Sheet Metal Workers' National Pension Fund
ANNUAL FUNDING NOTICE

## Introduction

This notice includes important funding information about your pension plan, the Sheet Metal Workers' National Pension Fund (the "Plan" or "Fund"). This notice also provides a summary of federal rules governing multiemployer plans in reorganization and insolvent plans and benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal agency. This notice is for the calendar year (the "Plan Year") beginning January 1, 2009 and ending December 31, 2009 (the "2009 Plan Year").

This notice is intended to satisfy the requirements imposed by the Pension Protection Act of 2006 ("PPA") for Annual Funding Notices, which first took effect for the 2008 Plan Year. The notice is based on the model Annual Funding Notice published by the U.S. Department of Labor in Field Assistance Bulletin 2009-01.

## Funded Percentage

The "Funded Percentage" of a plan is a measure of how well that plan is funded. This percentage is obtained by dividing the plan's assets by its liabilities on the valuation date for the plan year. In general, the higher the percentage, the better funded the plan.

The Plan's Funded Percentage for the 2009 Plan Year and the two (2) preceding Plan Years is set forth in the chart below, along with a statement of the value of the Plan's assets and liabilities for the same period.

| | 2009 Plan Year | 2008 Plan Year | 2007 Plan Year |
|---|---|---|---|
| Valuation Date | 1/1/2009 | 1/1/2008 | 1/1/2007 |
| Funded Percentage | 48.94% | 52.20% | See Transition Data |
| Value of Assets (Actuarial) | $2,813,597,425 | $3,293,939,234 | See Transition Data |
| Value of Liabilities | $5,749,182,057 | $6,310,819,838 | See Transition Data |

## Transition Data

For a brief transition period, the Plan is not required by law to report certain funding related information because such information may not exist for Plan Years before 2008. The Plan has entered "See Transition Data" in the chart above to identify the information it does not have. In lieu of that information, however, the Plan is providing you with comparable information that reflects the funding status of the Plan under the law then in effect. Specifically, for 2007, the Plan's "funded current liability percentage" was 39.27%, the Plan's assets were $3,152,717,824, and Plan liabilities were $8,028,794,382.

## Fair Market Value of Assets

Asset values in the chart above are actuarial values, not market values. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. However, because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes. While actuarial values fluctuate less than market values, they are estimates. The following market values reflect the net assets available for the payment of pension benefits (which the actuary uses to derive the actuarial value of assets). As of December 31, 2009, the fair market value of the Plan's assets was $2,806,177,283, based on the PPA Certification issued by the Plan's actuarial consultant for the 2010 Plan Year (which excludes receivable withdrawal liability payments). As of December 31, 2008, the fair market value of the Plan's assets was $2,344,664,521, based on the audited financial statements for the 2008 Plan Year. As of December 31, 2007, the fair market value of the Plan's assets was $3,302,494,430, based on the audited financial statements for the 2007 Plan Year.

## Participant Information

The total number of participants (including beneficiaries) in the Plan as of the most recent valuation date (January 1, 2009) was 142,288. Of this number, 45,000 were pensioners (including beneficiaries in pay status and known pensioners in suspended status), 25,554 were inactive participants with vested rights (including beneficiaries with rights to deferred pensions), and 71,734 were active participants.

## Funding & Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the pension plan's objectives. A funding policy relates to the level of contributions needed to pay for benefits provided under the plan currently and over the years. The funding policy of this Plan utilizes a combination of benefit adjustments and contribution rate increases to enable the Plan to emerge from "Critical Status" by the end of the Plan's Rehabilitation Period, as described below.

Once money is contributed to the Plan, the money is invested by Plan officials called fiduciaries. Specific investments are made in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries that are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions. The investment policy of the Plan is adopted by the Trustees, but the discretionary authority to allocate and invest the vast majority of the Plan's assets has been delegated to an "Investment Manager" within the meaning of ERISA. In summary, the investment policy states that the Plan's objective is for the Investment Manager to obtain a long-term annualized rate of return (net of fees) of 8.2%. This is greater than the Fund's assumed actuarial rate of return, which currently is 7.5%.

