



SHEET METAL WORKERS' NATIONAL PENSION FUND

601 NORTH FAIRFAX STREET, SUITE 500

ALEXANDRIA, VIRGINIA 22314

TELEPHONE: 703-739-7000

Notice of Critical Status for the 2008 Plan Year

March 1, 2008

This Notice contains important information about benefits under the Sheet Metal Workers' National Pension Fund ("NPF" or "Fund") and Federal Law. Please read and retain for future reference.

To: Participants and Beneficiaries, SMWIA, Local Unions, Contributing Employers, Pension Benefit Guaranty Corporation and Secretary of Labor

The Fund's Actuarial Status for 2008

The Pension Protection Act of 2006 ("PPA") amended ERISA and the Internal Revenue Code to, among other things, impose additional funding rules for multiemployer plans, which are based on the actuarial status of the multiemployer plan. The new funding rules take effect in 2008 and apply to the Sheet Metal Workers' National Pension Fund ("NPF" or "Fund") because it is a multiemployer plan. Beginning with the 2008 Plan Year, the Fund's actuary annually must certify to the Secretary of Treasury and the Fund's plan sponsor (the Board of Trustees) whether or not the Fund is in Endangered ("Yellow Zone") or Critical Status ("Red Zone") for that Plan Year. The term "*Critical Status*" is defined in ERISA Section 305 (b)(2) and Internal Revenue Code Section 432 (d)(2), and it relates to the ability of the Fund to meet ERISA's minimum funding requirements.

The purpose of this Notice is to inform you that the Fund is in Critical Status for the 2008 Plan Year (January 1, 2008 - December 31, 2008). This is the first year in which the NPF has been found to be in Critical Status. On February 1, 2008, the Fund's actuary certified under Section 432 of the Internal Revenue Code that the NPF is in Critical Status for the 2008 Plan Year because:

1. The actuary projects a funding deficiency (i.e., failure to satisfy the minimum funding requirements) in less than/within four (4) years; and
2. The actuary has determined that the NPF's funded percentage (actuarial value of assets/accrued liability) is less than 65%.

The changes made by the PPA are designed to avoid the negative consequences of a minimum funding deficiency under prior law, and to enable plans with minimum funding deficiencies to emerge over a period of time with a stronger financial foundation. As explained below, this is done through reductions in adjustable benefits and/or a combination of contribution rate increases and reductions in adjustable benefits.

Explanation of Benefits That May Be Adjusted

ERISA and the Internal Revenue Code, as amended by the PPA, require the Board of Trustees, as the Fund's Plan Sponsor, to adopt a Rehabilitation Plan, which must be designed to reasonably enable the Fund to emerge from Critical Status over a 10-year period. That is, the Fund's actuary must project at

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the end of that period that the Fund will not have a funding deficiency for the year of certification or any of the following nine (9) years. The Rehabilitation Plan must include one or more Schedules that the Local Unions and Employers adopt as part of their collective bargaining agreements. The Schedules describe the benefit adjustments or the combination of benefit adjustments and contribution rate increases that are necessary for the Fund to emerge from Critical Status at the end of the 10-year period. PPA mandates that one Schedule, called the "Default Schedule," must first reduce adjustable benefits to the maximum extent necessary before requiring any contribution rate increase. The other Schedule, the "Alternative Schedule," requires contribution increases but has fewer benefit reductions. The Board of Trustees must review the Rehabilitation Plan and the Schedules annually and make adjustments, as necessary, to take into account the Fund's actual experience. It is important to note, however, that the Schedule of contribution rates stays in effect for the duration of the collective bargaining agreement.

The Board of Trustees has identified the adjustable benefits and contribution rate increases that will go into the Schedules and those are discussed in the Additional Explanation of benefit changes that follows this Notice. The Trustees are finalizing the Rehabilitation Plan and the Schedules. It is important to note that the Schedules to be provided to the bargaining parties do not reduce adjustable benefits to the maximum extent permitted under the new funding rules for plans in Critical Status. However, because the Rehabilitation Plan and the Schedules could change in the future, this Notice is required to discuss the extent to which adjustable benefits **could** be reduced. Again, it is important to remember that the 2008 Schedules do NOT reduce adjustable benefits to the maximum extent described below.

