



SHEET METAL WORKERS' NATIONAL PENSION FUND

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2012 ANNUAL FUNDING NOTICE
EIN 52 6112463/PLAN NO. 001
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2012 ANNUAL FUNDING NOTICE FOR THE SHEET METAL WORKERS' NATIONAL PENSION FUND

Introduction

This Notice includes important information about the funded status of your pension plan, the Sheet Metal Workers' National Pension Fund (the "Plan" or "NPF") (EIN 52 6112463/Plan No. 001). This Notice also contains general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal agency. All traditional pension plans (called "defined benefit pension plans") must provide the Annual Funding Notice every year regardless of their funding status. This Notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This Notice is for the plan year beginning January 1, 2012 and ending December 31, 2012 ("2012 Plan Year"). Federal law requires that you receive this Notice.

How Well Funded Is Your Plan

Under federal law, the NPF must report how well it is funded by using a measure called the "funded percentage." 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. Your Plan's funded percentage for the 2012 Plan Year and each of the two 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.

Funded Percentage			
Plan Year	2012	2011	2010
Valuation Date	January 1, 2012	January 1, 2011	January 1, 2010
Funded Percentage	56.7%	57.8%	58.7%
Value of Assets **	\$3,545,634,566**	\$3,512,613,358**	\$3,416,979,203**
Value of Liabilities	\$6,248,255,880	\$6,073,684,438	\$5,820,766,198

****NOTE:** The asset values above reflect the actuarial (smoothed) value instead of the market value of the Plan's assets. The "market value" of assets is discussed in the following section. Also, the asset values above reflect the special funding relief elected under the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010.

Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date for the Plan Year and are actuarial values, not market values. 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 that are designed to smooth out those fluctuations for funding purposes. While actuarial values fluctuate less than market values, they are estimates. The asset values below are market values and are measured as of the last day of the Plan Year, rather than as of the Valuation Date. Substituting the market value of assets for the actuarial value used in the above chart would show a clearer picture of a Plan's funded status as of a given point in time, such as on the Valuation Date. The fair market value of the Plan's assets as of the last day of the 2012 Plan Year and each of the two preceding Plan Years is shown in the following table:

	December 31, 2012	December 31, 2011	December 31, 2010
Fair Market Value of Assets	\$3,219,630,916**	\$2,954,695,472	\$3,096,308,958

****NOTE:** The fair market value figure for December 31, 2012 is a preliminary figure taken from the plan actuary's Actuarial Certification of Plan Status as of January 1, 2013 under IRC Section 432, which is based on projections from the January 1, 2012 valuation certificate. The fair market value figure may change when an audit of the NPF's December 31, 2012 financial statements is completed.

The Plan's Critical Status

Under federal pension law a 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 pension plan enters endangered status (commonly referred to as the "Yellow Zone"), the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status (commonly referred to as the "Red Zone"), the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation and funding improvement plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time.

The NPF was in critical status in the 2012 Plan Year (i.e., the Plan Year ending December 31, 2012) because among other things, the Plan's actuary projected that the Plan would have an accumulated funding deficiency in four years (ignoring any amortization extensions). The actuary also determined that the Plan did not meet the statutory criteria for emergence from critical status in the 2012 Plan Year because the Plan was in critical status in the preceding year (the 2011 Plan Year), and the actuary projected that the Plan would have an accumulated funding deficiency within 10 years (taking into account any amortization extensions).

In an effort to improve the Plan's funding situation, the Trustees adopted a Rehabilitation Plan, which contains a Default Schedule and Alternative Schedules (as amended from time to time to reflect experience). The Rehabilitation Plan (which includes the Schedules), as well as any amendments, are designed to enable the Plan to emerge from critical status at the end of its Rehabilitation Period (the thirteen-year period beginning on January 1, 2011 (i.e., the first day of the plan year following the second anniversary of the date the Rehabilitation Plan was adopted)). For the current Plan Year (2013), the Plan's actuary has certified that the Plan is making the scheduled progress in meeting the requirements of its Rehabilitation Plan, based on the annual standards described in the Rehabilitation Plan.

