



# SHEET METAL WORKERS' NATIONAL PENSION FUND

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2014 ANNUAL FUNDING NOTICE  
EIN 52 6112463/PLAN NO. 001  
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April 2015

## 2014 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, 2014 and ending December 31, 2014 (the "2014 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 2014 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.

<b>Funded Percentage</b>			
Plan Year	2014	2013	2012
Valuation Date	January 1, 2014	January 1, 2013	January 1, 2012
Funded Percentage	59.1%	57.4%	56.7%
Value of Assets *	\$3,940,831,853	\$3,711,928,315	\$3,545,634,566
Value of Liabilities*	\$6,671,514,903	\$6,463,106,428	\$6,248,255,880

**\*NOTE:** The "Value of Assets" figures above reflect the actuarial (smoothed) value (rather than the market value) of assets reported in the NPF's Actuarial Valuation and Review as of the applicable Valuation Date. 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. The "Value of Liabilities" figures above reflect the "actuarial accrued liability" reported in the NPF's Actuarial Valuation and Review as of the applicable Valuation Date.

**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 2014 Plan Year and each of the two preceding Plan Years is shown in the following table:

Year Ended	December 31, 2014	December 31, 2013	December 31, 2012
Fair Market Value of Assets	\$3,994,722,348**	\$3,818,123,174	\$3,226,583,524

**\*\*NOTE:** The fair market value figure for December 31, 2014 above is taken from the Plan actuary's Actuarial Certification of Plan Status as of January 1, 2015 under IRC Section 432 ("2015 Actuarial Status Certification"). As discussed in the 2015 Actuarial Status Certification, the Plan's actuary estimated the market value of assets as of January 1, 2015 based on an unaudited financial statement provided by the Plan's Director of Finance. The fair market value figure may change when an audit of the Plan's December 31, 2014 financial statements is completed.

**The Plan's Endangered Status for 2014**

Under federal pension law a plan generally will be considered to be in "endangered" status if the plan is not in critical status and, as of the beginning of the plan year, the funded percentage of the plan is less than 80 percent. 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.

As explained in previous communications from the Trustees and Fund Office, the Plan was in critical status from 2008 through 2013. For the 2014 Plan Year, the Plan's actuary certified that the Plan emerged from critical status and entered into endangered status (yellow zone). Specifically, the actuary certified that the Plan emerged from critical

status in 2014 because it was not projected to have an accumulated funding deficiency for the 2014 Plan Year or any of the 9 succeeding Plan Years (without regard to use of the shortfall method but taking into account any extension of amortization periods under section 304(d) of ERISA). The actuary also certified that the Plan was in endangered status (yellow zone) for 2014 because the Plan was not in critical status (i.e., had emerged) and the Plan's funded percentage was less than 80% as of the beginning of the 2014 Plan Year.

In an effort to improve the Plan's funding situation, the Trustees adopted a Funding Improvement Plan and Funding Improvement Plan Schedule ("FIP Schedule"), effective March 1, 2014. The purpose of the Funding Improvement Plan is to increase the Plan's funded percentage over the course of its funding improvement period, which begins on January 1, 2017 and runs through the end of 2026. The Funding Improvement Plan currently is designed so that the Plan's funded percentage will be at least 75% by the end of the 2026 (i.e., the end of the funding improvement period).

The FIP Schedule currently contains three options: (i) the Default Option; (ii) the First Alternative Option; and (iii) the Second Alternative Option. The Default Option currently requires no Contribution Rate increases (the same as the Rehabilitation Plan's Default Schedule). The First Alternative Option currently requires an annual Contribution Rate increase of 7% through 2017 (the same as under the Rehabilitation Plan's First Alternative Schedule). The Second Alternative Option currently requires an annual Contribution Rate increase of 3.5% through 2017 (the same as under the Rehabilitation Plan's Second Alternative Schedule). Of course, these Contribution Rate requirements could change in the future, when the Trustees review the Funding Improvement Plan and FIP Schedule and make any updates they deem advisable. Please note that the Options under the FIP Schedule do not have any impact on Participants who retired before 2014 (unless a Participant returns to work in Covered Employment).