ERISA defines three categories of adjustable benefits, which may be reduced even if they otherwise would be protected under ERISA's anti-cutback rule (ERISA Section 204(g)):

1. Benefits, rights and features under the Fund's plan document.

These include post-retirement death benefits, the 60-month and 120-month guarantee options currently in the Fund's plan document, and the Fund's Disability Benefit. Other examples of benefits that may be reduced include the partial reimbursement for Medicare wrap-around coverage from the Fund's 401(h) account, pre-retirement death benefits, other than the qualified pre-retirement survivor annuity required by ERISA, and the pop-up feature in the Husband and Wife Pension for a Participant who survives the spouse's death.

2. Any early retirement benefit or retirement-type subsidy and any payment option, other than a qualified joint and survivor (e.g., 50% Husband and Wife Pension).

Examples of early retirement benefits or retirement-type subsidies in the Fund's plan document include the Standard Early Retirement Pension, the Special Early Retirement Pension and the 55/30 Pension. Examples of payment options include the 100% Husband and Wife Pension, the Level Income Option and the Lump-Sum Option.

3. Benefit increases that would not be eligible for a guarantee under ERISA section 4022A on the first day of the critical year (January 1, 2008) because the increases were adopted (or, if later, took effect) less than 60 months before such first day.

An example of such increases include scheduled increases, such as NPF COLA Benefit increases, which, in general terms, are annual increases in the form of a 13th check equal to 2% of the annual pension benefit based on Pension Credit earned through June 30, 1995, times the number of years of retirement (up to 15). That increase under the NPF COLA Benefit takes effect on October 31 of the year in which the Participant received at least 12 consecutive

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monthly pension payments. It is important to note that such benefit increases are adjustable benefits even though they are included within the Participant's accrued benefit payable at Normal Retirement Age.¹

Persons Whose Benefits May Be Adjusted

In general, the Trustees may reduce any adjustable benefits of any Participant or Beneficiary (including an Alternate Payee) whose Benefit Commencement Date (the Effective Date of Pension, or if later, the date on which benefit payments begin) is on or after the date this Notice is provided. However, it is important to note that the 2008 Schedules will not apply to all such individuals, but only to those persons whose Effective Date of Pension is on or after March 1, 2008. Of course, future Schedules may provide differently, depending on the Fund's actuarial experience.

Additionally, the Trustees may reduce benefit increases that are not guaranteed under Section 4022A of ERISA because they were adopted (or, if later, took effect) less than 60 months before January 1, 2008. As described above under the description of adjustable benefits, this includes scheduled increases such as the annual increases under the NPF COLA Benefit. In other words, the NPF COLA Benefit payments will be rolled back to the level of the payment received in 2002 (the last NPF COLA Benefit payment made more than 60 months from January 1, 2008), which may be zero in the case of Participant or Beneficiary in pay status whose first increase under the NPF COLA Benefit was after 2002.

Participants for Whom Contributions Are Not Currently Required to Be Made

Finally, if a Participant does not currently have contributions required to be made to the Fund on his behalf (e.g., a retiree or a vested Participant not currently working in Covered Employment), his benefits may be adjusted to the maximum extent permitted by Section 305 of ERISA, even though the Schedules adopted by the bargaining parties do not reduce adjustable benefits to the maximum extent.

NOTE: An Additional Explanation of reductions in adjustable benefits is enclosed. It is also being sent to SMWIA, Local Unions, Contributing Employers and SMACNA.

Enclosure

cc: SMACNA w/encls

¹ With the exception of the benefit increases that were adopted or took effect less than 60 months before the January 1, 2008, adjustable benefits do not include the Participant's accrued benefit payable at Normal Retirement Age.