The Rehabilitation Plan uses 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 years before the Plan was initially certified to be in critical status). 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 an Alternative Schedule, as well as any amendments that have been made by the Trustees. Some significant modifications and updates to the Rehabilitation Plan were made in 2011 and 2012. These modifications are described below under the heading "Recent Rehabilitation Plan Modifications."

You may obtain a copy of the Plan's Rehabilitation Plan (including the Schedules, prior versions, and any amendments or modifications adopted after 2012) and the actuarial and financial data that demonstrate the actions taken by the Plan toward fiscal improvement by contacting the Fund Administrator (see "Where to Get More Information" below). A copy of the current Rehabilitation Plan (including the Schedules) may also be viewed on the NPF's website at www.smwnpf.org.

<p>In the envelope with this Notice is the NPF's 2013 Notice of Critical Status. The 2013 Notice of Critical Status advises you that the Plan continues to be in critical status for the 2013 Plan Year for essentially the same reasons it was in critical status for the 2012 Plan Year.</p>
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Recent Rehabilitation Plan Modifications

This section summarizes the Rehabilitation Plan modifications that were made in 2011 and 2012.

A. Change to the Annual Standards for Meeting Rehabilitation Plan Requirements

Prior versions of the Rehabilitation Plan used specific Funding Standard Account balances as the standard for determining whether the requirements of the Rehabilitation Plan were met for a particular year of the Rehabilitation Period. In consultation with the Plan's actuary, the annual standard has been modified as follows:

During each Plan Year of the Rehabilitation Period, the Trustees will review actuarial projections for purposes of determining whether the requirements of this Rehabilitation Plan are being met. If, during the Plan Year, the actuary projects that the NPF will emerge from critical status at or before the end of the Rehabilitation Period (the 13-year period commencing with the 2011 Plan Year), then the NPF will be treated as making the scheduled progress for that Plan Year in meeting the Rehabilitation Plan's requirements. The actuary's projections for the Plan Year will be based on the Funding Standard Account ("FSA") balance as of the end of the prior Plan Year (as estimated for purposes of the annual status certification) and reasonable assumptions. Further, these projections will not recognize future Contribution Rate increases that are not reflected in the terms of an existing Collective Bargaining Agreement, and will instead recognize that the automatic benefit adjustments described in the Rehabilitation Plan (in the event that future Contribution Rate increases are not reflected in the terms of a future Collective Bargaining Agreement ("CBA")) will be made upon expiration of an existing CBA.

B. Changes Affecting Persons For Whom No Contributions are Required

If a Participant who is classified as a "Person for Whom Contributions Were Not Required to be Made" under the Rehabilitation Plan has an Effective Date of Pension on or after August 1, 2012, the only early retirement benefit payable to him or her before Normal Retirement Age (age 65) will be an actuarially equivalent benefit equal to his or her Normal Retirement Benefit. To be eligible for this benefit, the Participant must satisfy the Plan Document's requirements for the receipt of a Standard Early Retirement Pension benefit.

If a Participant who is classified as a "Person for Whom Contributions Were Not Required to be Made" under the Rehabilitation Plan last worked in Covered Employment performing Non-Construction Work (as defined in the Plan Document): no Disability Benefit will be payable unless all eligibility conditions for a Full Disability Benefit had been satisfied before August 1, 2012; no 60 Certain Payment (the "60-Month

Guarantee") will apply to any of his or her benefits that have an Effective Date of Pension on or after August 1, 2012; and no pop-up feature (referred to as a "Reversion") will apply to any such person's joint and survivor annuity option if he or she has an Effective Date of Pension on or after August 1, 2012.

