



SHEET METAL WORKERS' NATIONAL PENSION FUND
601 NORTH FAIRFAX STREET, SUITE 500
ALEXANDRIA, VA 22314
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Notice of Reduction in Adjustable Benefits

Reduction/ Elimination of Benefit Increases Made within 60 months of January 1, 2008

Enclosed with this Notice is a "Projection of the Impact on Your NPF COLA Benefit Increases" that shows the effect of the reductions described in this Notice on your benefits. This part of the Notice describes the reasons for the Projection.

Dear Pensioner / Beneficiary:

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) under ERISA. ERISA is the principal federal law that governs multiemployer pension plans like the NPF. As required by ERISA, the Fund's Board of Trustees has issued a Rehabilitation Plan. The Rehabilitation Plan combines benefit reductions and contribution increases that are intended to enable the Fund 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, 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.

This communication is an advance notice of a reduction in the scheduled benefit increases that you were to be receiving in the future in the form of the NPF COLA Benefit (an adjustable benefit under ERISA). *You will find enclosed with this Notice a personalized "Projection of the Impact on Your NPF COLA Benefit Increases" that projects, in dollars and cents, the estimated effect on you.*

The Rehabilitation Plan includes two Schedules, the 2008 Alternative Schedule and the 2008 Default Schedule. Both Schedules reduce adjustable benefits. In addition, when the Trustees formulated the Rehabilitation Plan's Schedules, ERISA required them to make an allowance for Participants "with respect to whom contributions are not currently required to be made." The "allowance" consists of reductions in adjustable benefits for that group of Participants.

Adjustable benefits under ERISA include benefit increases that would not be eligible for a guarantee under ERISA Section 4022A on the first day of the initial critical year because the increases took effect less than 60 months from that date. This includes the scheduled increases that take effect each year under the NPF COLA Benefit; to the extent the increase did not take effect more than 60 months from January 1, 2008 (the first day of the NPF's initial critical year). It is important to understand that ERISA provides for reductions in adjustable benefits even if they otherwise would be protected as accrued benefits under ERISA's anti-cutback rule. Moreover, while adjustable benefits generally may not be reduced for any Participant or Beneficiary who was receiving the benefit before the pension plan issued its notice of critical status, an exception is made for benefit increases, such as those under the NPF COLA Benefit, which took effect less than 60 months from January 1, 2008.

You are receiving this Notice because Fund records show that you are a Retiree or Beneficiary (including an Alternate Payee) for "whom contributions are not currently required to be made" (as

you do not work in the Industry anymore or you are a surviving spouse), or you are covered under the Alternative or Default Schedule. If you believe that this Notice was sent to you in error, please write to the Fund Office at the address above.

NOTE: The benefit reduction described in this Notice does not affect your monthly pension payment.

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

The NPF COLA Benefit has been an annual increase in benefits for eligible retirees, which begins after a retiree has received 12-monthly pension payments within the 12-consecutive month period ending on October 31 of each Plan Year. While the annual benefit increase is based on the eligible retiree's monthly pension benefit, it is paid in the form of an annual 13th check, rather than being added to the monthly pension. Among other things, a retiree must have separated and retired in 1991 or later. The annual increase is 2% of the amount of pension benefits (that had accrued as of June 30, 1995) received over the 12-consecutive month period ending on October 31 of each Plan Year (called the "Allocation Date") times the number of whole years, up to 15, for which the eligible retiree had been receiving pension benefits during that 12-consecutive month period (called the "Allocation Period").

In very general terms, the NPF COLA Benefit increased an eligible retiree's annual pension benefit (earned as of June 30, 1995) by 2% for each 12-consecutive month period that the eligible retiree had been receiving a monthly NPF pension benefit, but capped at 30% (15 years). Again, the increase has been in the form of a lump sum annual "13th check."

Effective October 31, 2008 (the Allocation Date for this Plan Year), the NPF will reduce (roll back) your NPF COLA Benefit to the amount of the increase you received in 2002 (60 months from the start of the 2008 Plan Year). This means that if you did not receive an NPF COLA Benefit payment in 2002, you will not receive any NPF COLA Benefit payment in 2008 or in any future year because the benefit increase was not made more than 60 months from January 1, 2008 (the beginning of the NPF's first year in critical status). This reduction also applies to the Participant's Beneficiaries (including Alternate Payees).

