



SHEET METAL WORKERS' NATIONAL PENSION FUND
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**Notice of Reduction in Adjustable Benefits for Persons whose Bargaining Parties Adopted
the 2008 Default Schedule**

May 28, 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-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.

The Rehabilitation Plan includes two Schedules that apply to active Participants: the 2008 Alternative Schedule and the 2008 Default Schedule. The purpose of this communication is to give you 30-days notice that your benefits will be reduced as described below.

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

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

This Notice also applies to Beneficiaries and alternate payees of Participants described above.

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).

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

* 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.

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 increase that was to take effect in the future – such as the NPF COLA Benefit – is eliminated, 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 most 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 had been providing 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.”

For a Participant described in this Notice, who retires with the NPF on or after March 1, 2008, there has been a reduction in the “subsidy” for pensions that start before the Participant has attained NRA. Therefore, the Participant’s early retirement pension will be less than the amount specified in the NPF’s Plan Document (as in effect before March 1, 2008). 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). The NPF’s Plan Document is 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.

There are three forms of early retirement pensions under the Plan Document, which have been modified by the NPF’s Rehabilitation Plan. In each of the early retirement pensions described below, any reduction in benefits depends on the number of years and months preceding your attainment of a specified age (e.g., 65 or 62).

- 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 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 Default Schedule and 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 Default or 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%.*

NOTE: This is the only form of early retirement pension benefit that is available under the 2008 Default Schedule.

- The *Special Early Retirement Pension* reduces benefits by a percentage age reduction factor for each month an eligible Participant retires before age 62. If one retires at age 62 under this option, there is no reduction for age. Under the Plan Document, the age reduction factors are currently 3% from ages 62-60, and 6% from ages 60-55 for a total reduction of 36% at age 55. Under the 2008 Default Schedule, the subsidy under the Special Early Retirement Pension is *eliminated*. **In other words, because you are covered by the 2008 Default Schedule, you are not eligible to receive a Special Early Retirement Pension.**

- 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 Benefit. Under the 2008 Default Schedule, the subsidy under the 55/30 Pension is *eliminated*. **In other words, because the 2008 Default Schedule covers you, you are not eligible to receive a 55/30 Pension.**

Participants described in this Notice who retire under the NPF are not eligible to receive those subsidized forms of early retirement pension after June 30, 2008. Instead, an eligible Participant described in this Notice who retires before NRA would receive a monthly early retirement pension benefit equal to the monthly amount he would have received at NRA, **but reduced by 6% for each year the Participant is under age 65.** If you retired before you turned age 65 - after February 29, 2008 - but before you received this Notice, your monthly early retirement pension will be reduced as described above, 30 days after the date of this Notice.

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

As the 2008 Default Schedule covers John, his monthly pension benefit decreases by 60%, to a monthly benefit of \$400 under standard Early Retirement, as modified by the 2008 Schedules. If the 2008 Alternative Schedule had applied to John and he qualified for a Special Early Retirement Pension, his benefit would have been reduced by 42% to \$580. Had the 2008 Alternative Schedule covered John and if he qualified for the 55/30 Pension, his benefit would be unreduced for age, or \$1000.

Because John last worked under a Collective Bargaining Agreement that has adopted the 2008 Default Schedule and he retired March 1, 2008 or later, his monthly benefit will decrease to \$400 approximately 30-days after receipt of this notice.

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 Default Schedule**) 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 30 days after the date of this Notice. This payment form provided that an eligible Participant would receive 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 George is a Participant covered under this Notice. Let's say that George's monthly early retirement pension is \$1,129 at age 55. If he could have elected the 120 Certain Payments Option, he would receive 97.8% of that amount \$1,105 a month for his lifetime. If George 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 June 30, 2008, under the Rehabilitation Plan.

In addition to the changes made to the adjustable benefits listed above, the PPA restricts lump sum payments and other similar payments. For persons who retire on or after March 1, 2008, there is no Level Income Option. 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.

EXAMPLE - Mary retires early at age 55. 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 \$420 reduced NPF pension, plus her \$1,416 Social Security benefit would give her total income of \$1,836 - the same as her Level Income pension before she reached age 62. If Mary retired on or after March 1, 2008, this option is not available.