Additional Explanation
Summary of Changes to NPF Benefits for Participants and Beneficiaries
March 1, 2008

This Additional Explanation contains important information about benefit changes under the Sheet Metal Workers' National Pension Fund ("NPF" or "Fund") and Federal Law. Please read and retain for future reference.

This Additional Explanation is subject to the terms of the Fund's plan document, the Rehabilitation Plan and its 2008 Schedules.

I. Introduction – Changes to Benefits and the Notice of Critical Status

A. Benefit changes

Over the past 18 months, the NPF has announced several changes to benefits. These changes have two sources. First, there were changes to Fund rules in response to the Pension Protection Act of 2006 ("PPA") and in anticipation of the 2008 Rehabilitation Plan. Second, there are changes made in the 2008 Rehabilitation Plan itself and the 2008 Alternative and Default Schedules, which the preceding Notice of Critical Status ("Notice") refers to as "adjustable benefits." This Summary explains these changes.

For copies of prior communications on how the PPA affects the NPF and Participants, visit the Fund's website at www.smwnpf.org. Click on the header, "Pension Protection Act." No internet access? The Fund office will send website materials to Participants upon request.

B. What triggered the Notice of Critical Status and the benefit changes?

As previously reported, the PPA requires the Fund's actuary to certify annually to the Secretary of the Treasury and to the NPF Trustees whether the Fund is in "Endangered" ("Yellow Zone") or "Critical Status" ("Red Zone"). As the preceding Notice states, the actuary has certified that for the 2008 Plan Year, the NPF is in Critical Status within the meaning of the PPA. This certification requires the Fund to issue the Notice and make benefit changes.

As outlined in earlier letters, notices, articles and the website, the Fund has developed a 2008 Rehabilitation Plan. Through a combination of benefit adjustments and contribution increases, this Rehabilitation Plan is designed to improve funding so that NPF will emerge from Critical Status by the end of the year 2020.

The Rehabilitation Plan includes two Schedules for the 2008 Plan Year – a "2008 Default Schedule" and a "2008 Alternative Schedule." The 2008 Default Schedule does **not** require contribution increases but it significantly reduces adjustable benefits. The 2008 Alternative Schedule does require annual contribution rate increases, but it reduces adjustable benefits to a lesser extent than the Default Schedule. These Schedules will be reviewed annually and may be modified, if necessary, to achieve the Rehabilitation Plan's goals and to reflect the NPF's actual experience over the preceding Plan Year (meaning such things as actual investment earnings, work levels, retirement rates, etc.). NPF will continue to keep Participants advised through mailings, articles and its website, www.smwnpf.org.

II. Who is affected by the Notice of Critical Status and the Fund's Rehabilitation Plan?

A. Generally

PPA requires NPF to send this Notice to all Participants and Beneficiaries; however, the effect on a given Participant varies greatly depending upon: whether he/she is actively working; has left the industry; is retired or separated; or the 2008 Schedule that applies to him/her.

Under NPF's 2008 Rehabilitation Plan, benefits may be adjusted for persons whose Effective Date of pension is on or after March 1, 2008. In addition, for all persons who retired on or after January 1, 1991, the Schedules change COLA benefits. Additional information follows.

Note that PPA generally allows pension funds to adjust benefits for anyone whose benefit commencement date is on or after the Notice of Critical Status. The term "benefit commencement date" generally means the date on which benefits are actually first paid.

B. If a Participant is currently a Retiree or Beneficiary

- If a Participant retired before January 1, 1991, his/her benefits are not affected by this Notice or the Fund's 2008 Rehabilitation Plan.
- If a Participant has received an NPF COLA Benefit increase, meaning his/her pension benefit started on or after January 1, 1991 (*and he/she worked in Covered Employment during the period January 1991 through June 30, 1995*), then he/she will see changes in the NPF COLA Benefit, as explained in Section IV.A.