To further illustrate (all figures below are hypothetical):

- If you were retired and received an NPF COLA Benefit payment in 2002, you will continue to receive an NPF COLA Benefit payment but limited to the amount of the increase you received in 2002 (that is, the amount of the 13th check paid to you in 2002). This amount will remain fixed at the 2002 amount for future years. This amount is based on Fund records, and is shown in the accompanying Projection.

Example: Jack retired on January 1, 2001. His pension, as of June 30, 1995, was \$500 per month (or \$6,000 a year). His benefit increase under the NPF COLA Benefit has been based on this amount. He received his first increase of \$120 (2% of his annual pension) in 2002. Each year, 2003 thru 2007, his increase went up by 2% for each successive year, so that in 2007 he received an increase of \$720 (\$120 x 6 years) under the NPF COLA Benefit. In 2008 and future years, the amount he receives under the NPF COLA Benefit will be rolled back to the amount of his 2002 increase (\$120) and will remain at that level.

- If you retired with the NPF after November 2001, you will not receive any NPF COLA Benefit payment even though you received one or more benefit increases under the NPF COLA Benefit after 2002. This is because the benefit increases you received under the NPF COLA Benefit all took effect within 60-months of January 1, 2008.

Example: Suppose Pete retired on or after January 1, 2007. He was not retired long enough to receive any NPF COLA Benefit increase. Nor will Pete, in the future, receive any NPF COLA Benefit increase. However, suppose Pete's pension as of June 30, 1995 was \$1,200 per year (\$100 per month). Before this change, he would have received his first annual increase under the NPF COLA Benefit in 2008, which would have been \$24, and his annual increase would have gone up by an additional \$24 (2%) for each subsequent year until his increases had maxed out, after 15 years, at \$360 (2% x \$1,200 x 15).

- If you are not retired, you will not receive any increase under the NPF COLA Benefit because only increases made more than 60 months from January 1, 2008 are preserved under the NPF COLA Benefit.
- If you are the surviving spouse of a deceased retiree who elected a Husband and Wife Pension, you will not receive any more NPF COLA Benefit payments *unless* your spouse was retired before December 2001. In that case, the NPF COLA Benefit payment will be based on the amount of your survivor pension and the Pensioner's Effective Date. If he or she retired on or after December 1, 2001, you will not receive any NPF COLA Benefit payments after 2007.

What if the NPF COLA Benefit increases were not limited under the Rehabilitation Plan?

Had these changes not occurred, you would have received an annual NPF COLA increase up to a maximum of 15 years; however, in accordance with the Rehabilitation Plan, all future NPF COLA Benefit payments are frozen at the level paid in 2002 as described above. In the event that you were not eligible for a 2002 NPF COLA Benefit increase, you will no longer receive any future increases.

Information on a Participants 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 above.

- Obtain, upon written request to the Board of Trustees, copies of documents governing the NPFs' 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, 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.

For documents and statements, write to:

Board of Trustees c/o Marc LeBlanc, Fund Administrator, Sheet Metal Workers' National Pension Fund, 601 No. 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 pension 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. In addition, if you believe that the changes in benefits set forth in this Notice do not or should not apply to you, you should write to the Fund Office setting forth all the reasons why you believe this to be the case.

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 Employee Identification Number 52 6112463 and its Plan Number 001. The EBSA's website also suggests you have the following additional information ready or in your correspondence:

- Your name and daytime telephone number
- A brief explanation of your problem
- Evidence that you have filed a claim for benefits
- Name, address and telephone number of plan official to be contacted
- Your permission to inquire on your behalf, if necessary
- Employment dates, birth date, social security number, policy number or other identification numbers

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 the NPF, please contact the Board of Trustees at the address above.

BOARD OF TRUSTEES

August 29, 2008

cc: Local Unions
Contributing Employers
SMWIA
SMACNA