

MAXIMIZING

2018
BUSINESS
AGENTS'
CONFERENCE

OPPORTUNITIES

SHEET METAL | AIR | RAIL | TRANSPORTATION

SMART[®]

Sheet Metal Workers' National Pension Fund Update

NPF Update

- ❖ **Status of the Fund**
- ❖ **Positive Cash Flow**
- ❖ **Variable Benefit Accrual Rate (VBAR)**
- ❖ **Contribution Rates**
- ❖ **Organizing Tools**
- ❖ **Collection of Contributions**



**SHEET METAL WORKERS'
NATIONAL PENSION FUND**

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NPF Funding

Plan Year	2017	2016	2015	2014	2013
Valuation Date	January 1 2017	January 1 2016	January 1 2015	January 1 2014	January 1 2013
Funded Percentage	60.6%	59.4%	59.3%	59.1%	57.4%
Value of Assets	\$4,538,327,898	\$4,294,266,345	\$4,140,279,634	\$3,940,831,853	\$3,711,928,315
Value of Liabilities	\$7,494,271,997	\$7,230,768,938	\$6,987,384,126	\$6,671,514,903	\$6,463,106,428

Contrast Assumptions v. Experience

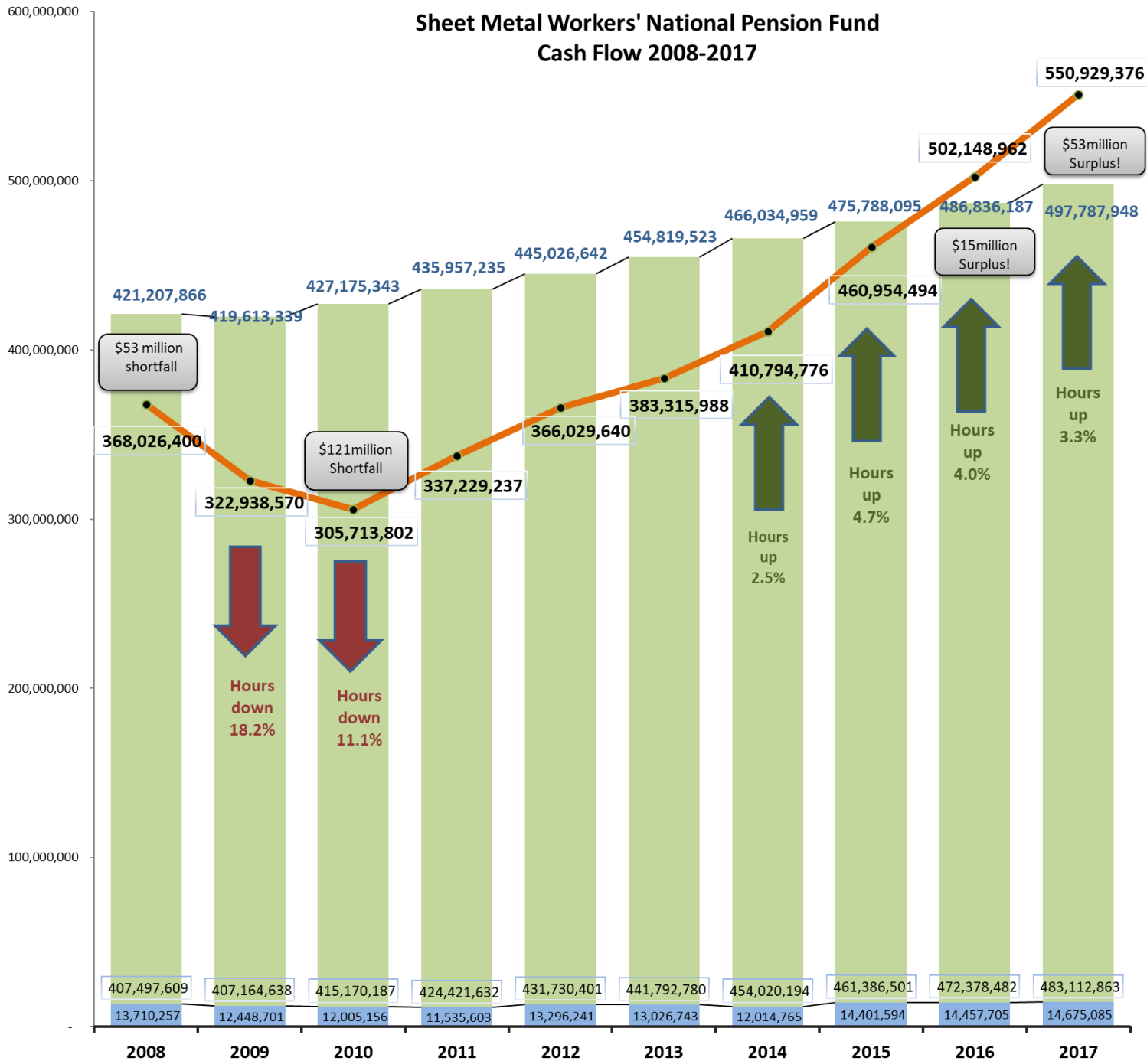
Assumptions

- Participant count **as of 2013** will remain flat thru 2026
- Hours will be the same as 2013
- Investment return 7.5%
- Mandated Increases per the FIP for 2016