C. If a Participant currently is not working in Covered Employment

PPA requires that the Schedules take into account the funding of benefits of Participants for whom contributions are not required to be made. Specifically, the Rehabilitation Plan makes an allowance for two groups of Participants who are unlikely to return to Covered Employment and have contributions made to the NPF. The first group is those Participants who no longer work in the Sheet Metal Industry, such as Retirees or those who have left the Sheet Metal Industry. The second group consists of Participants who continue to work in the Sheet Metal Industry but whose work is not covered under a Collective Bargaining Agreement or another agreement which requires NPF contributions. Both groups are subject to benefit adjustments.

D. Retirees who return to work

If a Participant retired before March 1, 2008 and returns to work before receiving at least twelve consecutive monthly payments, when that Participant retires again, his/her benefit will be determined under whatever schedule is adopted by the Participant's Local Union and Employer.

E. Active Participants

It largely depends upon the Schedule the bargaining parties select and when a Participant retires. Both Schedules preserve the pension payable at age 65 (subject to the changes in COLA and certain payment

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options) but provide different Early Retirement benefits. If they have not already done so, bargaining parties should adopt the 2008 Alternative Schedule or 2008 Default Schedule as soon as possible.

If a person is an “Alternate Payee” (generally meaning he/she is divorced from a Participant), the Alternate Payee’s benefit will depend upon the provisions of the Schedule which apply to his/her former spouse (and as applicable, subject to provisions of a Qualified Domestic Relations Order).

III. How Do Bargaining Parties Adopt a Schedule?

“Adoption by the bargaining parties” generally refers to an agreement between Local Unions and Employers to adopt one of the Schedules. If an Employer and Local Union want to adopt the 2008 Default Schedule or the 2008 Alternative Schedule, the parties may negotiate an agreement to do so. However, if a Local Union can “allocate” monies between wages and fringe benefits under a Collective Bargaining Agreement, a Local Union may take action to meet the contribution requirements in the 2008 Alternative Schedule. Put another way, if a Collective Bargaining Agreement authorizes a Local Union to apply money in the wage and fringe package to meet the contribution requirements of the 2008 Alternative Schedule, the 2008 Alternative Schedule may be adopted this way. Information has been sent to Local Unions and Employers about adopting a Schedule.

Have you filed a vesting application? If you have, and are not yet retired, you can get an estimate of the possible effect of different schedules on your potential early retirement benefits. GO TO www.smwnpf.org. Click on “About You” and follow the instructions.

IV. More Information on Benefit Changes under the Rehabilitation Plan, the 2008 Schedules and Fund’s Plan Document

Because the actuary has certified that the NPF is in Critical Status, the preceding Notice of Critical Status (“Notice”) explains *possible* changes in “adjustable benefits.” Specifically, PPA requires the NPF to advise Participants and Beneficiaries of the possibility of reductions in adjustable benefits that could apply to persons whose “benefit commencement date” is on or after the Notice date (March 1, 2008). And as noted above, changes in adjustable benefits may also be imposed on Retirees and other persons for whom NPF contributions are no longer required to be made. **The Notice outlined the full range of possible benefit reductions even though the Rehabilitation Plan and 2008 Schedules do not change all adjustable benefits.** This Summary also reviews benefit changes under the Fund’s plan document.

PPA’s definition of “adjustable benefits” includes:

- any early retirement benefit (NPF has three forms of early retirement as explained later on) or retirement-type subsidy;
- supplemental benefits (which include Disability Benefits and Retiree health benefits);
- any benefit payment option (other than a qualified joint and survivor annuity). NPF has had a number of optional forms of benefits including level income options, 60- and 120-month guarantees, and the reversion option (also known as “pop-up”); and

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- benefit increases – like the NPF COLA Benefit – that have been in effect for less than 60 months before the first day of the year in which the Fund is in Critical Status. In the case of the NPF, this is 60 months before January 1, 2008.

Again, please note that 2008 Rehabilitation Plan and Schedules change *some adjustable benefits, but not all*, as explained in this Additional Explanation.