In accordance with the Plan's investment policy, the Plan's assets were allocated by the Investment Manager among the following categories of investments, as of the end of the Plan Year. These allocations are expressed as percentages of total assets:

| **Asset Allocations** | **Percentage** |
|---|---|
| 1. Interest-bearing cash | 1.6% |
| 2. U.S. Government securities | 12.37% |
| 3. Corporate debt instruments (other than employer securities): | |
| Preferred | 0.000% |
| All other | 10.19% |

| | | |
|---|---|---|
| 4. | Corporate stocks (other than employer securities): | |
| | Preferred | 0.13% |
| | Common | 60.36% |
| 5. | Partnership/joint venture interests | 0.000% |
| 6. | Real estate (other than employer real property) | 2.96% |
| 7. | Loans (other than to participants) | 0.000% |
| 8. | Participant loans | 0.000% |
| 9. | Value of interest in common/ collective trusts | 1.21% |
| 10. | Value of interest in pooled separate accounts | 0.000% |
| 11. | Value of interest in master trust investment accounts | 0.000% |
| 12. | Value of interest in 103-12 investment entities | 0.000% |
| 13. | Value of interest in registered investment companies (e.g., mutual funds) | 1.41% |
| 14. | Value of funds held in insurance co. general account (unallocated contracts) | 0.42% |
| 15. | Employer-related investments: | |
| | Employer Securities | 0.000% |
| | Employer real property | 0.000% |
| 16. | Buildings and other property used in plan operation | 0.13% |
| 17. | Other | 9.22% |

For information about the Plan's investment, as applicable, in any of the following types of investments as described in the chart above -- common/collective trusts, pooled separate accounts, master trust investment accounts, or 103-12 investment entities – contact the Fund Administrator, Marc Le Blanc, at 703-739-7000 or by writing to 601 North Fairfax Street, Suite 500, Alexandria, VA 22314.

## Critical or Endangered Status

Under federal pension law (the PPA), a multiemployer pension plan generally will be considered to be in "Endangered Status" if, at the beginning of the plan year, the funded percentage of the plan is less than 80 percent or in "Critical Status" if the percentage is less than 65 percent (other factors may also apply). If a multiemployer pension plan enters Endangered Status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a multiemployer pension plan enters Critical Status, the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation and funding improvement plans establish steps and benchmarks for multiemployer pension plans to improve their funding status over a specified period of time. Endangered Status is commonly referred to as the "yellow zone," and "Critical Status" is commonly referred to as the "red zone."

## The Plan's Critical Status

The Plan was in Critical Status in the 2009 Plan Year because the Plan's funding percentage is less than 65% and the Plan's actuary projected that the Plan will have an accumulated funding deficiency in one or more of the next four (4) plan years. For the same reason, the Plan also is in Critical Status for the 2010 Plan Year (*the 2010 Notice of Critical Status accompanies this Notice*).

In an effort to improve the Plan's funding situation, the Trustees adopted a Rehabilitation Plan in March 2008, which contains a Default Schedule and an Alternative Schedule (as amended from time to time to reflect actuarial experience). The Rehabilitation Plan and Schedules, as well as any amendments, are designed to enable the Plan to emerge from Critical Status at the end of its Rehabilitation Period by using a combination of contribution rate increases and/or reductions in adjustable benefits (e.g., early retirement benefits, optional benefit forms, and scheduled benefit increases that had been in effect for more than five (5) years before the Plan was certified to be in Critical Status for the Plan Year). The exact combination depends upon whether the bargaining parties (the Local Union and Employer(s) who are parties to the Collective Bargaining Agreement) have adopted the Default Schedule or the Alternative Schedule, as well as any amendments that have been made by the Trustees to the Rehabilitation Plan, and/or Schedules.

At the time the Rehabilitation Plan was adopted, the Rehabilitation Period was the 10-year period commencing on January 1, 2011 and ending December 31, 2020. Pursuant to a change in the law, the Trustees elected in 2009 to use a 13-year Rehabilitation Period, instead of the 10-year period. This change was in response to the extraordinary economic downturn that occurred during the 2008 Plan Year. Accordingly, the Plan is expected to emerge from Critical Status by the end of 2023, instead of 2020. The Plan also obtained an automatic 5-year extension of its amortization period for the 2009 Plan Year.

In 2009, the Default Schedule was amended to make further benefit adjustments, in order to address the actuarial losses resulting from the recent economic downturn. Generally, if any Collective Bargaining Agreement expires during 2009 or later, the benefit adjustments under the amended Default Schedule will apply (subject to any future amendments made to the Default Schedule). These changes apply to persons covered by the amended Default Schedule who retire on or after January 2011. Under the amended Default Schedule, a Participant will no longer qualify for any early retirement subsides and will be subject to a full actuarial reduction if he elects to retire before Normal Retirement Age (65). Additionally, the Participant will no longer receive a 60-month guarantee on his Lifetime Benefit[1] or be entitled to the reversion option (also referred to as the "pop-up" feature) on any of his Joint and Survivor Annuity Options.

