces the level of your accrued benefit payable at Normal Retirement Age.

Adjustment to Early Retirement Pensions and Early Retirement Subsidies

These changes apply to persons described above who retire under the NPF, on or after March 1, 2008. *Please note that the earliest retirement age for eligible Participants is age 55. This Notice does not mean you are eligible to retire at age 55. You must still satisfy age, service and other requirements.*

In many pension funds like the NPF, the Normal Retirement Age ("NRA") for most participants is 65. If a Participant retires before NRA, his/her pension is actuarially reduced to take into account the fact that benefits will be paid for a longer period. For instance, a person who retires at 55 and lives until age 85 receives 30 years of monthly payments; a person who retires at 65 and lives to age 85 receives 20 years of monthly payments. The NPF has long provided subsidized early retirement pension benefits, which means that early retirement pensions were not fully reduced to take into account the commencement of the benefit at an earlier age. The difference between the full actuarial reduction and the actual reduction is an early retirement "subsidy."

There are three forms of early retirement pensions under the Plan Document. *

- *The 55/30 Pension* provides for an unreduced benefit as early as age 55. There are no age reduction factors for eligible Participants; however, this remains an early retirement pension benefit, and not a Normal Retirement Pension. Under the 2008 Alternative Schedule, the subsidy under the 55/30 Pension is not reduced. Participants must meet all age and service conditions for this benefit one of which requires that he/she work under contracts within Local Unions which have adopted the 55/30 Pension some years ago.

Under the 2008 Alternative Schedule, there is no change for persons who qualify for and begin to draw the 55/30 Pension. In other words, if you qualify, your monthly benefit will not be reduced for age under the 55/30 Pension.

* References to the "Plan Document" refer to the document containing the plan of benefits adopted by the NPF's Board of Trustees (including the terms and conditions of NPF benefits before the Fund entered critical status). The NPF's Plan Document is now subject to, and is modified by, the specific provisions of the Rehabilitation Plan and its Schedule, as they may be amended from time to time.

- The *Special Early Retirement Pension* reduces benefits by a percentage age reduction factor for each month an eligible Participant retires before age 62. Until modified by the Rehabilitation Plan, the reduction factors in the Plan Document for *Special Early Retirement* were 3% per year, from ages 62-60 and 6% per year, for ages 60-55. Under the Plan Document, the monthly amount that was payable at age 55 under the Special Early Retirement Pension was 64% of the monthly pension benefit payable at NRA (a 36% reduction).

Under the 2008 Alternative Schedule, the age reduction factors for the Special Early Retirement Pension increase to 6% for each year that the retiree is under age 62. This means that if a Participant covered under the 2008 Alternative Schedule retires under the Special Early Retirement Pension at age 55, his monthly benefit *will be 58% of the amount payable at NRA, instead of 64%*. In other words, if you are currently receiving a Special Early Retirement Pension, which was effective March 1, 2008 or later, or intend to receive one in the future, your benefit will be reduced *if you were younger than age 62 on your effective date*.

- The *standard Early Retirement Pension* reduces benefits by a percentage age reduction factor for each month an eligible Participant retires before NRA (age 65). Until modified by the Rehabilitation Plan, the reduction factors in the Plan Document for *standard Early Retirement* were 3% per year, from ages 65-62 and 6% per year, for ages 62-55. Under the Plan Document, the monthly amount that was payable at age 55 under the standard Early Retirement Pension was 49% of the monthly pension benefit payable at NRA (a 51% reduction).

Under the 2008 Alternative Schedule, the age reduction factors for the standard Early Retirement Pension increase to 6% for each year that the retiree is under NRA. This means that if a Participant covered under the 2008 Alternative Schedule retires under the standard Early Retirement Pension at age 55, his monthly benefit *will be 40% of the amount payable at NRA, instead of 49%*. In other words, if you are currently receiving a standard Early Retirement Pension, which was effective March 1, 2008 or later, or intend to receive one in the future, your benefit will be reduced.

Date of Reduction: For Participants receiving either a standard Early Retirement Pension or a Special Early Retirement Pension on or after March 1, 2008, their monthly Normal Retirement Benefit (“NRB”) will be reduced the later of January 1, 2009 or their effective date of pension as follows:

- Standard Early Retirement Pension - by 6% for each year, the Participant is under age 65 as of his/her effective date.
- Special Early Retirement Pension - by 6% for each year, the Participant is under age 62 as of his/her effective date.

EXAMPLE - Suppose Pete is 55 years old and is a Participant described in this Notice. Pete would receive \$1000 a month at NRA. Before the adoption of the Rehabilitation Plan, if Pete had retired at age 55 under the standard Early Retirement Pension, his monthly pension benefit would have been reduced by 51%, to \$490. If Pete had retired under Special Early Retirement Pension his benefit would have been reduced by 36% to \$640. If Pete had retired under the 55/30 Pension, his benefit would have been unreduced for age, or \$1000.

