



# SHEET METAL WORKERS' NATIONAL PENSION FUND

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

EIN/PLN: 526112463/001

2015 PLAN YEAR

### INTRODUCTION

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 2015 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 2015 Form 5500/Annual Report. Keep in mind that the information in this Report relates to the 2015 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 2015 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 provides a monthly pension benefit equal to a percentage of the contributions required to be made for a Participant's work in Covered Employment during the Plan Year. More specifically, the monthly benefit is equal to a percentage of the Participant's Contribution Rate times the total number of hours for which contributions are required to be made for the Participant's work in Covered Employment during the Plan Year (i.e., Contribution Hours). Please note that if the Contribution Rate is a 55/30 Rate, the percentage is based on 70% of the Participant's Contribution Rate rather than his entire Contribution Rate. The portion of the Contribution Rate taken into account is referred to as the "Benefit Rate."

Under the Plan Document's current accrual formula, a Participant earns a monthly Normal Retirement Pension benefit equal to a specified percentage of his Benefit Rate (i.e., his entire Contribution Rate or 70% of his Contribution Rate if it includes a 55/30 Rate) times his Contribution Hours for the Plan Year.<sup>1</sup> The specified percentage is called the "Applicable Percentage," and it may vary from year to year because it is based on a moving, historical 3-year average market value investment return percent, which is reported each year in the NPF's Actuarial Valuation. This benefit formula is frequently referred to as the "Variable Benefit Accrual Rate" or "VBAR" because a Participant's benefit accrual can vary from one year to the next if the Applicable Percentage changes from one year to the next (which also may be the case with his or her Contribution Rate or Contribution Hours).

The Applicable Percentage for a particular Plan Year (e.g., 2015) is determined by the average of the market value investment return percentages for the three (3) most recent years reported in the *preceding* year's Actuarial Valuation (e.g., the 2014 Actuarial Valuation). 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.

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<sup>1</sup> This current accrual formula applies to Plan Years beginning after 2013.

Average Market Value Investment Return %	Applicable Percentage for Normal Retirement Pension Benefit
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%*

\*If a 55/30 Rate applies, the rate of accrual will be 70% of the amounts listed above. 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>.

The Applicable Percentage for 2015 was 1.25%. This was based on the average of the market value investment return for the three (3) most recent Plan Years reported in the 2014 Actuarial Valuation (2011, 2012 and 2013). The table above shows that because the average market value investment return for 2011 through 2013 was 10.27%, the Applicable Percentage for 2015 was 1.25%. This means that a Participant earned a monthly Normal Retirement Pension benefit equal to 1.25% of the contributions required to be made (or 70% of the contributions required to be made if the Participant's Contribution Rate is a 55/30 Rate) for the Participant's hours of work in Covered Employment during 2015 (i.e., 1.25% x Benefit Rate x Contribution Hours for 2015).

## 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 take into account the fact that he or she is under the age of 65 and therefore will be receiving monthly pension payments over a longer period of time 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, and Special Early Retirement Pension).

The Unsubsidized Early Retirement Pension pays an amount that is the actuarial equivalent of the Participant's Normal Retirement Pension.<sup>2</sup> The other types of Early Retirement Pensions (i.e., the Standard and Special 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. They cost more money for the NPF (actuarially) because they are paid over a longer period of time but are not reduced to the actuarial equivalent of the same benefit starting at age 65 (i.e., payable for fewer years). Consequently, a larger amount of money is paid over the life of the Participant (and spouse) than if the benefit had not started until after the Participant reached age 65. The type of Early Retirement Pension benefit 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>3</sup> The rules for determining those types of Early Retirement Pension are described in Section

<sup>2</sup> The reduction factors take into account that the Participant will receive monthly benefits for a longer period of time, and are designed to make sure that it does not cost the NPF more (actuarially) because it will be paying monthly benefits over a longer period of time than if the Participant retired at age 65.

<sup>3</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.

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>.

