

# SHEET METAL WORKERS' NATIONAL PENSION FUND



## SUMMARY PLAN INFORMATION REPORT TO LOCAL UNIONS AND CONTRIBUTING EMPLOYERS

2016 PLAN YEAR

526112463/001

Federal law directs the Sheet Metal Workers' National Pension Fund ("NPF" or "Fund") to send a Summary Plan Information Report ("Report") to the Local Unions and Contributing Employers. This Report provides information for the 2016 Plan Year about, among other things, the NPF's funded status, benefit accrual formula, and contribution schedules, as well as other information that may be found in the NPF's 2016 Form 5500/Annual Report. Keep in mind that the information in this Report relates to the 2016 Plan Year, so some of the information will appear dated. The reason is that federal law requires that this Report provide information as of the 2016 Plan Year.

In the event of a discrepancy between a description in this Report and the terms of the document being summarized (e.g., the Plan Document or Funding Improvement Plan/Schedule), the document being summarized will control. This Report also contains information as to how you may obtain copies of such controlling documents.

### BENEFIT FORMULA AND CONTRIBUTION SCHEDULES

#### A. Benefit Formula

##### 1. Normal Retirement Pension

In general, the NPF's Normal Retirement Pension benefit accrual formula, known as a "Variable Benefit Accrual Rate" or "VBAR" is as follows:<sup>1</sup>

Contribution Hours x Benefit Rate x Applicable Percentage = Normal Retirement Benefit

- "Contribution Hours" are those hours for which the Participant's Employer is required to make contributions to the NPF on the Participant's behalf for the year.
- "Benefit Rate" is either:
  - the Contribution Rate the Employer is required to pay on the Participant's behalf, or
  - if a portion of the Contribution Rate includes a 55/30 Rate - 70% of the Contribution Rate is used in the calculation.
- "Applicable Percentage" for a Plan Year is determined by the average of the market value investment return percentages for the three (3) most recent years reported in the

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<sup>1</sup> This current accrual formula applies to Plan Years beginning after 2013. You can find the VBAR Normal Retirement Pension formula under Section 5.03(g) of the current Plan Document, which can be found on the NPF's website at <http://www.smwnpf.org/about-the-fund/plan-documents>.

*preceding* year’s Actuarial Valuation Report. The table below shows what the Applicable Percentage will be for a Plan Year if the 3-year average market value investment return percentage falls within a specified range.

<b>Average Market Value Investment Return %</b>	<b>Applicable Percentage for Normal Retirement Pension Benefit</b>
10.0% or higher	1.25%
8.5% or higher but less than 10.0%	1.00%
6.5% or higher but less than 8.5%	0.75%
higher than 0% but less than 6.5%	0.50%
0% or less	0%

Thus, the average market value return for the years 2014, 2015, and 2016—the three most recent years shown in the January 1, 2017 Actuarial Valuation Report—was 4.59%. As shown in the table above, this means that the Applicable Percentage for 2018 is 0.50%. Therefore, for 2018, a Participant will earn a monthly Normal Retirement Pension benefit equal to 0.5% of the contributions required to be paid to the NPF (or 70% of the contributions required to be made if the Participant’s Contribution Rate is a 55/30 Rate) on the Participant’s behalf during 2018.

## **2. Early Retirement Pension**

A Participant’s Early Retirement Pension is based on the amount of his or her Normal Retirement Pension. Under certain types of Early Retirement Pensions (e.g., the 55/30, 60/30 and Age 62 Pensions), the monthly pension benefit is equal to the Participant’s Normal Retirement Pension. This is called an unreduced Early Retirement Pension.

Under all other types of Early Retirement Pensions, the Participant’s Normal Retirement Pension is reduced to account for the fact that he or she is under the age of 65 and therefore will be receiving monthly pension payments over a longer period than someone who retired at age 65. The extent of that reduction depends on the type of Early Retirement Pension (*i.e.*, the Unsubsidized Early Retirement Pension, Standard Early Retirement Pension, or Special Early Retirement Pension). The Unsubsidized Early Retirement Pension pays an amount that is the actuarial equivalent of the Participant’s Normal Retirement Pension. The other types of Early Retirement Pensions have lower reduction factors and therefore pay more than the actuarial equivalent of a Normal Retirement Pension. These are called subsidized Early Retirement Pensions. The type of Early Retirement Pension that a Participant earns while working in Covered Employment depends on: (1) the type of Rehabilitation Plan Schedule that applied to the Participant’s CBA when the NPF was in Critical Status; and (2) whether the Participant’s CBA provides for any Contribution Rate increases required under the Plan Document and the applicable Option under the NPF’s Funding Improvement Plan (“FIP”) Schedule.<sup>2</sup> The rules for determining those types of Early Retirement Pension are described in Section 5.04 of the Plan Document and the FIP Schedule, and are summarized in the 2014 Summary Plan Description. These documents are available on the NPF’s website at: <http://www.smwnpf.org/about-the-fund/plan-documents>.