Effective January 1, 2008, the Fund limits lump sum survivor payments to a \$5,000 payment to eligible survivors of a deceased single Participant. NPF also limited, effective March 1, 2008, cashouts of small pension benefits to pensions with a present value of \$5,000 or less. The following examples illustrate the benefits before these limitations:

Lump Sum Survivor Payment, Married Participant Example – Joe dies at age 50 before collecting a pension. At death, he had earned 25 years and 8 months of Pension Credit and had earned a Normal Retirement Benefit of \$2,164. Because Joe was married at the time of his death, his spouse may elect a lifetime pension equal to 50% of the monthly benefit he would have received if he had quit working on the date of his death and chosen a 50% Husband-and-Wife Pension. In Joe’s case, Joe would have been eligible to draw a pension at 55. This is the earliest date a monthly benefit can begin, which is 5 years after his death. The benefit payable at that time is subject to applicable early retirement reductions. Additionally, provided Joe did not work in the Sheet Metal Industry in a position that was not covered by a Union collective bargaining agreement, his spouse would have been given the option of drawing this benefit as a Lump Sum Death Benefit. The Lump Sum Death Benefit represented the actuarial equivalent of the expected monthly benefits payable for her lifetime. In this example, Joe’s spouse would be offered a monthly benefit of \$478, which would be payable in 5 years, or an immediate Lump Sum Death Benefit of \$73,514.32. ERISA does not permit such payments for funds in critical status, and therefore, this form of payment was eliminated for deaths occurring on or after January 1, 2008.

Lump Sum Survivor Benefit, Single Participant Example – Steve dies before January 1, 2008, at age 26 before collecting a pension. At the time of his death, he had earned 5 years and 2 months of Pension Credit. Because Steve was not married, a pre-retirement spousal benefit is not payable; however, as he had worked 435-hours in Covered Employment within the 24-months of his death and had not worked in the Sheet Metal Industry in a position that was not covered by a Union collective bargaining agreement, a Lump Sum Death Benefit is payable to his beneficiary. The amount of the Lump Sum Death Benefit would be equal to 50% of the contributions remitted on Steve’s behalf while working in Covered Employment. ERISA restricts this form of benefit for funds in critical status. Therefore, effective for deaths occurring on or after January 1, 2008, this benefit is limited to \$5,000 payable to children, parents or siblings of the deceased Participant unless there is a division of the decedent’s benefit under a domestic relations order.

Lump Sum Cashout of Small Pension Example – Larry decides to retire 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 for cashouts, so he could have chosen either the monthly benefit or the lump sum. ERISA does not permit distributions in this amount for funds in critical status. Therefore, for pensions effective on or after March 1, 2008, cashouts are limited to pensions with a present value of \$5,000 or less.

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

The NPF COLA Benefit has been paid as an annual increase to eligible retirees who separated and retired in 1991 or later. The annual 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. **After January 1, 2008, NPF will not pay these increases if they were not payable more than 60 months from January 1, 2008. In the case of Participants described in this Notice, he/she will not receive any NPF COLA Benefit because the increase would not take effect more than 60 months before January 1, 2008.**

Suppose Pete retired on or after January 1, 2007. He was not retired long enough to receive any NPF COLA Benefit. Nor will Pete, in the future, receive any NPF COLA. However, suppose Pete's pension as of June 30, 1995 was \$6,000 per year (\$500 per month). Before this change, he would have received his first COLA increase of \$120 in 2008 and that would have increased over the next 15 years, for a maximum annual payment of \$1,800.

Additional Information about the Rate of Accrual

Pension benefits will NOT accrue at the same rate as specified in the Plan Document but will instead be 1% of all contributions required to be made for the Participant. Here is an example of how your Normal Retirement Benefit will be calculated for Contribution Hours worked after the bargaining parties have adopted the Default Schedule.

Matthew works 1,750 hours in Covered Employment during a Plan Year after his Local Union elects the Default Schedule. Under the terms of the Collective Bargaining Agreement, his Employer was required to contribute \$2.50 per hour for each hour worked. The Normal Retirement Benefit earned for the 1,750 hours is determined as follows:

$$\begin{array}{rcl} 1,750 \text{ hours} \times \$2.50 & = & \$4,375 \text{ in contributions} \\ 1\% \times \$4,375 & = & \$43.75 \text{ per month} \end{array}$$

Mathew's Normal Retirement Benefit has increased by \$43.75 per month which is payable at NRA. Provided he attains Vested Status and earns sufficient Pension Credit, Matthew could elect to retire on an early retirement pension; however, this amount would be subject to reductions. Please refer to earlier information in this Notice on standard Early Retirement.

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 an employer maintaining the plan at the time the statement is to be furnished employs you. 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.smnwmpf.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 or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, 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.