Experience 2016

- Slight increase in number of participants
- Hours up about 4%
- Investment return 8.08% (market value actuarial basis)
- Contribution income up 9%

Sheet Metal Workers' National Pension Fund Cash Flow 2008-2017



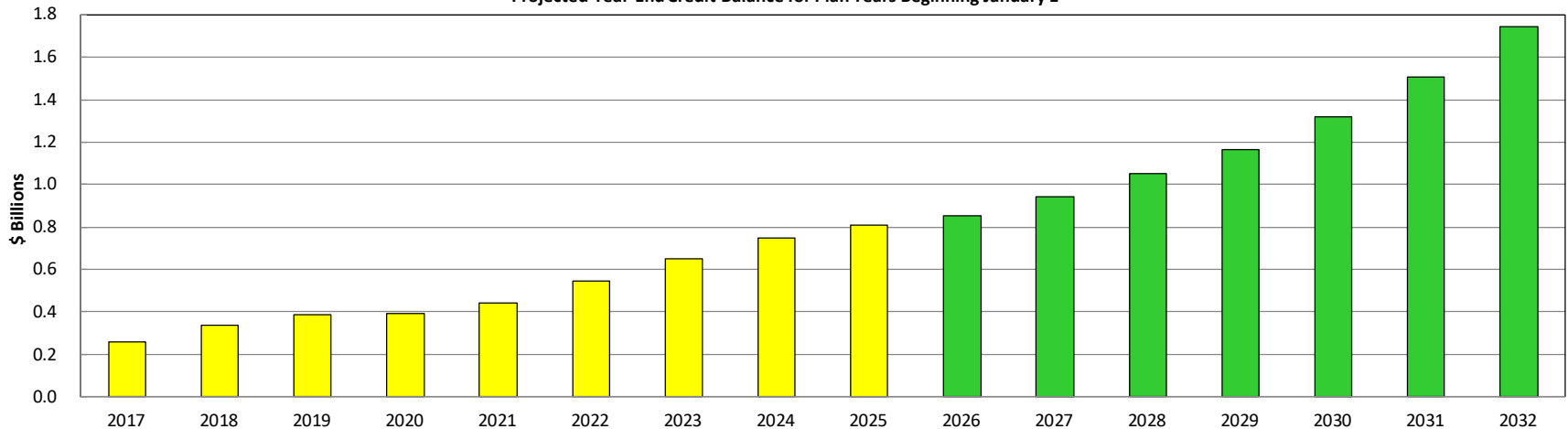
- Benefits Expense
- Admin Expenses (net)
- Contribution Income

Contribution income excludes WDL and Liquidated Damages

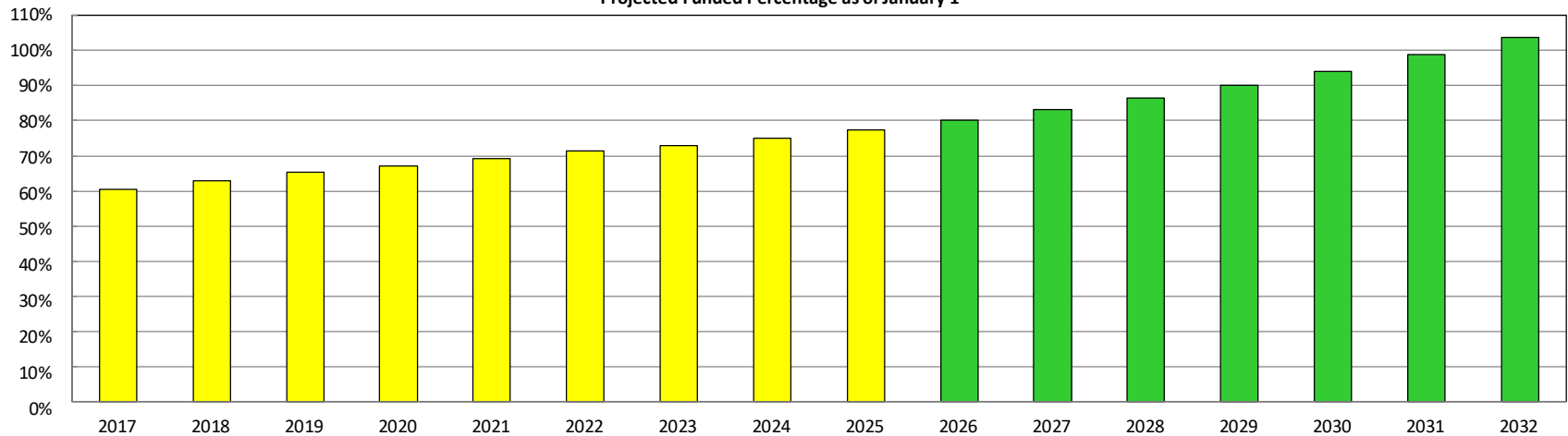
2017 numbers are per unaudited internal financials

Sheet Metal Workers' National Pension Fund: Credit Balance and Funded Percentage Projections Assuming 90 Million Hours/Year, 5.0% Returns through 2021 and January 1, 2018 Actuarial Status Certification Results

Projected Year-End Credit Balance for Plan Years Beginning January 1



Projected Funded Percentage as of January 1



The Plan is projected to enter the Green Zone in 2026, and is projected to meet the requirements of the Funding Improvement Plan.