Additionally, the Rehabilitation Plan was modified to provide that, effective August 1, 2012, the adjustments that otherwise would apply to a Participant who is classified as a "Person for Whom Contributions Were Not Required to be Made" under the Rehabilitation Plan will not apply if he or she was working in Covered Employment within six (6) calendar months of the date he or she was found to be disabled, as verified by the U.S. Social Security Administration or Railroad Retirement Board, and he or she was eligible to receive Social Security or Railroad Retirement Disability Insurance benefits.

C. Adoption of Different Schedules & Failure to Negotiate Required Increases

Effective February 1, 2011, the bargaining parties cannot adopt a Schedule, which is different than the Schedule they previously adopted unless certain exceptions apply. This means, for example, that if the bargaining parties originally adopted an Alternative Schedule, they cannot subsequently adopt a Default Schedule. There are two exceptions to this rule:

- (1) (a) the Schedule in question has been updated or issued after February 2011; (b) such Schedule specifically provides that it may be adopted by bargaining parties who had previously adopted a different type of Schedule; and (c) the bargaining parties comply with any conditions for adoption of the new or updated Schedule; or
- (2) (a) the bargaining parties' Collective Bargaining Agreement ("CBA") covers only Non-Construction Work (as defined in the Plan Document); and (b) the bargaining parties previously adopted an Alternative Schedule and subsequently agree to adopt the Default Schedule (as then in effect) on or after June 1, 2011.

As noted, if the bargaining parties' CBA covers Construction Work (as defined in the Plan Document) adopted an Alternative Schedule, they may not subsequently adopt a Default Schedule. However, if upon the expiration of their CBA, the bargaining parties do not affirmatively negotiate the Contribution Rate increases required by the current version of the applicable Alternative Schedule, benefit adjustments will be made upon the expiration date of the expired CBA that are similar to those in the Default Schedule. In summary, these adjustments are as follows:

- The rate of benefit accrual will be 1.0% on all Contribution Hours, instead of 1.5% with respect to Contribution Hours up to 1200 and 0.7% with respect to Contribution Hours in excess of 1200. **NOTE:** If the Local Union previously

adopted the 55/30 Benefit, the accrual rate will continue to be based on 70% of the required contributions, even though the 55/30 Benefit will no longer be available;

- Unless a Participant has attained age 62 on his or her Effective Date of Pension AND meets the Plan's requirements for a Special Early Retirement Pension, his or her early retirement pension benefit will be the actuarial equivalent of his or her monthly Normal Retirement Pension (age 65) benefit (i.e., actuarially reduced on account of his or her actual age);
- The 60 Certain Payment option (the 60-Month Guarantee) and the pop-up feature (Reversion) for any joint and survivor annuity are eliminated; and
- Any Full Disability Benefit that becomes effective after the expiration date of the expired CBA will be limited to the actuarial equivalent of the Participant's monthly Normal Retirement Pension benefit, determined as if the Participant has attained age 55 on his or her effective date.

D. Addition of Second Alternative Schedule

The Rehabilitation Plan also was modified to add another Alternative Schedule, called the Second Alternative Schedule ("SAS"), which may be adopted by the bargaining parties on or before December 31, 2013, if they had previously adopted the original Alternative Schedule (referred to as the "First Alternative Schedule" or "FAS"), and made all of the increases required by each version of the FAS (regardless of their CBA's expiration dates).

The SAS differs from the FAS in that the benefit accrual rate and the required Contribution Rate increases are lower, and the adjustable benefit reductions are more significant. These differences are summarized as follows:

- The rate of benefit accrual is the same as that described in C above (i.e., 1% for all Contribution Hours, but based on 70% of the Contribution Rate for 55/30 Local Unions);
- The required Contribution Rate increases are 3.5% instead of 7%; and
- The additional benefit adjustments are the same as those described in C above, except that a Participant who otherwise satisfies the requirements for a 55/30 Pension may receive at age 60 a monthly benefit equal to his or her monthly Normal Retirement Pension benefit (i.e., unreduced for age), and the 60 Certain Payment option (the 60-Month Guarantee), and pop-up feature (Reversion) are not eliminated.

