



SHEET METAL WORKERS' NATIONAL PENSION FUND

8403 Arlington Blvd., Suite 300

Fairfax, VA 22031

info@smwnbf.org

Dear Sir or Madam:

This Notice is sent to you in accordance with Section 204(h) of the Employee Retirement Income Security Act of 1974 ("ERISA"). This notice explains changes in the way your pension benefit will be determined for Contribution Hours worked **on or after January 1, 2014**. It also explains how your service under the Fund's Rehabilitation Plan and Schedules will be used to determine your final pension benefit. The Rehabilitation Plan and Schedules will lapse December 31, 2013 but will still affect the determination of your final benefit. *If you are retired, this Notice will have no effect on you.*

The New Variable Benefit Accrual Rate (referred to as "VBAR")

The Sheet Metal Workers' National Pension Fund ("NPF" or "Fund"), like all institutional investors, has experienced enormous fluctuations in investment returns since the start of this century. The NPF Trustees constantly monitor the Fund's professionally-managed investment portfolio to enhance returns. Nevertheless, the volatility in investment markets appears inescapable. Many experts say that the market's ups-and-downs are the "new normal." To protect and improve the Plan's funded status over the long term beginning on January 1, 2014 the Plan's benefit formula (accrual rate) will be a Variable Benefit Rate Accrual, referred to as "VBAR." The Plan Document has been amended to incorporate this new benefit formula, effective January 1, 2014.

The VBAR formula will apply to Contribution Hours worked on or after January 1, 2014. Under the new VBAR benefit formula, the rate at which a Participant earns a benefit for each Hour of Work in Covered Employment will be based on the Fund's average market value investment return over a rolling three-year period, as reported by the Fund's actuary. Note that using a rolling three-year average may lessen the fluctuations that might occur if a year-by-year rate of return is used. Using a rolling three-year average means the VBAR benefit formula is likely to change each year. Examples are provided below.

Each year, the Fund's actuary will report the average market value investment return for the three most recent years in the Fund's annual Actuarial Valuation and Review ("Valuation"). The Valuation currently is issued in the fall of each year and it is based on actuarial and Plan data as of the end of the preceding plan year (e.g., the January 1, 2013 Valuation is based on December 31, 2012 data). This means that, beginning in 2014, the VBAR accrual rate for each year will be based on the most recent three-year average market value investment return as reported in the Valuation as of January 1 of the **preceding year**. In other words, the 2014 accrual rate under the VBAR formula will be based on the investment returns for 2010, 2011, and 2012, since those are the most recent years reported in the January 1, 2013 Valuation. Similarly, the 2015 VBAR accrual rate will be based on the investment returns for 2011, 2012, and 2013, since those will be the most recent years reported in the January 1, 2014 Valuation.

In sum, the VBAR formula will provide a benefit accrual as follows:

IF, the three-year average market value investment return percentage reported in the preceding Plan Year's Actuarial Valuation and Review is:	THEN, the VBAR rate of Accrual for the Plan Year will be:
10% or higher	1.25%
8.5% or higher, but less than 10%	1.0%
6.5% or higher, but less than 8.5%	0.75%
Greater than 0%, but less than 6.5%	0.5%
0% or less	0%

Note also:

- If your Collective Bargaining Agreement's Contribution Rate is a 55/30 Rate, the accrual will be 70% of the amounts listed above.
- The VBAR benefit formula will apply to all Contribution Hours in a Plan Year.

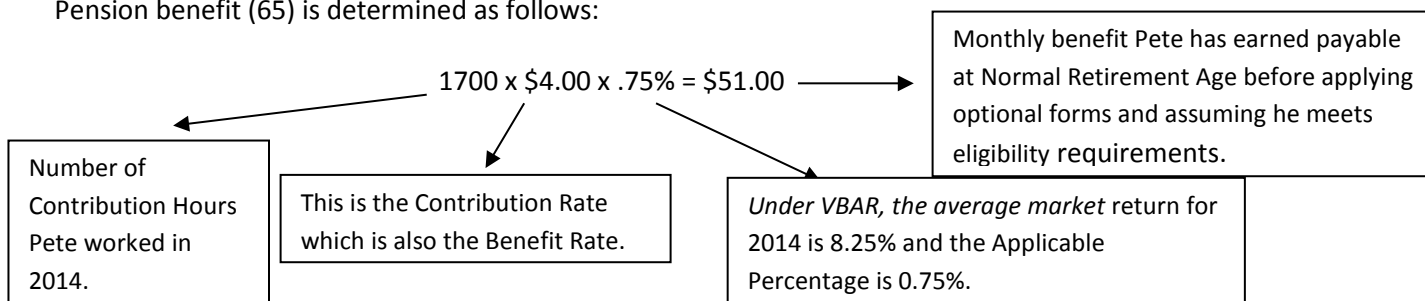
Below is an illustration of how the VBAR formula will work for Contribution Hours worked in 2014. The **January 1, 2013 Valuation** shows that the average market value return percentage for the three years 2010, 2011 and 2012 was 8.25%. [14.48% (2010 Plan Year) + -1.72% (2011 Plan Year) + 11.98% (2012 Plan Year) ÷ 3 = 8.25%].

