

**UPDATED FUNDING IMPROVEMENT PLAN AND FUNDING POLICY FOR
THE SHEET METAL WORKERS' NATIONAL PENSION FUND
(EIN/PN 526112463/001)
(UPDATED AS OF APRIL 2019)**

INTRODUCTION

This updated Funding Improvement Plan ("FIP") for the Sheet Metal Workers' National Pension Fund ("Fund" or "NPF") is effective January 1, 2019, and reflects all updates adopted by the NPF's Board of Trustees ("Trustees" or "Plan Sponsor") through April of 2019. The Trustees first adopted the FIP in February 2014 (effective as of March 1, 2014), and have updated the FIP from time to time since that date. This update reflects changes made to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code of 1986, as amended ("Code") by the Multiemployer Pension Reform Act of 2014 ("MPRA"), and takes into account the start of the NPF's funding improvement period.¹ The FIP (as updated from time to time) serves as the Funding Policy adopted by the Trustees, and will continue to do so until the Fund has ceased to be in Endangered Status.

In 2014, the Fund's actuary certified that the NPF had emerged from Critical Status and was in Endangered Status for the 2014 Plan Year.² The Fund's actuary subsequently certified that the Fund was in Endangered Status for subsequent Plan Years. It is expected that the Fund will remain in Endangered Status. The assumptions that the NPF's actuary uses to determine the NPF's funded status and to make the projections that the Plan Sponsor relies upon to develop and modify this FIP are described in (or in an exhibit to) the annual certification of the NPF's funded status, which the NPF's actuary prepares and files.³

Each capitalized term in this FIP and the attached FIP Schedule has the same meaning given to such term in the Plan Document (as amended from time to time), unless otherwise indicated or the context requires otherwise. Also, any reference to the term "Participant" in the FIP or FIP Schedule shall be deemed to include a Beneficiary or Alternate Payee, unless the context requires otherwise. All gender references are for convenience only and include the opposite gender. Any reference to the term "Collective Bargaining Agreement" (or "CBA") in this FIP or the FIP Schedule shall be deemed to include a reference to any other agreement governing an Employer's contribution obligation to the Fund (e.g., a participation or adoption agreement). The Fund's Contributing Employers and Local Unions (or similar parties who maintain the NPF) are referred to in this FIP and the FIP Schedule as the "bargaining parties" (or individually, as a "bargaining party"). As applicable, any reference to the term "pension" in this FIP or the FIP Schedule shall be deemed to include a reference to the term "disability benefit," unless otherwise indicated or the context requires otherwise.

BENCHMARKS AND GENERAL DESCRIPTION OF THE FIP SCHEDULE

¹ The "funding improvement period" is the 10-year period beginning on January 1, 2017.

² The terms "Critical Status" and "Endangered Status" shall have the same meaning given such terms in ERISA Section 305 and Code Section 432.

³ These assumptions also reflect the Trustees' expectations concerning projected industry activity, including future hours, employment levels and contributions. These expectations are based upon, among other things, a comparison of actual hours worked versus expected hours worked over prior periods, historical and projected membership levels, and the Trustees' views regarding future work levels in Covered Employment.

The objective of this FIP and Funding Policy is to meet the following benchmarks: (A) increase the NPF's funded percentage⁴ such that the NPF's funded percentage as of the close of the funding improvement period equals or exceeds the sum of – (i) the funded percentage as of the beginning of the Plan Year beginning on January 1, 2015, plus (ii) 33 percent of the difference between 100 percent and the percentage under clause (i); and (B) avoid an accumulated funding deficiency⁵ for the last year of the funding improvement period (taking into account the NPF's extension of its amortization periods under ERISA Section 304(d)).

Commencing with the 2017 Plan Year and for each Plan Year thereafter during which the NPF is in its funding improvement period, ERISA and the Code require the NPF's actuary to annually certify whether or not the NPF is making the scheduled progress in meeting the requirements of this FIP (as updated/modified from time to time). The determination of whether or not the NPF is making the scheduled progress will be based on whether or not a projection of the funding metrics used for the FIP's benchmarks (as described in the preceding paragraph) demonstrates that they are projected to be met. This projection will be based on reasonable actuarial estimates, assumptions and methods, and information provided by the Trustees with respect to projected industry activity.

The FIP's benchmarks are expected to be achieved with the current design in the Plan Document. The FIP Schedule, which is attached hereto and incorporated by reference herein, reflects the Plan Document's current design.⁶ Specifically, the Normal Retirement Pension benefit accrual formula in effect on January 1, 2014 under Section 5.03(g) of the NPF's Plan Document will continue to apply to all active Participants, regardless of whether any Contribution Rate increases are made. However, as set forth in the Plan Document, the types of subsidized Early Retirement Pensions (and certain optional forms of benefits) that applied to classifications of employment that were covered under the Rehabilitation Plan's First Alternative Schedule (previously referred to as the "Alternative Schedule") or Second Alternative Schedule when the NPF was in Critical Status will not apply to benefits accrued after the NPF's emergence from Critical Status unless the Collective Bargaining Agreement covering those classifications of employment continue to reflect the required Contribution Rate increases specified in the Plan Document.