Under the current FIP Schedule and the Plan Document, no Contribution Rate increases are required in order to continue accruing Normal Retirement Pension benefits under the formula in effect before the adoption of the Funding Improvement Plan (i.e., under the Plan Document's VBAR formula in effect on January 1, 2014). However, under the terms of the Plan Document, as well as the FIP Schedule, Contribution Rate increases are required to continue accruing subsidized Early Retirement Pension benefits and certain benefit features.<sup>1</sup> Specifically, a Participant must work under a classification of employment that is covered under a Collective Bargaining Agreement ("CBA"), which reflects certain Contribution Rate increases in order to earn a subsidized Early Retirement Pension benefit for the work he or she performs under that classification. First, the Participant's classification of employment must have been covered under the Rehabilitation Plan's First or Second Alternative Schedule when the Plan emerged from

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<sup>1</sup>However, if a Participant works under a classification of employment that was subject to the additional benefit adjustments under the "No Increase Consequences" ("NIC") of the Rehabilitation Plan when the Plan was in critical status, the Early Retirement Pension benefits that he or she will continue accruing (subject to all applicable eligibility requirements) are the Unsubsidized Early Retirement Pension and the Age 62 Pension.

critical status. Second, the Participant's CBA must continue to reflect the Contribution Rate increases required under the FIP Schedule's First Alternative Option or Second Alternative Option.<sup>2</sup> Please note that unlike the Plan's Rehabilitation Plan and Schedules, any benefit changes that occur under the terms of the Plan Document and the FIP Schedule only affect future benefit accruals (i.e., benefits earned after the date a CBA ceases to reflect a required Contribution Rate increase under the Plan Document and/or the FIP Schedule).

If a Participant works in a classification of employment that is covered by a CBA that reflects the First Alternative Option's required Contribution Rate increases, the possible types of subsidized Early Retirement Pensions that he or she may accrue (subject to all applicable eligibility requirements) are the Standard Early Retirement Pension, Special Early Retirement Pension, and, if applicable, the 55/30 Pension. If a Participant works in a classification of employment that is covered under a CBA that reflects the Second Alternative Option's required Contribution Rate increases, the only types of subsidized Early Retirement Pension benefits that he or she may accrue (subject to all applicable eligibility requirements) are the Age 62 Pension and, if applicable, the 60/30 Pension. He or she may also accrue Unsubsidized Early Retirement Pension benefits (subject to all applicable eligibility requirements).

If a Participant works in a classification of employment that is covered by a CBA that ceases to reflect the Contribution Rate increases required under the First Alternative Option (or the Rehabilitation Plan's First Alternative Schedule), he or she will cease to earn the subsidized Early Retirement Pension benefits that apply to the First Alternative Option. If the CBA instead reflects the Contribution Rate increases of the Second Alternative Option for the Participant's classification of employment, then the only types of subsidized Early Retirement Pension benefits that he or she may accrue (subject to all applicable eligibility requirements) for work under that classification are the Age 62 Pension, and, if applicable, 60/30 Pension benefits. He or she may also accrue an Unsubsidized Early Retirement Pension benefit (subject to all applicable eligibility requirements).

If a Participant works in a classification of employment that is covered by a CBA that ceases to reflect any required Contribution Rate increases, he or she will cease accruing subsidized Early Retirement Pension benefits. After that date, the only Early Retirement Pension benefit that he or she will accrue (subject to all applicable eligibility requirements) is the Unsubsidized Early Retirement Pension benefit. Under the FIP Schedule, the Participant's classification of employment will be treated as falling under the Default Option.<sup>3</sup>

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<sup>2</sup>Also, for benefits accrued on and after 2014, the 60-Month Certain and the reversion (pop-up) features are only available if the Participant's CBA continues to reflect those required Contributions Rate increases.

<sup>3</sup>Default Option for other Classifications of Employment: If a Participant works under a classification of employment that was covered under the Rehabilitation Plan's Default Schedule, when the Plan was in critical status, he or she will continue to accrue only Unsubsidized Early

These rules are complex and are summarized in the 2014 Summary Plan Description (2014 SPD). The 2014 SPD describes how a Participant's Early Retirement Pension benefit is determined for the period before 2014, when the Plan was in critical status. It also describes how a Participant's Early Retirement Pension benefit is determined for the period after 2013, when the Plan entered into endangered status. It is best to begin with the description of Early Retirement Pensions on page 37 of the 2014 SPD. If you need a copy, you can contact the Fund Office at the address below, or you can view and download a copy from the NPF website at [www.smwnpf.org](http://www.smwnpf.org).