Because this 3-year average return is less than 8.5% but greater than 6.5%, the Applicable Percentage under VBAR for 2014 is 0.75%.

Illustrating the VBAR Formula in hypothetical examples --

EXAMPLE 1: for a non-55/30 Contribution Rate Worked in 2014 -

Let's say that Pete worked 1700 hours in Covered Employment during the 2014 Plan Year and his Employers were required to contribute \$4.00 per hour worked to the NPF. For 2014, Pete's Normal Retirement Pension benefit (65) is determined as follows:



Prior to the change to VBAR, the Plan Document, including the Rehabilitation Plan and Schedules, provided a fixed accrual rate to determine a Participant's Normal Retirement Pension benefit, which took into consideration the number of Contribution Hours (Hours of Work in Covered Employment) a Participant worked. Under the First Alternative Schedule, a Participant's accrual rate was 1.5% of contributions up to 1200 hours, and .7% on contributions in excess of 1200 hours. NOTE: If the Contribution Rate includes a 55/30 Rate (see Example 2), this amount is further reduced by 30% for the elimination of early retirement age reductions for eligible Participants.

Before this change, Pete's Normal Retirement Pension benefit would have been determined as follows:

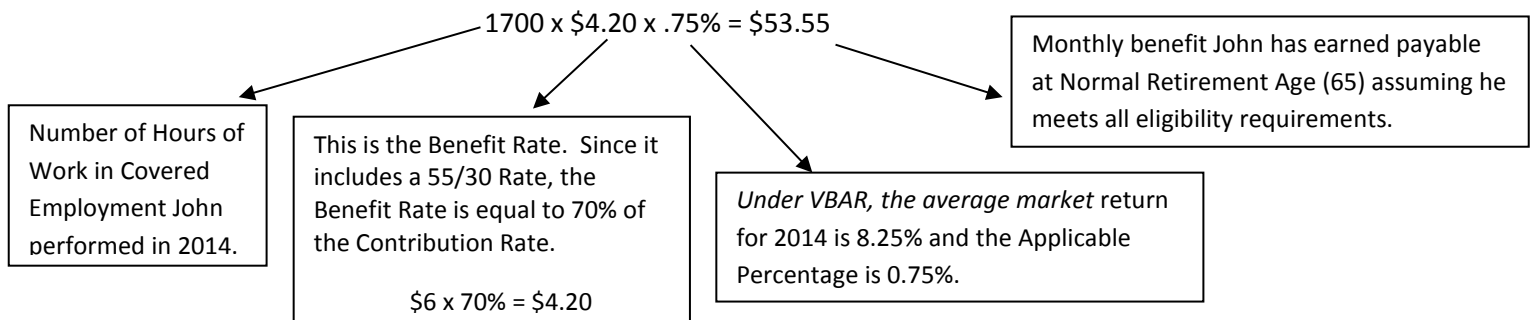
$$\begin{aligned}
 1200 \text{ hours} \times \$4.00 &= \$4800.00 \\
 \$4800 \times 1.5\% &= \mathbf{\$ 72.00} \\
 500 \text{ hours} \times \$4.00 &= \$2000.00 \\
 \$2000 \times .7\% &= \mathbf{\$ 14.00}
 \end{aligned}$$

$$\$72.00 + \$14.00 = \text{a Normal Retirement Benefit} - \$86.00$$

In this example, Pete's Normal Retirement Pension benefit increased by \$86.00 per month which is payable at Normal Retirement Age (65).

EXAMPLE 2: for a 55/30 Rate Worked in 2014 -

Let's say that John worked 1700 hours in Covered Employment during the 2014 Plan Year and his Employers were required to contribute \$6.00 per hour worked to the NPF. Also suppose, John's Local had adopted the 55/30 Pension. For 2014, John's Normal Retirement Pension benefit is determined as follows:



Before this change, John's Normal Retirement Pension benefit would have determined as follows:

$$\begin{aligned}
 1200 \text{ hours} \times \$4.20 \text{ } (\$6.00 \text{ less } 30\%) &= \$5040.00 \\
 \$5040 \times 1.5\% &= \mathbf{\$ 75.60} \\
 500 \text{ hours} \times \$4.20 \text{ } (\$6.00 \text{ less } 30\%) &= \$2100.00 \\
 \$2100 \times .7\% &= \mathbf{\$ 14.70}
 \end{aligned}$$

$$\$75.60 + \$14.70 = \$90.30 \text{ -- John's Normal Retirement Pension benefit}$$

In this example, John's Normal Retirement Pension benefit would have increased by \$90.30 per month which is payable at Normal Retirement Age (65).

Working under Different Schedules under the Rehabilitation Plan

As you know, the Fund has been in critical status and operated under a Rehabilitation Plan from 2008 through the present. It now appears likely that the Fund will emerge from critical status in 2014. Assuming this does happen, the Rehabilitation Plan and its Schedules no longer apply to Covered Employment worked on or after January 1, 2014. According to NPF records, it looks like you primarily worked under the Rehabilitation Plan's First Alternative Schedule in your Home Local Union. However, in rare cases a Participant works a lot of hours in an area other than his Home Local. When this occurs, the

Fund needs to identify the applicable Rehabilitation Plan Schedule when pension benefits are determined in the future.

