

SHEET METAL WORKERS' NATIONAL PENSION FUND
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ALEXANDRIA, VIRGINIA 22314
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December 20, 2007

Broadcast Fax to Local Unions Participating in the National Pension Fund

Dear Local Union Official:

As you know, the Fund expects its actuary to certify that NPF is in Critical Status under the Pension Protection Act of 2006 (PPA) on February 1, 2008. On March 1, 2008, NPF would then issue a Notice of Critical Status **and** the 2008 Rehabilitation Plan. The Rehabilitation Plan will have two Schedules – the 2008 Alternative Schedule and the 2008 Default Schedule. The enclosed matrix summarizes the current proposed Schedules.

PPA REQUIRES THAT YOUR COLLECTIVE BARGAINING AGREEMENT (“CBA”) REFLECT THE TERMS OF ONE OF THE SCHEDULES TO AVOID ASSESSING SURCHARGES ON EMPLOYERS.

The CBA must be modified absolutely no later than March 31, 2008 to avoid the imposition of surcharges. The CBA may be changed by negotiation, or by allocation, *if the Local Union has the allocation authority*. If you do not modify your CBA by this deadline, surcharges would start April 1, 2008. The 2008 surcharges equal 5% of contributions and are automatically imposed if no Schedule has been adopted. No benefit is earned on the 5%.

TAKE SPECIFIC ACTION TO ADOPT A SCHEDULE INTO YOUR CBA. IF NO ACTION IS TAKEN, SURCHARGES WILL BE AUTOMATICALLY IMPOSED.

Here are some common scenarios in which surcharges could be imposed.

- A. The Local and the Employer cannot agree on either Schedule. Surcharges will be imposed even if you are still negotiating or going to arbitration. This is also true even if the CBA is not subject to reopener or there is no anniversary or expiration before March 31, 2008. Some Locals and employers negotiated a reopener developed by the SMWIA and SMACNA. If you and your employers did so, you can use that reopener.
- B. The Local and Employer decide that they do NOT wish to make any contribution increase, but they take no action to adopt the Default Schedule. Surcharges will be imposed.
- C. A Local agreement already has increases scheduled under the old NPF recovery program. For example, the CBA says that the NPF contribution rate will increase 10% in each of the next three years. This is not adequate as

there is no adoption of a Schedule and surcharges will be imposed.

- D. A Local has broad allocation authority written into its CBA. It could allocate money to adopt one of the Schedules, but does not do so before March 31, 2008. Surcharges will be imposed.

**SOME LOCALS AND EMPLOYERS HAVE ASKED FOR SAMPLE LANGUAGE
FOR CBA AMENDMENTS.**

Enclosed is a sample addendum to your CBA to adopt the Alternative Schedule. The sample specifies that the 2008 Alternative Schedule has been incorporated into your CBA and that all the required increases will be made. The sample addendum references "Exhibit A." This is a list of contract strings and the contribution rate increases. The Fund office will supply information for the list in early 2008.

Note: Please see Aileen Pierson's November 13, 2007 letter. Her letter lists all the contract strings (job classes) for your Local and asks you to indicate which schedule you will adopt. In early 2008, Aileen's office will send a list of all your contract strings, and the required increases under the 2008 Alternative Schedule.

**SOME LOCALS WANT TO ADOPT THE ALTERNATIVE SCHEDULE BY
ALLOCATION.**

First, this depends on whether and to what extent the Local Union has allocation authority in the CBA. Second, you need to take whatever steps are necessary, as required by the CBA or Union rules, to exercise that authority. Most Locals allocate by membership vote, but some may follow a different process. Enclosed a sample motion to adopt the 2008 Alternative Schedule. This sample motion also has an Exhibit A. This Exhibit A will be a list of the contract strings covered by the motion and the required increases. *See the text box above.*

**TO ADOPT THE 2008 DEFAULT SCHEDULE, THE LOCAL UNION AND
EMPLOYERS MUST TAKE AFFIRMATIVE ACTION.**

Because the 2008 Default Schedule does not require contribution increases, Locals and Employers may feel that they need do nothing. We respectfully urge you to act. If the 2008 Default Schedule is wanted, the parties must negotiate an addendum for this. If you would like a sample addendum for the 2008 Default Addendum, contact us.

PLEASE SEND US DOCUMENTATION PROMPTLY.

Please send us your addendum, motion or other documentation concerning the schedule adoption as soon as it is completed. We must have it to avoid unnecessarily imposing surcharges.

SOME LOCALS HAVE ALREADY SENT IN MATERIALS

Thanks for your prompt action. We are reviewing those submissions and will contact you if additional information is needed.

We appreciate your leadership and efforts. If you have questions, please contact Marc LeBlanc, Ken Colombo, John Holback, or Aileen Pierson at the Fund Office.

Enclosures

2008 Rehabilitation Plan Matrix
Sample addendum to CBA for the 2008 Alternative Schedule
Sample adoption motion for the 2008 Alternative Schedule

cc: NPF Trustees
SMWIA
SMACNA
Local Employer Associations

UPDATE as of 12/27/07: Since we prepared this letter last week, the National SMACNA office sent us a copy of a “Memorandum Concerning the Sample Addendum Collective Bargaining Agreement Language from the Sheet Metal Workers National Pension Fund.” With SMACNA’s memo is a model letter of understanding about the terms of an addendum adopting the Alternative Schedule. A copy is available for download on the SMWMPF website, www.smwnpf.org or you may contact us.

Rehab Plan Matrix – if Schedule is adopted in 2008

This is a summary. More detail will follow when the actual schedules are issued.