Because the 2008 Alternative Schedule covers Pete, his monthly pension benefit decreases, *unless* he retired on a 55/30 Pension. If Pete had retired under a standard Early Retirement Pension, his NRB will be reduced by 60% to a monthly benefit of \$400. If Pete qualified for a Special Early Retirement Pension, his NRB will be reduced by 42% to \$580. If Pete qualified for the 55/30 Pension, his benefit will continue to be unreduced for age, or \$1000.

The Full Disability Benefit

For Participants described in this Notice, a Full Disability Benefit may be available if you are under age 55 when disabled and meet service and other criteria, including but not limited to a finding by the U.S. Social Security Administration that you are disabled for the purposes of, and eligible to receive, Social Security Disability Insurance benefits. In the event you are eligible, your Full Disability Benefit will be equal to the monthly amount of the early retirement pension (**as modified by the 2008 Alternative Schedule as described above**) that you would have been eligible to receive had you attained age 55 and retired on the effective date of the Full Disability Benefit.

Other Changes to Benefits, Rights and Features under the NPF's Plan Document

For Participants described in this Notice, the Rehabilitation Plan eliminates the 120 Certain Payments Option found in the Plan Document for any person whose effective date of NPF pension is on or after January 1, 2009. This payment form provided that an eligible Participant could have received a reduced monthly benefit in return for the guarantee that if he/she died before receiving a total of 120 payments, his/her pension would continue to be paid to a designated beneficiary until 120 monthly payments had been made.

EXAMPLE - Suppose Bill is a Participant covered under this Notice. Let's say that Bill's monthly early retirement pension is \$1,129 at age 55. If he could have elected the 120 Certain Payments Option, he would have received 97.8% of that amount which is \$1,105 a month for his lifetime. If Bill died before receiving 120 payments, his beneficiary could have received the balance of the monthly payments until 120 payments had been made. This option is not available after December 31, 2008.

In addition to the changes made to the adjustable benefits listed above, the PPA restricts lump sum payments and other similar payments such as the Level Income Option. As you know, the Fund ceased to offer the Level Income Option for persons who retire on or after March 1, 2008. Under the former Level Income Option, one could retire before age 65 and receive approximately the same monthly income for life, after taking into account the **estimated** Social Security benefits payable between ages 62 and 65. If selected, the monthly pension payable before age 62 or age 65 was increased by roughly the amount by which the monthly benefit would be reduced after age 62 or age 65. Under the 2008 Alternative Schedule the Level Income Option is eliminated.

EXAMPLE - Donna retires early at age 55 on January 1, 2009. Her pension at NRA would be \$1,764. As she retired early, her Special Early Retirement Pension at age 55 decreases to \$1,129. Under the Level Income option, she could have received \$1,836 at age 55. Then, when she turned 62 and became eligible for an estimated \$1,416 Social Security benefit, her pension would have decreased to \$420. The NPF reduced pension of \$420, plus her projected \$1,416 Social Security benefit would give her a total income of \$1,836 - the same

as her Level Income pension before she reached age 62. Donna cannot choose the Level Income Option because it is eliminated.

The 2008 Alternative Schedule eliminates cashouts of pension benefits that have a present value of more than \$5,000. As you were previously notified, a moratorium was placed on such cashouts effective March 1, 2008, as a result of the Fund's critical status under ERISA. The following example illustrates the benefit as it existed under the Plan Document:

EXAMPLE - Larry decides to retire on January 1, 2009, at age 55. Based on his Pension Credit, he has earned a monthly Normal Retirement Benefit of \$47. As he is retiring before age 65, this amount decreases for early retirement to \$30 per month. The present value ("cashout") for this small benefit is approximately \$9,000. The cashout represents the actuarial equivalent of the expected monthly benefits payable for Larry's life. This cashout does not exceed the former \$10,000 limit under the Plan Document for cashouts, so he could have chosen either the monthly benefit or the lump sum option. Because the 2008 Alternative Schedule eliminates cashouts for pensions with present values in excess of \$5,000, Larry's benefit cannot be cashed out.