A. NPF COLA Benefit increases under both 2008 Schedules

The NPF COLA Benefit had paid annual increases to Participants who separated from the Fund on January 1, 1991 or later, based on benefits accrued through June 30, 1995. The annual increase (paid in the form of a 13th check) is equal to: (a) 2% x (b) the amount of pension benefits (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 Participant had been receiving monthly pension benefits.

After January 1, 2008, no post-retirement increase will be paid if the increase was not in effect more than 60 months from January 1, 2008. This means the reduction of NPF COLA increases for some and elimination of NPF COLA Benefits for others. Here is a recap:

- If a Retiree did not receive an NPF COLA Benefit in 2002, he or she will not receive any NPF COLA Benefit after 2007. This includes Retirees who received an NPF COLA Benefit in the years 2003 through 2007.
- A Retiree, who was retired and did receive an NPF COLA Benefit in 2002, will continue to receive an NPF COLA Benefit (sometimes referred to as a “13th check”) limited to the amount of the increase he/she received in 2002 (that is, the amount of the 13th check paid to the Retiree in 2002). This amount will remain fixed at the 2002 amount in successive years.
- If a Participant is not retired, he/she will not receive any NPF COLA Benefit.

EXAMPLE 1 – NPF COLA: Retiree X retired on January 1, 2001. His pension, as of June 30, 1995, was \$500 per month (or \$6,000 a year). His COLA's have been based on this amount. He received his first COLA of \$120 in 2002. Each year, 2003 thru 2007, it increased by \$120 so that in 2007 he received \$720. In 2008 and future years, his COLA will be rolled back to \$120.

B. Early Retirement benefit changes

In most pension funds like NPF, the Normal Retirement Age (“NRA”) is 65. If a Participant chooses to retire before NRA, the amount is reduced for Early Retirement. In the usual course, the benefit is reduced by a percentage for each month a person retires before NRA. The reduction percentages are commonly called “age reduction factors.”

NPF provides the following three forms of Early Retirement, two of which reduce benefits by age reduction factors for each month a Participant retires either before NRA or age 62:

- Standard Early Retirement, which reduces benefits by a percentage age reduction factor for each month an eligible Participant retires before NRA (age 65);

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- Special Early Retirement which reduces benefits by a percentage age reduction factor for each month an eligible Participant retires before age 62; and
- The 55/30 Pension, which 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 Benefit.

PLEASE NOTE: Changes in NPF Early Retirement Benefits depend upon when someone retires and which Schedule the Participant's Local Union and Employers have adopted.

If you have filed a vesting application and are not retired, you can get an estimate of the possible effect of a Schedule on your potential early retirement benefit by going to www.smwnpf.org. Click on the "About You" and follow the instructions.

If a Participant's Effective Date of Pension is on or after March 1, 2008, his/her Early Retirement will be affected by one of the 2008 Schedules. Note also – as stated earlier – PPA provides that benefit adjustments could apply to anyone whose "benefit commencement date" is on or after March 1, 2008.

Under the 2008 Default Schedule, the only Early Retirement pension remaining is Standard Early Retirement, which has been modified. Neither the 55/30 Pension nor the Special Early Retirement Pension is available under the 2008 Default Schedule.

In the present Fund's plan document, the reduction factors for **Standard** Early Retirement are 3% per year, from ages 65-62 and 6% per year, ages 62-55. Under the Fund's plan document, the total reduction from age 65 to age 55 reduces the amount of a Normal Retirement Pension by 51%.

Under the 2008 Default Schedule (*applies in the 2008 Alternative Schedule too*), the Standard Early Retirement age reduction factors increase to 6% per year for each year of retirement under NRA, that is from ages 65 to 55. Under the 2008 Default Schedule, the monthly benefit is reduced by 60% of the amount payable at NRA.

Note also: the new age reduction factors apply to the entire benefit, not just the part earned after the Notice of Critical Status or adoption of a Schedule.