Major Points	2008 Default Schedule	2008 Alternative Schedule
Adjustable benefits modified or eliminated	<ul style="list-style-type: none"> • NO COLA for new/recent retirees • COLA rolled back 60 months to 2002 level • NO 55/30 pension • NO Special Early Retirement • Standard Early Retirement (reduction factors modified) • Full Disability equal to Standard Early • Optional forms of payment <i>other than</i> pop-up, 60-month guarantee, 50% J & S and actuarially adjusted 75% and 100% J & S 	<ul style="list-style-type: none"> • NO COLA for new/recent retirees • COLA rolled back 60 months to 2002 level • Standard Early Retirement (reduction factors modified) • Special Early Retirement (reduction factors modified under age 62) • Full Disability reduced with best ER factor • Optional forms of payment <i>other than</i> pop-up, 60-month guarantee, 50% J & S and actuarially adjusted 75% and 100% J & S
Takes into account benefits eliminated in 2007	<ul style="list-style-type: none"> • No new Industry related disability benefit • No new Full Disability equal to Normal Retirement • Now new Lump sum death benefit 	<ul style="list-style-type: none"> • No Industry related disability benefit • No Full Disability equal to Normal Retirement • No Lump sum death benefit
Rate of Accrual	1% on the entire contribution	<ul style="list-style-type: none"> • 1.5% on 1200 hrs/0.5% over 1200 (entire contribution, non 55/30) • 70% of full rate for 55/30 strings
Contribution increases	None slated after 2007	On the entire rate... 2008 – 10%; 2009, 2010 – 7%; 2011, 2012 - 5%; 2013, 2014 – 4%; 2015-2017 – 3%

(12/07) Sample Addendum to CBA Adopting 2008 Alternative Schedule

The Parties, after due negotiation, hereby adopt the following Addendum to the *[insert full and complete collective bargaining agreement title and the effective dates of the collective bargaining agreement to which this is an addendum]* (the "Agreement"):

This Addendum relates to the Employer's obligation to contribute to the Sheet Metal Workers' National Pension Fund ("NPF") in the event that the NPF is certified to be in Critical Status for 2008 by its actuary.

This Addendum is effective as of the date that the NPF sends a notice to the Parties that the NPF's actuary has certified the NPF is in Critical Status for 2008 (the "Critical Status Notice"), and will remain in effect for so long as the Agreement remains in effect.

Upon receipt of the Critical Status Notice, the Parties adopt the **2008 Alternative Schedule** as distributed by the NPF in conjunction with the Critical Status Notice; provided that the Contribution Rate requirements in the **2008 Alternative Schedule** are consistent with the Contribution Rate increases set forth in Exhibit A of this Addendum. The **2008 Alternative Schedule** adopted by the Parties is incorporated into this Addendum and is an integral part of the Agreement. The Employer's Contribution Rate to the NPF will be increased by the date and in the amount required in the **2008 Alternative Schedule**, no later than the first (1st) day of _____, 2008 (insert allocation, reopener or anniversary date) and the first (1st) day of such month in each succeeding calendar year. In no event may this date, notwithstanding any other term of the Agreement, be later than the date specified in the **2008 Alternative Schedule**.

The Agreement's remaining terms continue in effect to the extent they are consistent with the **2008 Alternative Schedule**.

This Addendum is entered into this ____ day of _____, 200__

Employer Association/Employer *[insert name]*

DRAFT _____ Date: _____

For Sheet Metal Workers' International Association,
Local Union No. ____

DRAFT _____ Date: _____

After signing, please send a copy to the Sheet Metal Workers' National Pension Fund, 601 No. Fairfax Street, Suite 500, Alexandria, VA 22314
Attn: CBA Department, or by e-mail to apierson@smwnpf.org.

Exhibit A

Schedule of Anticipated Contribution Rate Increases under the 2008 Alternative Schedule

DRAFT SAMPLE Adoption Motion

After review of the proposed 2008 Alternative Schedule and the 2008 Default Schedule provided by the Sheet Metal Workers' National Pension Fund ("NPF"), the following motion was duly made and seconded.

Under the collective bargaining agreement titled _____ *[insert title and beginning and expiration dates]*, this Local Union has the authority to allocate any wage increase to wages or to benefits or to allocate money from wages to fringe benefits. By the following allocation, this Local adopts the 2008 Alternative Schedule that is expected to be issued by the NPF, provided that the required contribution rate increases in the 2008 Alternative Schedule are the increases listed in Exhibit A.

Exhibit A is a list of NPF contribution rates payable for classifications for each year under the 2008 Alternative Schedule. Accordingly, the Local will allocate from the wage and fringe package, the amounts necessary to make all of the contribution increases set forth in Exhibit A for the term of the collective bargaining agreement. The increases shall be made, in the amount shown in Exhibit A, no later than the first (1st) day of _____, 2008 *[insert allocation, reopener or anniversary date]* and the first (1st) day of such month in each succeeding calendar year. In no event may this date, notwithstanding any other term of the Agreement, be later than the date specified in the **2008 Alternative Schedule**.

The Local Union will notify all employers of this action.

The Motion passed. The Recording Secretary or Business Manager is hereby directed to send a copy of this resolution to the NPF and all employers and their representative(s).

Signed: _____ Dated: _____
Recording Secretary or
Business Manager

After completion, please send a copy to the Sheet Metal Workers' National Pension Fund, 601 No. Fairfax Street, Suite 500, Alexandria, VA 22314 Attn: CBA Department, or by e-mail to apierson@smwnpf.org.

Exhibit A
Schedule of Anticipated Contribution Rate Increases under the 2008
Alternative Schedule