## **B. Contribution Schedules**

The Contribution Rate is another essential component of the NPF's Normal Retirement Pension accrual formula, because it determines the Participant's Benefit Rate (part of the equation in the formula described above). If a Participant's Contribution Rate is a 55/30 Rate, his or her Benefit Rate will be 70% of his or her Contribution Rate. In all other cases, the Benefit Rate is equal to the Contribution Rate.

In general, a Participant's Contribution Rate is the amount that an Employer must pay for each Hour of Work that a Participant performs in Covered Employment. That amount is prescribed in the Participant's Collective Bargaining Agreement (or a similar document).

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.<sup>4</sup> 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).

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 3,830 Employers that were obligated to contribute to the NPF for the 2015 Plan Year. None of those Employers' contributions comprised more than 5% of the total contributions received by the Fund. During the preceding Plan Year (2014), 17 Employers withdrew from the NPF. The aggregate amount of withdrawal liability assessed or estimated to be assessed against those withdrawn Employers was \$2,228,919.

### **PARTICIPANT INFORMATION**

The number of Participants on whose behalf no contributions were made by an Employer (as an Employer of the Participant) for the 2015 Plan Year was 58. For the 2014 Plan Year, that number was 776, and for the 2013 Plan Year, that number was 615.<sup>5</sup>

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

The NPF was in Endangered Status (also known as the "yellow zone") for the 2015 Plan Year. In order to improve the NPF's funded status, the Trustees adopted a FIP and FIP Schedule. The FIP Schedule contains three (3)

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<sup>4</sup> As of November 2016, those three contribution schedules remain unchanged, but it is important to understand that they can be changed by the Trustees at any time.

<sup>5</sup> These numbers take into account only Participants who's last Contributing Employer had withdrawn from the NPF by the beginning of the relevant Plan Year. Therefore, separated vested Participants and retired Participants of Employers who have not withdrawn are not taken into account.

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 in the Report.

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

#### **CHANGE IN FUNDING METHOD**

Effective January 1, 2007, automatic approval was used to change the asset valuation method to the smoothed market value method (with phase-in) described in Section 3.16 of Rev. Proc. 2000-40, using a smoothing period of five-years. Prior to the change in the asset valuation method, the actuarial value of assets was determined using an adjusted value method.

Before this change, the actuarial cost method was the entry age normal method, applied using the shortfall method as described in Section 1.412(c)(1)-2 of the Income Tax Regulations. As stated in a September 23, 2009 letter from the Department of Treasury, the actuarial cost method is now, retroactively, the unit credit method (without shortfall) described in Section 3.01 of Rev. Proc. 2000-40. The change in funding method was implemented with the January 1, 2007 through December 31, 2007 valuation as instructed by the Treasury.

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

On November 5, 2009, the NPF applied to the IRS for an automatic extension of the Fund's amortization period for unfunded liability for the Plan Year beginning on January 1, 2009. The NPF sought, and it received, the maximum automatic extension prescribed under Section 431(d)(1) of the Internal Revenue Code (and Section 304(d)(1) of ERISA), which is five (5) years as of the date of the request.

#### **ELECTION TO APPLY CHANGES IN THE FSA PURSUANT TO THE PRESERVATION OF ACCESS TO CARE FOR MEDICARE BENEFICIARIES AND PENSION RELIEF ACT OF 2010**

The Fund elected to make changes in its Funding Standard Account (FSA) and funded percentage by: (i) amortizing certain net investment losses over 30 years, instead of 15 years (prior to an extension of amortization charges); and (ii) changing the NPF's asset valuation method so that the difference between expected and actual investment returns for certain years is spread out (smoothed) over a period of 10 years (instead of 5 years); and (iii) expanding the permissible ratio between the actuarial (smoothed) value and the market value of the Fund's assets (from 120% of the current fair market value to 130% of the current fair market value). The election first applied to the 2009 Plan Year.

#### **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 2015 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.