The Rehabilitation Plan provides that if a Participant has worked under a different Schedule than his Home Local Schedule, the Participant's benefit adjustments (e.g., early retirement pension benefits, 60 Certain Payments, and other payment options) would be determined under his Home Local Schedule, *unless* he has 3500 or more Hours of Work in Covered Employment under a different Schedule within a five (5) consecutive Calendar Year period preceding the date on which his benefit is being determined (e.g., benefit statements, notices, Effective Date of Pension, etc.). If a Participant retires on or after January 1, 2014, then this provision will no longer apply. The Plan Document/Rehabilitation Plan has been amended to address this.

This change is effective January 1, 2014. If a Participant with an Effective Date of Pension on or after January 1, 2014 had Contribution Hours before 2014 that were under a job classification that was covered by a Rehabilitation Plan Schedule different from his "Home Local Schedule," all of his Contribution Hours will be deemed to have been worked in a classification of employment that was covered under his "Home Local Schedule," unless he had 3500 or more Hours of Work in Covered Employment under a different Rehabilitation Plan Schedule within a five (5) consecutive Calendar Year period preceding the date the Plan ceased to be in Critical Status (*i.e.*, the 2014 Plan Year). In that case, the Participant's Contribution Hours before January 1, 2014 will be deemed to have been worked in the classification of employment that was covered under such other Rehabilitation Plan Schedule.

Therefore, for Effective Dates of Pension on or after January 1, 2014, the types of early retirement pensions (e.g., Unsubsidized Early Retirement Pension, Special Early Retirement Pension, 55/30 Pension, etc.) that apply to benefits earned before January 1, 2014 will be based on the Participant's Home Local Schedule, unless he had 3500 or more Hours of Work in Covered Employment under a different Rehabilitation Plan Schedule within a five (5) consecutive Calendar Year period preceding January 1, 2014. The same rule applies to the 60 Certain Payment and Pop-Up (reversion) options for benefits accrued before January 1, 2014. The types of early retirement pensions and optional forms (e.g. 60 Certain Payment and Pop-Up options) payable on benefits accrued after January 1, 2014 will depend, in part, on whether required Contribution Rate increases continue to be made for Plan Years beginning on or after January 1, 2014, which will be explained further in a later Notice.

As used above, the term "Home Local Schedule" means the Rehabilitation Plan Schedule, or the Rehabilitation Plan "No Increase"¹ benefit adjustments, that applied to the Participant's bargaining unit under the Collective Bargaining Agreement negotiated by the Local Union, which regularly represents the Participant for the purpose of collective bargaining.

For more information, go to the NPF website www.smwnpf.org; email the Fund Office at info@smwnbf.org; write to the address in the letterhead; or call 800-231-4622.

¹ The "No Increase" benefit adjustments occur while the Fund is in critical status when Contribution Rate increases were not made under one of the Alternative Schedules. When this occurs benefits adjust as follows: the rate of accrual in effect under the Expired CBA decreases; subsidized early retirement benefits payable before age 62 are eliminated; optional forms of benefits – the 60 Certain Payment Option and the pop-up feature – will no longer be available; and, disability benefits will be limited to the amount of the Participant's Normal Retirement Benefit, fully reduced (unsubsidized) to the level that would be payable at age 55. For additional details, go to www.smwnpf.org and click on Rehabilitation Plan, then open the Rehabilitation Plan.

Information on a Participant's Rights and Remedies

Federal law requires that this Notice contain information as to the rights and remedies of Participants and Beneficiaries. Fund Participants have 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 below and on this letterhead.

- Obtain, upon written request to the Board of Trustees, copies of documents governing the NPF's 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, Summary of Material Modifications, 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.
- Obtain at no charge, a statement telling you whether you have a right to receive a pension at Normal Retirement Age (age 65) and if so, an estimate of benefits at Normal Retirement Age (age 65) if you stop working under NPF now. If you do not have a right to a pension, the statement will explain why that is. A written request for a statement must be made and the Fund need only provide one statement every 12 months.
- Obtain at least once every 3 years, a pension benefit statement showing your nonforfeitable accrued benefit provided that an employer maintaining the plan at the time the statement is to be furnished employs you. You may also obtain such a statement upon written request.

Note also that if you have a filed an application for vesting information with the Fund Office, you can get an estimate of your benefit at Normal Retirement Age by going to the NPF website www.smwnpf.org and click on "Participant Sign in" section.

For documents and statements, write to Board of Trustees c/o Marc LeBlanc, Fund Administrator, Sheet Metal Workers' National Pension Fund, 8403 Arlington Blvd, Suite 300, Fairfax, VA 22031.

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 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.

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 administrator's control. 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, 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 Employer Identification Number 52 6112463 and its Plan Number 001.

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

cc: Sheet Metal Workers' Local Unions
NPF Contributing Employers
SMACNA/Contractors' Associations