Reduction in Post-Retirement Benefit Increases - Changes to the NPF COLA Benefit

The NPF COLA Benefit has been paid as an annual benefit increase to eligible retirees who separated and retired in 1991 or later. The annual benefit increase (paid as a 13th check) was equal to: (a) 2% x (b) the amount of pension (accrued as of June 30, 1995) received over the preceding 12-consecutive months x (c) the number of whole years (up to 15) for which the retiree had been receiving monthly pension benefits. **The 2008 Alternative Schedule eliminates benefit increases that were not payable more than 60 months from January 1, 2008. Therefore, increases under the NPF COLA Benefit are eliminated, except to the extent that any such benefit increase was payable as of the October 31, 2002 Allocation Date. In the case of Participants described in this Notice, he/she will not receive any increase under the NPF COLA Benefit because the increase had not taken effect (i.e., was not payable) as of October 31, 2002.**

EXAMPLE - Suppose John retires on January 1, 2009. John will not receive any benefit increase under the NPF COLA Benefit because he did not receive any such increase as of October 31, 2002, since he was not receiving a pension at that time. However, suppose John had earned a normal retirement benefit of \$6,000 per year (\$500 per month) as of June 30, 1995. Before this change, he would have received his first benefit increase under the NPF COLA Benefit of \$120 in 2010. That amount would have increased by that amount each year over the next 15 years, for a maximum annual benefit increase of \$1,800.

Information on a Participant's Rights and Remedies

Federal law requires that this Notice contain information as to the rights and remedies of Participants and Beneficiaries. As a Fund Participant, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA), as amended. ERISA provides that all Participants have certain rights, including the following -

Receive Information about the Pension Fund and Benefits

You have the right to:

Examine, without charge, at the Fund Office all documents governing NPF. These include the Rehabilitation Plan and Schedules, previous notices issued in connection with the Rehabilitation Plan, the Plan Document and Summary Plan Description, the Annual Funding Notice, periodic actuarial reports and other financial information and summaries, Collective Bargaining Agreements, any application for extension of amortization periods to the Secretary of Treasury and the Secretary's determination on that application, and a copy of the latest annual report (Form 5500 Series) filed by NPF with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration (EBSA) of the U.S. Department of Labor 200 Constitution Avenue, NW, Suite N-1513, Washington, DC 20210, 202.693.8673. The Fund's address is listed below and on the letterhead.

- Obtain, upon written request to the Board of Trustees, copies of documents governing the NPF's operation. These include the Rehabilitation Plan and Schedules, all previous notices issued in connection with the Rehabilitation Plan, the Plan Document and Summary Plan Description, Summary of Material Modifications, the Annual Funding Notice, periodic actuarial reports, and other financial reports, information and summaries, Collective Bargaining Agreements, the latest annual report (Form 5500 Series), any application for extension of amortization periods to the Secretary of Treasury and the Secretary's determination on that application. There may be a reasonable charge for copies.
- Receive the Annual Funding Notice. This notice provides information regarding the Fund's funding levels, assets and liabilities, number of Participants and a description of the benefits eligible to be guaranteed by the PBGC and an explanation of the limits on the PBGC guarantee and other information.
- Obtain at no charge, a statement telling you whether you have a right to receive a pension at Normal Retirement Age and if so, an estimate of benefits at Normal Retirement Age if you stop working under NPF now. If you do not have a right to a pension, the statement will explain why that is. A written request for a statement must be made and the Fund need only provide one statement every 12 months.
- Obtain at least once every 3 years, a pension benefit statement showing your nonforfeitable accrued benefit provided that you are employed by an employer maintaining the plan at the time the statement is to be furnished. You may also obtain such a statement upon written request.

Note also that if you have filed an application for vesting information with the Fund Office, you can get an estimate of your benefit at Normal Retirement Age by going to the NPF website www.smwnpf.org and clicking on the "About You" section.

For documents and statements, write to: Board of Trustees c/o Marc LeBlanc, Fund Administrator, Sheet Metal Workers' National Pension Fund, 601 N. Fairfax St., Suite 500, Alexandria, VA 22314.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of the Pension Fund. The people who operate your plan, called "fiduciaries," have a duty to do so prudently and in the interest of you and other plan Participants and Beneficiaries. No one, including your employer, your union, or any other

person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If you make a claim for a pension benefit that is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of documents or the latest annual report from the Fund and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator (Board of Trustees) to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits, which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the plan's decision, you may file suit in federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor (DOL), or you may file suit in a federal court.

If you wish to seek assistance from the DOL, you should contact the DOL's Employee Benefits Security Administration ("EBSA"), which maintains regional and district offices covering your state or territory. You may obtain the contact information for the closest EBSA office (or receive other assistance) by calling their toll free Hotline at 1-866-444-EBSA [3272] (Text Telephone: 1-877-889-5627). You can also obtain information on the EBSA's website at: www.askebsa.dol.gov. Additionally, your local telephone or government directory may list the EBSA office nearest to your residence. If you contact the DOL, it may be helpful if you have NPF's Employer Identification Number 52 6112463 and its Plan Number 001.

If you choose to file suit in a federal court, the court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If you have any questions about NPF, please contact the Board of Trustees at the address above.