You may obtain a copy of the NPF's Funding Improvement Plan and FIP Schedule (including any updates, amendments or other modifications) and the actuarial and financial data that demonstrate the actions taken by the Plan toward fiscal improvement by contacting the Fund Office (see "Where to Get More Information About Your Plan" below). A copy of the most recent Funding Improvement Plan and FIP Schedule (as well as future updates) may also be viewed on the NPF's website at [www.smwnpf.org](http://www.smwnpf.org).

NOTE: In 2015, the Plan's actuary certified that the Plan continues to be in endangered status. Enclosed with this Annual Funding Notice is the Notice of Endangered Status for 2015, advising you that the NPF is in endangered status for the 2015 Plan Year.

### **Participant and Beneficiary Information**

The total number of participants and beneficiaries in the Plan as of the Plan's valuation date (January 1, 2014) was 135,939. Of this number: (i) 54,282 were active participants; (ii) 34,824 were inactive and entitled to future benefits (including 34,246 inactive vested participants and 578 beneficiaries); (iii) 46,833 were retired or separated and receiving benefits (or had their benefit payments suspended) (including 37,737 classified as pensioners and 9,096 as beneficiaries).

The terms "active" and "retired or separated" have the same meaning given such terms in the instructions to IRS Form 5500 (Annual Return/Report).

### **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. For the 2014 Plan Year, the funding policy, in general terms, is to meet the benchmarks required for plans in endangered status through the implementation of the Funding Improvement Plan and FIP Schedule.

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

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Retirement Pension and Normal Retirement Pension benefits (subject to all applicable eligibility requirements).

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) equal to the Plan's assumed actuarial rate of return, which currently is 7.5%.

The Plan's assets were allocated among the following categories of investments, as of the end of the 2014 Plan Year. These allocations are percentages of total assets:

<b>Asset Allocations</b>	<b>Percentage</b>
1. Cash (Interest bearing and non-interest bearing)	<u>1.57%</u>
2. U.S. Government securities	<u>8.31%</u>
3. Corporate debt instruments (other than employer securities):	
Preferred	<u>2.72%</u>
All other	<u>5.42%</u>
4. Corporate stocks (other than employer securities):	
Preferred	<u>0.20%</u>
Common	<u>45.80%</u>
5. Partnership/joint venture interests	<u>14.75%</u>
6. Real estate (other than employer real property)	<u>0.53%</u>
7. Loans (other than to participants)	<u>          </u>
8. Participant loans	<u>          </u>
9. Value of interest in common/collective trusts	<u>11.83%</u>
10. Value of interest in pooled separate accounts	<u>          </u>
11. Value of interest in master trust investment accounts	<u>          </u>
12. Value of interest in 103-12 investment entities	<u>          </u>
13. Value of interest in registered investment companies (e.g., mutual funds)	<u>8.35%</u>
14. Value of funds held in insurance co. general account (unallocated contracts)	<u>0.23%</u>
15. Employer-related investments:	
Employer Securities	<u>          </u>
Employer real property	<u>          </u>
16. Buildings and other property used in plan operation	<u>          </u>
17. Other	<u>0.29%</u>

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 Office at [BOT@smwnpf.org](mailto:BOT@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](http://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. Also, you may obtain a copy of the Plan's Annual Report by making a written request to the Fund Office. 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 About Your Plan."

### **Summary of Rules Governing Insolvent Plans**

Federal law has a number of special rules that apply to financially trouble multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The Board of Trustees, as the NPF's plan administrator, *is required by law* to include a summary of these rules in the annual funding notice. 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 the 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.

### **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 cannot be forfeited (called vested benefits) are guaranteed. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC's multiemployer program. 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 \$600, 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

(\$600/10), which equals \$60. The guaranteed amount for a \$60 monthly accrual rate is equal to the sum of \$11 plus \$24.75 (.75 x \$33), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 (\$35.75 x 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 addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under a 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 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.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on PBGC's website at [www.pbgc.gov/multiemployer](http://www.pbgc.gov/multiemployer). Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information About Your Plan," below.

### **Where to Get More Information About Your Plan**

For more information about this Notice, you may contact the NPF's Board of Trustees or the Fund Office, by email at [BOT@smwnpf.org](mailto: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.