



SHEET METAL WORKERS' NATIONAL PENSION FUND

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2013 NOTICE OF CRITICAL STATUS

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2013 NOTICE OF CRITICAL STATUS FOR THE SHEET METAL WORKERS' NATIONAL PENSION FUND

Introduction

This is to inform you that on March 29, 2013, the actuary for the Sheet Metal Workers' National Pension Fund ("Plan" or "NPF") certified to the U.S. Department of the Treasury, and also to the NPF's Plan Sponsor (the NPF's Board of Trustees), that the NPF is in critical status for the 2013 Plan Year (January 1 - December 31, 2013). Federal law requires that you receive this Notice. This Notice is for your information. You are not required to respond or take any other action in response to this Notice.

The NPF is considered to be in critical status (commonly referred to as the "Red Zone") because it has funding or liquidity problems, or both. More specifically, the Plan's actuary has determined, and advises, that ignoring any amortization extensions: (a) the Plan is projected to have an accumulated funding deficiency within four years (ignoring any amortization extensions), and (b) the funded percentage of the Plan is less than 65%, and the Plan is projected to have an accumulated funding deficiency within five years (ignoring any amortization extensions). Also, the Plan's actuary has determined that the Plan does not meet the statutory criteria for emergence from critical status because the Plan is projected to have an accumulated funding deficiency within 10 years (taking into account any amortization extensions). *For more information on the NPF's funded status, please see the Plan's Annual Funding Notice, which is enclosed with this Notice.*

Rehabilitation Plan

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the plan's financial health. This is the sixth Plan Year that the NPF has been in critical status. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of the rehabilitation plan. *See the next section for more details on NPF's adjustable benefits.* Depending upon the Collective Bargaining Agreement or other agreement under which you worked in 2008 and your status as a person for whom contributions are not required to be made to the Plan, you initially were notified (by a notice of benefit adjustments) between May of 2008 and February of 2009 that the NPF reduced or eliminated adjustable benefits. You subsequently have been notified of additional reductions or eliminations of adjustable benefits. Since the date of the 2012 Notice of Critical Status, additional notices of benefit adjustments were

sent separately to certain groups of participants on May 14, 2012, June 1, 2012, June 28, 2012, August 10, 2012, November 1, 2012, November 12, 2012, and March 15, 2013. These additional notices were prompted by Collective Bargaining Agreement changes (e.g., adopting the Second Alternative Schedule or not negotiating future Contribution Rate increases under the First Alternative Schedule) or a Participant's status as a person for whom contributions to the NPF are not required to be made. You also were notified in March 2008, that as of March 1, 2008, the NPF is not permitted to pay lump sum benefits (in excess of the statutory limit for mandatory cash-outs which is currently \$5,000) (or any other payment in excess of the monthly amount paid under a single life annuity) while it is in critical status. You may obtain copies of the previous notices that explained changes in adjustable benefits by contacting the Fund Administrator at fundadministrator@smwnpf.org or by writing to him at 8403 Arlington Boulevard, Suite 300, Fairfax, VA 22031.

If the NPF's Trustees determine that further benefit reductions are necessary under the NPF's Rehabilitation Plan, which includes the Schedules in the Rehabilitation Plan (as modified from time to time) and if you are affected by these, you will receive a separate notice identifying and explaining the effect of those reductions. Any reduction of adjustable benefits (other than a repeal of a recent benefit increase (including a scheduled increase), as described below) will not reduce the level of a participant's basic benefit payable at normal retirement age. In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after March 1, 2008 (*other than* the repeal of a recent benefit increase (including a scheduled increase), as described below).

Adjustable Benefits

The NPF has the following adjustable benefits, which have been reduced or eliminated, as described in previous notices, or which may in the future be further reduced or eliminated, as part of the NPF's Rehabilitation Plan (including any amendments or modifications):

- post-retirement death benefits;
- 60-Certain Payment Option/120-Certain Payment Option guarantees
- disability benefits (not yet in pay status);
- early retirement benefits or retirement-type subsidies;
- benefit payment options other than a qualified joint-and-survivor annuity ("QJSA");
- recent benefit increases, including scheduled increases (i.e., any benefit increases, such as the scheduled increases formerly paid under the NPF COLA Benefit, that had not been adopted or taken effect more than 60 months before the first day of the initial critical year (January 1, 2008)); and
- other similar benefits, rights, or features under the Plan, such as the reversion option (i.e., the "pop-up" feature), and any ancillary benefit (i.e., any benefit that

is not treated as an accrued benefit under ERISA's anti-cutback rule (Section 204 (g)).

Employer Surcharge

The law requires that all Employers pay to the Plan a surcharge to help correct the NPF's financial situation, until the Employer's employees are covered under a Collective Bargaining Agreement (or other similar agreement) that includes terms consistent with the Rehabilitation Plan's Schedules. The amount of the surcharge is equal to a percentage of the amount an Employer is otherwise required to contribute to the NPF under any applicable Collective Bargaining Agreement that is not consistent with the Rehabilitation Plan's Schedules. With some exceptions, a 5% surcharge was applicable in the initial critical year (2008), and a 10% surcharge applies for each succeeding plan year thereafter in which the Plan is in critical status.

Where to Get More Information

For more information about this Notice (including copies of all prior Notices), go to the NPF's website www.smwnpf.org. Or, you may contact the Fund Office at the address and phone number in the letterhead at the top of this Notice, or by email bot@smwnpf.org or info@smwnpf.org. You have a right to receive a copy of the Rehabilitation Plan, including the Schedules, from the NPF. If you would like a copy, go to our website, or contact the Fund Office.