Participant Information

The total number of participants (including beneficiaries) in the Plan as of the Plan's valuation date was 135,302. Of this number: (i) 55,131 were active participants; (ii) 33,703 were retired or separated participants entitled to future benefits, and 419 were beneficiaries entitled to future benefits; and (iii) 37,321 were retired or separated participants receiving benefits, 5 were suspended pensioners, and 8,723 were beneficiaries receiving benefits. Please note that the active population decreased by 1.4% from the prior year. The average age of active participants was 42.6, compared with 42.3 in the prior year. The number of inactive vested participants increased by 318 from the prior year. The number of beneficiaries with deferred benefits also increased by 55.

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.

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%.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

Asset Allocations	Percentage
1. Cash (Interest bearing and non-interest bearing)	<u>2.27%</u>
2. U.S. Government securities	<u>10.67%</u>
3. Corporate debt instruments (other than employer securities):	
Preferred	<u>2.89%</u>
All other	<u>4.82%</u>
4. Corporate stocks (other than employer securities):	
Preferred	<u>0.001%</u>
Common	<u>42.05%</u>

5. Partnership/joint venture interests	10.44%
6. Real estate (other than employer real property)	1.69%
7. Loans (other than to participants)	_____
8. Participant loans	_____
9. Value of interest in common/collective trusts	3.93%
10. Value of interest in pooled separate accounts	2.15%
11. Value of interest in master trust investment accounts	_____
12. Value of interest in 103-12 investment entities	_____
13. Value of interest in registered investment companies (e.g., mutual funds)	9.27%
14. Value of funds held in insurance co. general account (unallocated contracts)	0.21%
15. Employer-related investments:	
Employer Securities	_____
Employer real property	_____
16. Buildings and other property used in plan operation	_____
17. Other	9.61%

For information about 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 at fundadministrator@smwnpf.org, or 703.739.7000 or by writing to 8403 Arlington Boulevard, Suite 300, Fairfax, VA 22031.

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 called the Form 5500 that contains financial and other information about the plan. Copies of the annual report are available from the US Department of Labor ("DOL"), 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. For 2009 and subsequent Plan Years, you may obtain an electronic copy of the Plan's Annual Report by going to www.efast.dol.gov and using the Form 5500 search function. If you contact the DOL, it may help to give the DOL the EIN and Plan No. listed in the header of this Notice. Or you may obtain a copy of the Plan's Annual Report by making a written request to the Fund Administrator. Individual information, such as the amount of your accrued benefit under the Plan, is not contained in the Annual Report. If you are seeking information regarding your benefits under the Plan, contact the plan administrator identified below under "Where To Get More Information."

Summary of Rules Governing Plans in Reorganization and Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans. The plan administrator is required by law to include a summary of these rules in the Annual Funding Notice, even if a plan is not, or expected to be, in reorganization or insolvent. 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 plan is required to furnish this notification to each contributing employer and the labor organization.

Despite these special plan reorganization rules, a plan in reorganization 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 that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC 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 notice of its status 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, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

The Plan's Rehabilitation Plan is intended to prevent the Plan from entering reorganization status or becoming insolvent.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that can not be forfeited (called 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 ($.75 \times \$33$), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ($\35.75×10).

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 NPF's Board of Trustees or Fund Administrator, Marc LeBlanc, by email at BOT@smwnpf.org, or by telephone at 1.800.231.4622, or by mail at 8403 Arlington Boulevard, Suite 300, Fairfax, VA 22031. For identification purposes, the official plan number ("Plan No.") is 001 and the plan sponsor's name and employer identification number or "EIN" are: Board of Trustees of the Sheet Metal Workers' National Pension Fund/EIN 52 6112463. For more information about the PBGC, go to PBGC's website, www.pbgc.gov, or call PBGC toll-free at 1.800.400.7242 (ITTY/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).