MAXIMIZING OPPORTUNITIES

Leveraging Assets

Legal and General Index Funds

- An initiative of SMART to leverage funds across the sheet metal industry.
- Requires no minimum investment.
- Fees for smaller funds will be the same as NPF fees.
- Arrangement is only for sheet metal funds.

NPF moved assets into these funds from S&P 400, S&P 500, S&P 600 and other index funds resulting in annual fee savings of \$120,000.

Other National Funds (LU&C and SASMI) made similar moves resulting in \$40,000 savings.



MAXIMIZING OPPORTUNITIES

Leveraging Assets

North America's Building Trades Unions (NABTU)

ProxyVote Plus

Investment Database



“NABTU’s Capital Strategies program was created in 2016 to facilitate a more active partnership between NABTU and the trustees, administrators, advisors and investment managers of our members’ pension savings in the pursuit of benefit improvements and prudent, responsible and financially sound investment policies.”

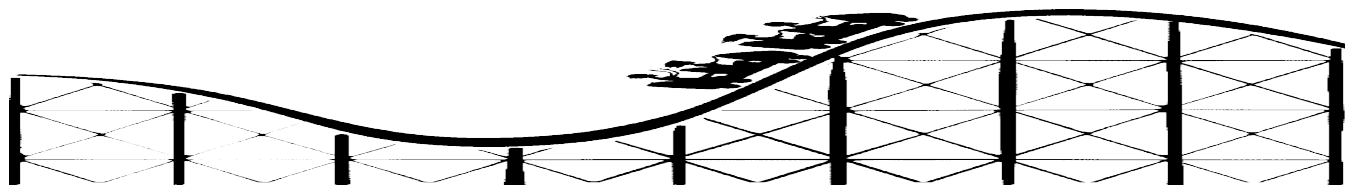
Compiling and tracking total investments of our Funds will give Sheet Metal and all of Building Trades one collective voice as we steward the assets of our members.

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Variable Benefit Accrual Rate - 2018

Plan Year	Annual Investment Return
2014	6.12%
2015	-0.42%
2016	8.08%
3 year average	4.59%



VBAR Formula

IF, the three-year average market value investment return percentage reported in the preceding Plan Year's Actuarial Valuation is:

THEN, the VBAR rate of Accrual for the Plan Year will be:

Average for 2018 VBAR was 4.59% so accrual for 2018 is 0.5%

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%*

*FOR 55/30 CONTRIBUTION RATE, THE ACCRUAL IS 70% OF AMOUNTS LISTED.

VBAR Historical Numbers

	2014 VBAR	2015 VBAR	2016 VBAR	2017 VBAR	2018 VBAR	2019 VBAR
2017						TBD
2016					8.08%	8.08%
2015				-0.42%	-0.42%	-0.42%
2014			6.12%	6.12%	6.12%	
2013		20.56%	20.56%	20.56%		
2012	11.98%	11.98%	11.98%			
2011	-1.72%	-1.72%				
2010	14.48%					
3 - Year Average	8.25%	10.27%	12.89%	8.75%	4.59%	TBD
VBAR	0.75%	1.25%	1.25%	1.00%	0.50%	TBD

5 Year Average Accrual Rate = 0.95%

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Contribution Rates

- 2018 and 2019: Trustees have determined that, barring any catastrophic events impacting the plan, there will be no mandated increases.
- Beyond 2019: TBD

MAXIMIZING OPPORTUNITIES

Organizing Tools

Owner Member Exclusions:

Trustee Resolution to allow new Owner Members to participate in the plan but exclude contributions on themselves for one year.

Past Service: Can be awarded (up to 10 years) provided specific criteria is met. Past Service is equal to \$10 per year of award.

Free Look:

A NEW Employer who signed a CBA, and began contributing in 2015 or after will not be assessed withdrawal liability if its obligation to contribute ceases w/in 48 months.



Employers Using These Tools

Free Look

2015: 4 Employers Approved

2016: 12 Employers Approved

2017: 15 Employers Approved

2018: 4 Employers Approved

Owner Member Exclusions

2016: 4 Employers Signed

2017: 3 Employers Signed

2018: 6 Employers Signed

Revamping Collection of Contributions

Reduce Delinquencies

Legal Fee Reduction

Improve efficiency of collection efforts and streamline operations

Identify other cost savings

Implement better reporting and increased visibility of delinquencies

Identify and implement “best practices”

Collections Process



Other Changes

- National Collections Counsel RFP
- Local Collections Counsel RFP
- Increased Focus on Payroll Audits
- Changed Owner Member Provisions

More To Do

- Joint Audits
- Cumulative Letters
- Increased Due Diligence Regarding “No Work” Employers
- Withdrawal Liability Assessments and Alter Ego Analysis

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