Dear Plan Participants:

This Notice contains important information regarding your benefit accruals. Please retain this information for your records.

**Variable Benefit Accrual Rate (VBAR) for 2020 Contribution Hours**

As you are aware, your Normal Retirement Pension benefit under the Sheet Metal Workers’ National Pension Fund ("NPF" or "Fund") Plan Document is determined under the Variable Benefit Accrual Rate ("VBAR") benefit formula for Contribution Hours worked on or after January 1, 2014. Under the VBAR formula, your benefit is based on a percentage of contributions required to be made on your behalf to the Fund, and that percentage, called the “Applicable Percentage” may vary from year to year because it is based on historical investment returns. Specifically, the formula uses an historical 3-year average market value investment return percentage, as reported in the prior year’s Actuarial Valuation. This Notice explains how your Normal Retirement Pension benefit will be determined under the Plan Document’s VBAR formula for your hours of work in 2020.

First, let’s review how your benefit accrual is determined under the VBAR formula. Each year, the Fund’s actuary issues an Actuarial Valuation, which, among other things, reports the average market value investment return for the three preceding years. The average market value investment return will fall between ranges shown in the table. The Applicable Percentage is shown in the table below:

<table>
<thead>
<tr>
<th>Average Market Value Investment Return</th>
<th>Applicable Percentage for Normal Retirement Pension Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.0% or higher</td>
<td>1.25%*</td>
</tr>
<tr>
<td>8.5% but less than 10%</td>
<td>1.0%*</td>
</tr>
<tr>
<td>6.5% but less than 8.5%</td>
<td>0.75%*</td>
</tr>
<tr>
<td>more than 0% but less than 6.5%</td>
<td>0.50%*</td>
</tr>
<tr>
<td>0% or less</td>
<td>0%</td>
</tr>
</tbody>
</table>

*If a 55/30 Rate applies, the Applicable Percentage is applied to 70% of your Contribution Rate (called the “Benefit Rate”). You can find the VBAR Normal Retirement Pension formula under Section 5.03 (g) of the Plan Document, which can be viewed from the NPF’s website at [www.smwnpf.org](http://www.smwnpf.org) (under “About the Fund”).

The 2019 Actuarial Valuation is used to determine the Applicable Percentage for 2020. It shows the market value investment return percentages for 2016, 2017, and 2018 (the three preceding years) as follows:

- 2016: 8.08%
- 2017: 14.11%
- 2018: -4.12%

The average of those investment return percentages is **6.02%**. Because that percentage is more than 0% but less than 6.5%, the Applicable Percentage will be **0.5%** for 2020.
Under the VBAR formula, your accrual for 2020 will be determined by multiplying the Applicable Percentage (0.5%) times your Benefit Rate times your 2020 Contribution Hours (the hours for which contributions are required to be made for your work in Covered Employment). For 55/30 Rates, the Benefit Rate is 70% of the Contribution Rate. In all other cases, the Benefit Rate is equal to the Contribution Rate. Another way to think of the VBAR formula is that your benefit accrual for the year is equal to the Applicable Percentage (0.5% for 2020 hours) times all contributions required because of your work in Covered Employment during the year, or, if your Contribution Rate is a 55/30 Rate, the Applicable Percentage times 70% of the contributions required because of your work in Covered Employment during the year. The important thing to remember is that the Applicable Percentage can vary from year to year, depending on the Fund’s investment returns for the three most recent years reported in the prior year’s Actuarial Valuation. In other words, the Applicable Percentage in each year can be anywhere between 1.25% and 0%. For 2020, it is 0.5% because the average of the market value investment return percentages for 2016, 2017, and 2018 (the three most recent years reported in the 2019 Actuarial Valuation) was 6.02%. Below is an example of how your monthly Normal Retirement Pension benefit accrual for 2020 will be determined.

**EXAMPLE 1:** Suppose Steve has 1,650 Contribution Hours in 2020 and his NPF Contribution Rate is $3.70, which is NOT a 55/30 Rate. Because Steve’s Contribution Rate is not a 55/30 Rate, his Benefit Rate is equal to his Contribution Rate. In this example, Steve’s monthly Normal Retirement Pension benefit accrual for 2020 would be determined as follows:

\[
1,650 \times 3.70 \times 0.5\% = 30.53
\]

Increase in Steve’s monthly Normal Retirement Pension for 2020

\[
2020 \text{ Contribution Hours} \times \text{Benefit Rate} \times \text{Applicable Percentage for 2020}
\]

**EXAMPLE 2:** Suppose Jane has 1,650 Contribution Hours in 2020, and her NPF Contribution Rate is $5.50, which is a 55/30 Contribution Rate. Since the hours Jane worked were under a 55/30 Rate, her Benefit Rate is 70% of her Contribution Rate. Put another way, her benefit will be based on 70% of the total contributions required to be made on Jane’s behalf in 2020. In this example, Jane’s monthly Normal Retirement Pension accrual would be determined as follows:

\[
(1,650 \times 5.50 \times 70.0\%) \times 0.5\% = 31.76
\]

Increase in Jane’s monthly Normal Retirement Pension for 2020

\[
2020 \text{ Contribution Hours} \times \text{Benefit Rate} \times \text{Applicable Percentage under VBAR}
\]

**Adjustment for 55/30 Rate**

If you have any questions, please contact the Fund Office at info@smwnbf.org or at the address above.

*cc: Local Union Leaders  
NPF Contributing Employers  
SMACNA/Contractors’ Associations*