

AMENDMENT TWO
to the
SHEET METAL WORKERS PENSION PLAN OF NORTHERN CALIFORNIA

Recitals

WHEREAS, the Board of Trustees of the Sheet Metal Workers Pension Plan of Northern California (“Plan”) has determined that it is necessary to change the benefit formula to address situations in which the Plan’s investment yields are lower than anticipated;

WHEREAS, the Board of Trustees continues to be working under a Rehabilitation Plan, which has prompted the Board to make changes to improve the Plan’s funding condition in the future;

THEREFORE, the Plan is amended as follows:

Amendment

Subsection I is added to Section 4. 2 of the Sheet Metal Workers Pension Plan of Northern California as follows

Effective January 1, 2017, the method of determining a Participant’s benefits earned during a Plan Year will be based on the average of the Plan’s investment return for 2016 and 2017 as more specifically described below. Effective January 1, 2018, the benefit crediting basis for work after the 2017 Plan year shall reflect the average of the Plan’s investment return for the preceding three-year period. The calculated benefit percentage shall be higher or lower than or equal to that of the preceding Plan Year depending whether that average investment return falls within a band in a variable rate structure based on such investment returns. In addition the benefit percentage so utilized may increase or decrease when the Plan’s Funded Ratio meets defined criteria.

The amount of benefit credited shall be based on the entire amount of Employer contributions made on behalf of the Participant and the years of the Participant’s vesting service at the date such Benefit Credit is determined. The benefit will be determined based on the following definitions and understandings:

- a. **Net Assets Available for Benefits.** The fair market value of all Plan assets less the fair market value of all Plan Liabilities at the end of a Plan Year (December 31), as reported or to be reported on the annual financial statement of the Plan prepared by the Plan’s third party administrator (not the annual audit attached to the Form 5500).
- b. **Net Investment Income.** The amount of investment income for the Plan Year, net of investment expenses for the Plan Year, as reported or to be reported in the annual financial statement of the Plan (prepared by the Plan’s third party administrator).
- c. **Investment Return for the Plan Year.** The Investment Return for the Plan Year is the rate of investment return determined by applying a formula that provides $2 \times I / (A + B - I)$, where I is the amount of the Net Investment Income for the Plan Year (subsection b above), “A” is the value of the Net Assets at the beginning of the Plan Year, and “B” is the value of the net assets at the end of the Plan Year. The calculation of the investment return shall be computed

to four decimal places, rounded up to the next one-hundredth percent. (For example, a formula calculation of 6.75678% will be expressed as 6.76% for this purpose.)

- d. **Three-Year Average Investment Return.** The Three-Year average investment return is determined by adding the investment returns for the preceding three year period ending on the last day of the most recent Plan Year, and dividing by three. The calculation of the average investment return shall be computed to four decimal places, rounded up to the next one-hundredth percent (see above example).
- e. **Funded Ratio.** The Funded Ratio is the percentage reported on the Annual Funding Notice for the immediate preceding Plan year, rounded up to the next full percentage.
- f. **Normal Pension Benefit.** The Normal Pension Benefit is the amount of Normal Monthly Pension credited in a Plan Year ending after January 1, 2017, to a Participant who retires on or after January 1, 2017, determined by multiplying the Applicable Benefit Percentage Rate (defined below) by Employer Contributions paid on the Participant's behalf in the Plan Year.
- g. **Applicable Benefit Percentage.** The Applicable Benefit Percentage is the percentage rate determined in the schedule based on a Participant's years of Vesting Service at the end of the Plan Year, or if earlier, the Participant's date of retirement or death, and the Plan's Three-Year Average Investment Return, based on the schedule following subsection h.
- h. **No Subsidized Early Retirement.** No subsidized early retirement benefits will be available to a Participant who has had no work activity in 36 months prior to his retirement (as evidenced by no hours having been reported). If he is eligible for early retirement, the benefits will be actuarially adjusted from Normal Retirement Age. In contrast, a Participant with at least ten years of Vesting Credit who has been active during the 36 months prior to retirement is entitled to an unreduced pension. By way of example, a Participant who starts earning Vesting Credit at age 48 who earns ten years of Vesting Credit and is active at age 58 would be entitled to an unreduced early pension benefit at age 58.

The Early Retirement Benefit payable to a Participant who failed to earn 435 Covered Hours in at least one of two consecutive Plan Years immediately prior to retirement at age 55 or thereafter, is equal to the amount of the Normal Retirement Benefit payable at his or her Normal Retirement Date reduced by 0.5% per month for the first 60 months and 0.3% per month for each additional month, if any, by which his or her Early Retirement Date precedes his or her Normal Retirement Date.

If the Participant has at least 15 Vesting Service Credits but failed to earn 435 Hours of Covered Employment in at least one of the two consecutive Plan Years immediately prior to age 55 or thereafter, the amount of his pension payable at early retirement is the full benefit reduced by $\frac{1}{2}$ of one percent per month for the first 60 months and 3/10 of one percent for each additional month, if any, by which his Early Retirement Date precedes Normal Retirement Date.