Also in response to the economic downturn, the Trustees amended the Alternative Schedule for 2009 to require a Contribution Rate increase of 7% for each year after 2010. In general, if any collective bargaining agreement expires or is extended during 2009, the higher Contribution Rate increases under the amended Alternative Schedule will apply.

In formulating the Default and Alternative Schedules, ERISA requires an allowance for Participants "with respect to whom contributions are not currently required to be made." Specifically, ERISA requires the Trustees to reduce those Participants' adjustable benefits to the fullest extent permitted by law and considered appropriate based on the Fund's current overall funding status. Due to the actuarial losses resulting from the recent economic downturn, the Trustees amended the Rehabilitation Plan in 2009 to make additional allowances for such Participants. Specifically, for Effective Dates of Pension on or after January 1, 2010, the following adjustable benefits were eliminated under the Rehabilitation Plan for Participants "with respect to whom contributions are not currently required to be made":

- Early Retirement Pension(s)
- Full Disability Benefit
- Reversion feature (also known as the "pop-up")

A Participant is deemed to end his/her status as a person for whom no Contributions were required to be made by returning to work in Covered Employment and completing one (1) Year of Service (870-Hours of Work in Covered Employment in a Plan Year) under a Schedule (Default or Alternative). In that case, his/her benefit will be re-adjusted in accordance with that Schedule. It is important to remember that if a Participant ceases to be a person for whom no contributions are required to be made, his/her benefit will remain subject to all applicable rules in the Plan, including but not limited to the Rehabilitation Plan and Schedules (as amended from time to time), as well as the requirements relating to eligibility for benefits, early retirement delays, and minimum hours requirements. (Note: The allowance described in this paragraph generally does not apply to a Pensioner, who ceases retirement and returns to work.)

[1] The 60-month guarantee is only applicable if a Participant earned a minimum of 15 years of Pension Credit.

**It is important to understand that the Rehabilitation Plan and the Alternative and Default Schedules are reviewed by the Trustees each year and will be modified as appropriate to reflect the Plan's actuarial experience.**

You may obtain a copy of the Plan's Rehabilitation Plan (including the Schedules) and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement by contacting the Fund Administrator at 1-800-231-4622. You may also obtain pertinent information about the Plan's Rehabilitation Plan on the Plan's website: www.smwnpf.org.

Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report (i.e., a Form 5500) containing financial and other information about the plan. Copies of the Plan's annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Alternatively, you may obtain a copy of the Plan's annual report by making a written request to the Fund Administrator at 601 North Fairfax Street, Suite 500, Alexandria, Virginia 22314, ATTN: Fund Administrator.

Summary of Rules Governing Plans in Reorganization and Insolvent Plans

*(NOTE: this section is provided in accordance with the PPA and the Model Notice in Department of Labor Field Assistance Bulletin 2009-01. It does not mean that the Plan is, or is expected to be, in reorganization status or insolvent.)*

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so-called "plan reorganization rules," a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notification of the insolvency to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first $11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next $33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is $35.75 per month times a participant's years of credited service.

*Example* 1: If a participant with 10 years of credited service has an accrued monthly benefit of $500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ($500/10), which equals $50. The guaranteed amount for a $50 monthly accrual rate is equal to the sum of $11 plus $24.75 (.75 x $33), or $35.75. Thus, the participant's guaranteed monthly benefit is $357.50 ($35.75 x 10).

*Example* 2: If the participant in Example 1 has an accrued monthly benefit of $200, the accrual rate for purposes of determining the guarantee would be $20 (or $200/10). The guaranteed amount for a $20 monthly accrual rate is equal to the sum of $11 plus $6.75 (.75 x $9), or $17.75. Thus, the participant's guaranteed monthly benefit would be $177.50 ($17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

## Where to Get More Information

For more information about this notice, you may contact the Board of Trustees or Fund Administrator Marc E. LeBlanc by telephone at 1-800-231-4622 or by e-mail at BOT@smwnpf.org. For identification purposes, the official Plan Number is 001 and the Plan Sponsor's Employer Identification Number or "EIN" is 52-6112463. For more information about the PBGC and benefit guarantees, go to PBGC's website, www.pbgc.gov, or call PBGC toll-free at 1-800-400-7242 (TTY /TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).

If you have any other questions, please contact the Fund Administrator's office at the following address:

Sheet Metal Workers' National Pension Fund
601 North Fairfax Street, Suite 500
Alexandria, VA 22314
ATTENTION: Fund Administrator
Or Email to: fundadministrator@smwnpf.org