<sup>2</sup> The Plan Document also provides for a Full Disability Benefit, which is equal to the Early Retirement Pension benefit that the Participant would have qualified for if he or she had attained age 55.

## **B. Contribution Schedules**

Under the Plan Document (as well as the NPF's FIP and FIP Schedule), there are three (3) contribution schedules (referred to as Options under the FIP Schedule). Under the first schedule (First Alternative Option), the Contribution Rate must be increased by 7% for each Plan Year through 2017. Under the second schedule (Second Alternative Option), the Contribution Rate must be increase by 3.5% for each Plan Year through 2017. The third schedule (Default Option) has no required Contribution Rate increases. For work performed in Covered Employment after 2013, the contribution schedules determine the extent, if any, to which a Participant earns subsidized Early Retirement Pension benefits, as well as certain optional forms of benefits (e.g., 60-Month Certain). Please note that the FIP Schedule currently does not require any additional rate increases after 2017. This may be changed by the Trustees at any time, however, depending upon the financial needs of the Fund.

The rules relating to the three contribution schedules summarized above can be found in Section 5.04 of the Plan Document and in the FIP and FIP Schedule (which refers to those contribution schedules as the Default Option, the First Alternative Option, and the Second Alternative Option). Electronic copies are available on the NPF's website at [www.smwnpf.org](http://www.smwnpf.org).

### **EMPLOYER INFORMATION**

There were 3,354 Employers that were obligated to contribute to the NPF for the 2016 Plan Year. None of those Employers paid more than 5% of the total contributions received by the Fund. During the preceding Plan Year (2015), 10 Employers withdrew from the NPF. The aggregate amount of withdrawal liability assessed or estimated to be assessed against those withdrawn Employers was \$2,245,330.

### **PARTICIPANT INFORMATION**

The number of Participants on whose behalf no contributions were made by an Employer (as an Employer of the Participant) for the 2016 Plan Year was 28. For the 2015 Plan Year, that number was 58, and for the 2014 Plan Year, that number was 776.<sup>3</sup>

### **THE NPF'S FUNDED STATUS**

The NPF was in Endangered Status (also known as the "yellow zone") for the 2016 Plan Year. To improve the NPF's funded status, the Trustees adopted a FIP and FIP Schedule. The FIP Schedule contains three (3) different options: (i) the First Alternative Option; (ii) the Second Alternative Option; and (iii) the Default Option. Those options correspond to the three (3) contribution schedules described above.

A copy of the NPF's FIP and FIP Schedule (as updated from time-to-time) can be found on the NPF's website: [www.smwnpf.org](http://www.smwnpf.org). You may obtain a copy of those documents, as well as the actuarial and financial data that demonstrate the actions taken by the NPF toward fiscal improvement, by sending a written request to the NPF's Executive Director, Ms. Lori Wood, at: [executivedirector@smwnpf.org](mailto:executivedirector@smwnpf.org) or

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<sup>3</sup> These numbers include only Participants whose last Contributing Employers had withdrawn from the NPF by the beginning of the relevant Plan Year. Therefore, separated vested Participants and retired Participants of Employers that have not withdrawn are not considered.

Sheet Metal Workers' National Pension Fund, 8403 Arlington Blvd., Suite 300, Fairfax, VA 22031 (ATTN: Executive Director).

**AMORTIZATION EXTENSION UNDER SECTIONS 431(d)(1) OF THE INTERNAL REVENUE CODE**

On November 5, 2009, the NPF sought and received an automatic five (5) year extension of the Fund's amortization periods for unfunded liability for the Plan Year beginning on January 1, 2009 under Section 431(d)(1) of the Internal Revenue Code (and Section 304(d)(1) of ERISA). The NPF does not use the shortfall funding method.

**YOUR RIGHTS TO OBTAIN A COPY OF THE NPF'S ANNUAL REPORT AND OTHER DOCUMENTS**

You have the right to receive a copy of the NPF's 2016 Form 5500 (annual report), the NPF's Summary Plan Description, and any Summary of Material Modifications, upon making a written request to the NPF's Executive Director at the email or street address listed above under the heading "NPF'S FUNDED STATUS." You are entitled to receive no more than one copy of any such document during any one 12-month period, and a reasonable charge may apply to cover copying, mailing, and other costs of furnishing hard copies of information pursuant to the Report. You may view and download any of those documents free of charge by visiting the NPF's website at [www.smwnpf.org](http://www.smwnpf.org). If you have any questions about with this Report, please contact the Fund Office at 1-800-231-4622.