EXAMPLE 2 – Standard Early Retirement, 2008 Default Schedule: Suppose Participant X would receive \$1000 a month at NRA (age 65). Under the Fund's plan document, if he retired at age 55, his monthly benefit would be reduced by 51% to \$490. But, under the **2008 Default Schedule**, his benefit will be reduced by 60%, and he will be offered a lifetime monthly benefit of \$400.

Special provision for persons for whom contributions are not required to be made: Any Participant in this category who is not retired now, but does retire before age 65 will not receive the Standard Early Retirement benefit in the 2008 Default Schedule. Instead, the Participant will receive the actuarial equivalent of his benefit at Normal Retirement Age, based on his actual age at retirement. At age 55, this benefit is approximately 36% of the Normal Retirement Benefit.

Under the 2008 Alternative Schedule, all three forms of Early Retirement remain available for eligible Participants, as follows:

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- The 55/30 Pension: There are **no** age reduction factors for a 55/30 Pension.
- Special Early Retirement: The age reduction factors are changed. Under the current Fund's 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 Alternative Schedule, the age reduction factors are changed to 6% for each year that the Participant is under the age of 62, so that the total reduction is 42% at age 55. Before this change, the Special Early Retirement offered to a Participant at age 55 was 64% of the amount payable at 65. Under the 2008 Alternative Schedule, it is 58% of the amount payable at 65.

EXAMPLE 3 – Special Early Retirement, 2008 Alternative Schedule: Suppose Participant X will receive \$1000 a month at Normal Retirement Age. Under the present Plan document, if he retired at age 55, his monthly benefit would be reduced by 36% and he would be offered a lifetime monthly benefit of \$640. But, under the **2008 Alternative Schedule**, his monthly benefit will be reduced by 42%, and he would be offered a lifetime monthly benefit of \$580.

As illustrated above, under the 2008 Alternative Schedule, Special Early pays less at younger ages but remains unreduced at age 62. New age reduction factors apply to the entire benefit, not just the portion earned after the Notice of Critical Status.

- Standard Early Retirement: The Standard Early Retirement age reduction factors increase to 6% per year for each year of retirement under NRA, which is from ages 65 to 55. Under the **2008 Alternative Schedule**, the total reduction in benefits from age 65 to age 55 reduces the Normal Retirement Pension by 60%. In other words, if a Participant retires at age 55 under the Standard Early Retirement, he/she would receive 40% of the amount payable at age 65. (This is the same as in the 2008 Default Schedule.)

C. Changes in Disability Benefits under Fund rules

In advance of the Rehabilitation Plan, Fund rules for disability benefits changed. The amount of the Full Disability Benefit is now equivalent to the amount of early retirement the disabled Participant would be eligible to receive were he/she age 55. His/her benefit could be the equivalent of Standard Early Retirement Pension, Special Early Retirement, or the 55/30 Pension – as if the recipient were age 55 on his Effective Date. The equivalency that applies depends upon the Schedule which the Local Union and Employers adopt.

To qualify for the Full Disability benefit, the Participant must include a copy of his/her award for Social Security Disability Insurance benefits in his/her application, be less than age 55, and meet service and other requirements. If a Participant is eligible for Early Retirement, he will not be awarded a disability.

Note that neither the Special Early Retirement Pension nor the 55/30 Pension options are available under the Default Schedule. **Therefore, a Participant who first draws a Full Disability Benefit under the Default Schedule** will be eligible for a benefit equivalent to Standard Early Retirement.

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A Participant who first retires on a Full Disability Benefit under the Alternative Schedule will have his/her benefit calculated in the same way his/her Standard Early, Special Early or 55/30 retirement benefit would be calculated as if he/she were age 55.

*PLEASE NOTE: Participants who are drawing Disability Benefits (including an Industry-Related Benefit) before December 1, 2007 are not affected by these changes, nor are Participants who were disabled before December 1, 2007, and who are waiting final benefit processing, **provided** their applications were received in the Fund Office before December 1, 2007.*

D. Optional benefit forms are changed in both the 2008 Default Schedule and 2008 Alternative Schedule as follows:

- The level income option is eliminated; and
- The 120-month guarantee option is eliminated.