BENEFIT FORMULA

(Percentage of total contribution rate)

FUNDED RATIO BELOW 70%

FUNDED RATIO ABOVE 70% & BELOW 85%

BENEFIT CREDIT PERCENT			BENEFIT CREDIT PERCENT		
FUND RETURN PERCENTAGE	0 - 15 YEARS	15 + YEARS	FUND RETURN PERCENTAGE	0 - 15 YEARS	15 + YEARS
Negative	0.00%	0.00%	Negative	0.00%	0.00%
0.00% - 1.99%	0.50%	0.50%	0.00% - 1.99%	0.60%	0.60%
2.00% - 3.99%	0.60%	0.70%	2.00% - 3.99%	0.70%	0.80%
4.00% - 6.49%	0.70%	0.85%	4.00% - 6.49%	0.80%	0.95%
6.50% - 7.99%	0.75%	1.00 %	6.50% - 7.99%	0.85%	1.10%
8.00% - 9.99%	0.80%	1.05%	8.00% - 9.99%	0.90%	1.15%
10.00% - 14.99%	1.50%	1.75%	10.00% - 14.99%	1.75%	2.00%
15.00% +	1.75%	2.00%	15.00% +	2.00%	2.25%

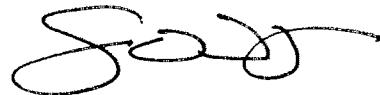
FUNDED RATIO ABOVE 85% & BELOW 100%

FUNDED RATIO ABOVE 100%

BENEFIT CREDIT PERCENT			BENEFIT CREDIT PERCENT		
FUND RETURN PERCENTAGE	0 - 15 YEARS	15 + YEARS	FUND RETURN PERCENTAGE	0 - 15 YEARS	15 + YEARS
Negative	0.00%	0.00%	Negative	0.00%	0.00%
0.00% - 1.99%	0.70%	0.70%	0.00% - 1.99%	0.80%	0.80%
2.00% - 3.99%	0.80%	0.90%	2.00% - 3.99%	0.90%	1.00%
4.00% - 6.49%	0.90%	1.05%	4.00% - 6.49%	1.00%	1.25%
6.50% - 7.99%	0.95%	1.20%	6.50% - 7.99%	1.05%	1.30%
8.00% - 9.99%	1.00%	1.25%	8.00% - 9.99%	1.10%	1.35%
10.00% - 14.99%	2.00%	2.25%	10.00% - 14.99%	2.25%	2.50%
15.00% +	2.25%	2.50%	15.00% +	2.5%	2.75%

The Board of Trustees shall have the greatest discretion to interpret this provision to effectuate the intent of the Board.

Approved: September 20, 2016



Sean O'Donoghue, Chair



Rick Werner, Co-Chair

REDUCTION FACTORS

Months prior to NRD	Current Basis	Act Equiv Basis	Months prior to NRD	Current Basis	Act Equiv Basis
0	1.000	1.000	60	0.700	0.666
1	0.995	0.993	61	0.697	0.662
2	0.990	0.986	62	0.694	0.658
3	0.985	0.980	63	0.691	0.654
4	0.980	0.973	64	0.688	0.650
5	0.975	0.966	65	0.685	0.646
6	0.970	0.959	66	0.682	0.642
7	0.965	0.952	67	0.679	0.638
8	0.960	0.946	68	0.676	0.633
9	0.955	0.939	69	0.673	0.629
10	0.950	0.932	70	0.670	0.625
11	0.945	0.925	71	0.667	0.621
12	0.940	0.918	72	0.664	0.617
13	0.935	0.912	73	0.661	0.613
14	0.930	0.906	74	0.658	0.610
15	0.925	0.900	75	0.655	0.606
16	0.920	0.894	76	0.652	0.602
17	0.915	0.888	77	0.649	0.599
18	0.910	0.882	78	0.646	0.595
19	0.905	0.876	79	0.643	0.591
20	0.900	0.870	80	0.640	0.588
21	0.895	0.864	81	0.637	0.584
22	0.890	0.857	82	0.634	0.580
23	0.885	0.851	83	0.631	0.576
24	0.880	0.845	84	0.628	0.573
25	0.875	0.840	85	0.625	0.569
26	0.870	0.834	86	0.622	0.566
27	0.865	0.829	87	0.619	0.563
28	0.860	0.823	88	0.616	0.559
29	0.855	0.818	89	0.613	0.556
30	0.850	0.812	90	0.610	0.552
31	0.845	0.807	91	0.607	0.549
32	0.840	0.801	92	0.604	0.546
33	0.835	0.796	93	0.601	0.542
34	0.830	0.790	94	0.598	0.539
35	0.825	0.785	95	0.595	0.536
36	0.820	0.779	96	0.592	0.532
37	0.815	0.774	97	0.589	0.529
38	0.810	0.769	98	0.586	0.526
39	0.805	0.764	99	0.583	0.523
40	0.800	0.760	100	0.580	0.520
41	0.795	0.755	101	0.577	0.517
42	0.790	0.750	102	0.574	0.514
43	0.785	0.745	103	0.571	0.511
44	0.780	0.740	104	0.568	0.507
45	0.775	0.735	105	0.565	0.504
46	0.770	0.730	106	0.562	0.501
47	0.765	0.725	107	0.559	0.498
48	0.760	0.720	108	0.556	0.495
49	0.755	0.715	109	0.553	0.492
50	0.750	0.711	110	0.550	0.489
51	0.745	0.706	111	0.547	0.487
52	0.740	0.702	112	0.544	0.484
53	0.735	0.697	113	0.541	0.481
54	0.730	0.693	114	0.538	0.478
55	0.725	0.688	115	0.535	0.475
56	0.720	0.684	116	0.532	0.472
57	0.715	0.679	117	0.529	0.470
58	0.710	0.675	118	0.526	0.467
59	0.705	0.671	119	0.523	0.464
60	0.700	0.666	120	0.520	0.461