



SHEET METAL WORKERS' NATIONAL PENSION FUND

8403 ARLINGTON BLVD., SUITE 300
FAIRFAX, VA 22031

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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 2018 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 **2018**.

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:

Average Market Value Investment Return	Applicable Percentage for Normal Retirement Pension Benefit
10.0% or higher	1.25%*
8.5% but less than 10%	1.0%*
6.5% but less than 8.5%	0.75%*
more than 0% but less than 6.5%	0.50%*
0% or less	0%*

*If a 55/30 Rate applies, the Applicable Percentage is only 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 (under "About the Plan").

The 2017 Actuarial Valuation is used to determine the Applicable Percentage for 2018. It shows the market value investment return percentages for 2014, 2015, and 2016 (the three preceding years) as follows:

2014: 6.12%

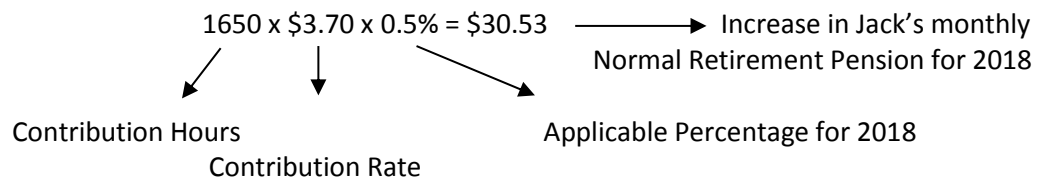
2015: -0.42%

2016: 8.08%

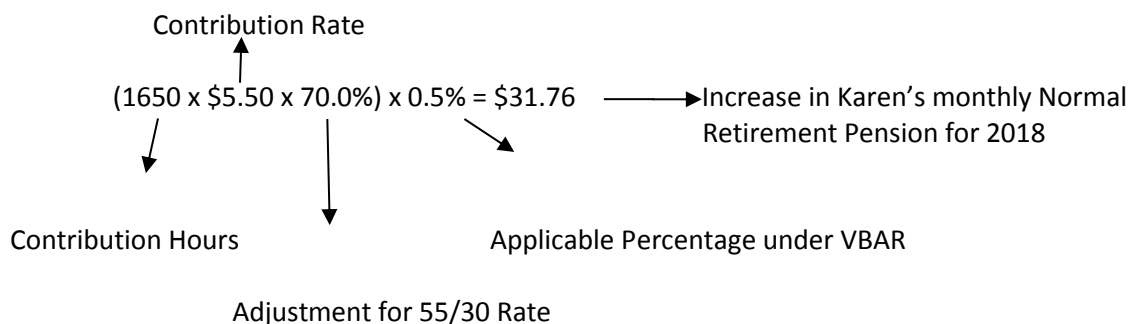
The average of those investment return percentages is **4.59%**. Because that percentage is more than 0% but less than 6.5%, the Applicable Percentage **will be 0.5%** for 2018.

Under the VBAR formula, your accrual for 2018 will be determined by multiplying the Applicable Percentage (0.5%) times your Benefit Rate times your 2018 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 2018) 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 2018, it is 0.5% because the average of the market value investment return percentages for 2014, 2015, and 2016 (the three most recent years reported in the 2017 Actuarial Valuation) was 4.59%. Below is an example of how your monthly Normal Retirement Pension benefit accrual for 2018 will be determined.

EXAMPLE 1: Suppose Jack has 1650 Contribution Hours in 2018 and his NPF Contribution Rate is \$3.70, which is NOT a 55/30 Rate. Because Jack’s Contribution Rate is not a 55/30 Rate, his Benefit Rate is equal to his Contribution Rate. In this example, Jack’s monthly Normal Retirement Pension benefit accrual for 2018 would be determined as follows:



EXAMPLE 2: Suppose Karen has 1650 Contribution Hours in 2018, and her NPF Contribution Rate is \$5.50, which is a 55/30 Contribution Rate. Since the hours Karen 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 Karen’s behalf in 2018. In this example, Karen’s monthly Normal Retirement Pension accrual would be determined as follows:



Why did the VBAR decrease from 1.0% in 2017 to 0.5% in 2018?

As explained in this notice, the Fund’s Variable Benefit Accrual Rate (“VBAR”) is determined based on the average market value investment returns of the previous three years as stated in the prior year’s actuarial valuation. For 2017, we used the average of the returns for 2013, 2014, and 2015 (20.56%, 6.12%, and -0.42% respectively) which is 8.75%. Based on the formula detailed in the Plan Document; when the average of the three years is equal to or exceeds 8.5% and is less than 10%, then the VBAR accrual rate is 1.0%. Therefore, the accrual rate for hours worked in 2017 was 1.0% (or 70% of this amount for 55/30 Rates).

The chart below details the components of the VBAR calculation since its inception in 2014. It is important to note that the return for 2013 was significant at 20.56%. The 2013 return is not included in the calculation for the 2018 VBAR because it was not earned within the preceding three-year period. As a result, it falls out of the calculation for the 2018 VBAR and is now replaced with the 2016 return of 8.08%.

When calculating the 2019 VBAR, and as demonstrated in the chart below, the 2014 return of 6.12% will fall out of the equation and will be replaced with the 2017 return. The 2017 return will be certified by the actuary in late 2018.

	2014 VBAR	2015 VBAR	2016 VBAR	2017 VBAR	2018 VBAR
2016					8.08%
2015				-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%
VBAR	0.75%	1.25%	1.25%	1.00%	0.50%

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

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