The Rehabilitation Plan maintains the Lifetime Benefit, Lifetime Benefit with a 60-month guarantee (requires a minimum of 15 years of Pension Credit), the 100% Husband-and-Wife Pension and the 50% Husband-and-Wife Pension. The Fund also has added a 75% Husband-and-Wife Pension as PPA requires. Additionally, all forms of Husband-and-Wife Pension continue to offer the reversion option (often referred to as a “pop-up”).

E. Pre-Retirement Death Benefits

PPA imposes restrictions on lump sum payments. In response to this, the Fund’s plan document was changed to limit death benefits. For a single Participant who dies before retirement, a \$5,000 death benefit will be paid in equal shares to the children, if no children, to the parents, if no parents, to siblings. This benefit is limited to Participants that are vested, worked 435-hours in Covered Employment within the 24-months before death and did not work in non-signatory employment.

For married Participants who die before retirement, their spouse may elect his/her portion of the 50% Husband-and-Wife Pension payable at the earliest age the Participant would have been eligible to draw a benefit. Should the Participant die before age 55, then the spouse will be given an opportunity to collect this benefit the month following death, with additional actuarial reductions for the Participant’s age at death.

V. How a Normal Retirement Benefit is Earned for Covered Employment under the Fund’s Plan Document and/or the 2008 Schedules

For each Hour of Work in Covered Employment, a Normal Retirement (age 65) benefit is earned based on a percentage of the contributions due for that Hour of Work. The percentage used in determining this amount is commonly referred to as the “**rate of accrual.**” If a Participant elects to retire before age 65, the amount of his/her Normal Retirement Benefit may be reduced as described earlier.

For most NPF Participants, the Normal Retirement Benefit has not been based on the entire Contribution Rate. First, if someone worked under a Collective Bargaining Agreement that included a 55/30 Pension Contribution Rate, a portion of the Contribution Rate did not earn an accrual. This is because that

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portion of the Contribution Rate is used to cover the cost of eliminating the age reduction factors that apply to other forms of Early Retirement besides 55/30 (See earlier discussion at Section IV.B.).

EXAMPLE 4 – Benefit Accrual and 55/30: Suppose a Local Union – whose hourly Contribution Rate is \$1 – chose to participate in the 55/30 Pension. In order to do so, the Plan Rules require that the Contribution Rate increase by 25% – in this example that's 25¢. The 25¢ is required to eliminate age reduction factors. The \$1 continues to be used to determine the amount of the monthly pension benefit.

Additionally, and as explained in several notices: In 2004 through 2007, NPF sought 10% compounded contribution rate increases to improve funding. These increases were not used to determine the amount of the Normal Retirement Benefit. If however, the increases were made, then the rate of accrual (or the percentage of contributions used to determine the amount of the Normal Retirement Benefit) was doubled. It is important to note that the increases were not determined on the part of the Contribution Rate that was added for the 55/30 Pension. See Example 5 below.

EXAMPLE 5 – Determining a Normal Retirement Benefit: As noted in the previous example, the Local chose 55/30 and its Contribution Rate became \$1.25. NPF asked for ten percent increases in Plan Years 2004 through 2007 and the Local complied. Its Contribution Rate went from \$1.25 to \$1.71, like this: $\$1.25 + .10 + .11 + .12 + .13 = \1.71 [The 25¢ for 55/30 was not counted for 10% increases.]

In this example, with the 55/30 increase and the annual 10% increases, the Local added 71¢ to its rate, but no benefit accrued on the increases.

A. Which rates of accrual have applied, or will apply, to a Participant?

The rate of accrual that applies to determine a Participant's Normal Retirement Benefit, before the Rehabilitation Plan takes effect, depends upon whether or not a Participant has worked under a Collective Bargaining Agreement that made prior required contributions increases. Going forward, the rate of accrual depends on the 2008 Schedule under which a Participant works.