The FIP Schedule currently offers three options – one default and two alternative options. The Default Option currently does not contemplate required Contribution Rate increases. However, with respect to classifications of employment that were covered under the Rehabilitation Plan's First or Second Alternative Schedule, the Default Option reduces or eliminates subsidized Early Retirement Pensions *prospectively* (i.e., after the date that the required Contribution Rate increases would have been made). In general, the First Alternative Option preserves prospectively the accrual of the subsidized Early Retirement Pension (and optional benefit forms) that applied under the Rehabilitation Plan's First Alternative Schedule, and the Second Alternative Option preserves prospectively the accrual of the subsidized Early Retirement Pension benefits (and optional benefit forms) that applied under the Rehabilitation Plan's Second Alternative Schedule.

⁴ As used herein, the term "funded percentage" means the percentage equal to a fraction – (i) the numerator of which is the value of the NPF's assets, as determined under ERISA Section 304(c)(2), and (ii) the denominator of which is the accrued liability of the NPF, determined using actuarial assumptions described in ERISA Section 304(c)(3).

⁵ The term "accumulated funding deficiency" has the meaning given such term in ERISA Section 304(a).

⁶ Any future updates/modifications to the FIP Schedule shall be automatically incorporated by reference herein.

The types of Early Retirement Pensions and optional forms of benefits that applied to classifications of employment that were covered under the Rehabilitation Plan's Default Schedule (or additional benefit adjustments for Collective Bargaining Agreements that ceased to reflect the required Contribution Rate increases under the First or Second Alternative Schedules (hereinafter referred to as the "No Increase Consequences Adjustments" or "NIC Adjustments")) will continue to apply to those classifications of employment after the NPF's emergence from Critical Status (i.e., no Contribution Rate increases would be required currently for such classifications of employment). Accordingly, the bargaining parties are deemed to have adopted the Default Option under the FIP Schedule if they had adopted (or were deemed to have adopted) the Rehabilitation Plan's Default Schedule or if the NIC adjustments were made under the bargaining parties' Collective Bargaining Agreement when the NPF was in Critical Status.

REVIEW AND AMENDMENT OF FIP AND FIP SCHEDULE

The Trustees will review this FIP and the FIP Schedule on an annual basis (or sooner if conditions merit), and will make whatever updates/modifications they deem appropriate to reflect the actual experience of the Fund.

The Trustees have the sole and absolute power, authority, and discretion to amend, modify, interpret, and apply the provisions of the FIP and the FIP Schedule (including any subsequent updates, amendments or modifications). All such actions by the Trustees shall be final and binding on all persons.

REJECTION OF CERTAIN COLLECTIVE BARGAINING AGREEMENTS

Except to the extent approved by the Trustees, the NPF will not accept a Collective Bargaining Agreement (or similar agreement) that provides for: (i) a reduction in the level of contributions for Participants; (ii) a suspension of contributions with respect to any period of service; or (iii) any new direct or indirect exclusion of younger or newly hired employees from participation in the NPF.

EXPIRATION OF COLLECTIVE BARGAINING AGREEMENTS

Except as otherwise provided under ERISA and the Code, the following rules shall govern the implementation of a FIP Schedule Option if the parties to an expired Collective Bargaining Agreement fail to adopt a particular FIP Schedule Option:

Subsequent FIP Schedule Option: If a Collective Bargaining Agreement expires after the bargaining parties adopted or were deemed to have adopted a FIP Schedule Option, and the bargaining parties fail to adopt an updated FIP Schedule Option within 180 days after the date on which their Collective Bargaining Agreement expired, the Trustees will implement the FIP Schedule Option that applied to the expired Collective Bargaining, as updated and in effect on the date the Collective Bargaining Agreement expired. Upon such implementation, the bargaining parties will be deemed to have adopted, and shall be bound by, such updated FIP Schedule Option.

Initial FIP Schedule Option: If a Collective Bargaining Agreement that was in effect at the time the Fund entered Endangered Status expires before the bargaining parties adopted or were deemed to have adopted a FIP Schedule Option, and the bargaining parties fail to adopt a FIP Schedule Option within 180 days after the date on which the Collective Bargaining Agreement expired, the Trustees will implement the FIP Schedule's Default Option. Upon such implementation, the bargaining parties will be deemed to have adopted, and shall be bound by, the FIP Schedule's Default Option.