EXAMPLE 6 – Determining a Normal Retirement Benefit: As noted in the previous example, the Local chose 55/30 and its Contribution Rate became \$1.25. NPF asked for 10% increases in Plan Years 2004 through 2007 and the Local complied. Its Contribution Rate went from \$1.25 to \$1.71, like this: $\$1.25 + 10\text{¢} + 11\text{¢} + 12\text{¢} + 13\text{¢} = \1.71

In this example, the Local Union added 46¢ in required contribution increases, and 25¢ to participate in the 55/30 Pension. None of these increases were taken into consideration as part of the total contributions received for each Hour of Work in Covered Employment for purposes of determining a Normal Retirement Benefit. *This is modified in the 2008 Alternative Schedule as explained below.*

1. Rate of accrual under the 2008 Default Schedule

The rate of accrual has been adjusted under the Fund's plan document and in the 2008 Default Schedule. **Under the 2008 Default Schedule**, pension benefits will NOT accrue at the same rate as specified in the Fund's plan document. Instead, Normal Retirement Benefits will accrue on 1% of all Employer contributions due for a Participant. ***This rate of accrual does not apply until the first of the month***

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after the month in which the 2008 Default Schedule is adopted. Under the Fund's plan document, the rate of accrual applicable to a Participant, as of January 1, 2008, will be less than 1% if the Participant works under a Collective Bargaining Agreement in which the prior required contribution increases were not made. There are no 55/30 Contribution Rates under the 2008 Default Schedule.

2. Rate of accrual under the 2008 Alternative Schedule

Under the 2008 Alternative Schedule, the rate of accrual is the highest rate of accrual available under the Fund's plan document. At present, that rate of accrual is 1.5% of contributions on 1200 hours and 0.7% of contributions on hours over 1200 hours. For Participants working under a 55/30 Collective Bargaining Agreement, this rate of accrual applies, but it is based on 70% of the Contribution Rate.

EXAMPLE 7 - Determining a Normal Retirement Benefit: Suppose the Contribution Rate is \$1 and it is **not** a 55/30 Contribution Rate. Then, suppose a Participant works 1600 hours within a Plan Year. The benefit is calculated under the **2008 Alternative Schedule** as follows:

1200 hours X \$1.00 X .015 (1.5%) = \$18.00
400 hours X \$1.00 X .007 (0.7%) = 2.80
\$20.80 per Year of Service - Normal Retirement Benefit (age 65)

However, if **this were a 55/30 Contribution Rate**, the benefit is determined as follows. First, the contribution is adjusted to 70% of its amount, or in this example, 70¢. Then calculate as follows:

1200 hours X .70¢ X .015(1.5%) = \$12.60
400 hours X .70¢ X .007(0.7%) = 1.96
\$14.56 per Year of Service 55/30 Pension*(payable as early as age 55)

** This benefit is payable provided a Participant meets all service and other eligibility criteria.*

3. Accrual rate decreases if no Schedule is adopted

The Fund has encouraged all bargaining parties to adopt either the 2008 Alternative Schedule or the 2008 Default Schedule as soon as possible. If, however, the parties to a Collective Bargaining Agreement have not adopted one of the 2008 Schedules before September 1, 2008, the rate of accrual used to determine a Normal Retirement Benefit will decrease to 0.5% of the contributions required to be made for each Hour of Work in Covered Employment under the Collective Bargaining Agreement.

VI. Questions

Click on the "Pension Protection Act" part of NPF's website www.smwnpf.org for general information. For benefit estimates, if you have filed a vesting application, click on "About You."

Please contact the Fund Office at info@smwnpf.org or at Sheet Metal Workers' National Pension Fund, Attn: Pension Benefits, Edward F. Carlough Plaza, 601 North Fairfax Street, Suite 500, Alexandria, VA 22314, 1-800-231-4622.