
November 2019

SUMMARY OF MATERIAL MODIFICATIONS
to the
SHEET METAL WORKERS PENSION PLAN OF
NORTHERN CALIFORNIA
(Benefit changes and reductions)

The Board of Trustees of the Sheet Metal Workers Pension Plan of Northern California (“Plan”) has determined that additional steps are required to improve the Plan’s financial condition pursuant to the Plan’s Rehabilitation Plan. As a result, the Board of Trustees has amended the Plan to provide that individuals who leave the Sheet Metal Industry (not worked in Covered Employment for thirty-six consecutive months) and who have not been on Local 104’s out-of-work list during that period (or met other requirements) are not eligible for an unreduced pension upon attainment of ages 52-55 and thereafter prior to age 65. The Board of Trustees also amended the Plan to provide that the contribution death benefit is a maximum of \$15,000 for those individuals who are no longer working in the industry as referenced above. The Amendment providing for these changes is below.

In addition, because of the Plan’s financial condition, the Plan has had to revise the Variable Benefit Accrual Rate (“VBAR”) formula to provide a different formula based on the Plan’s investment returns (based on the average rates of return for three years), having the effect of reducing the benefits to which you will be entitled to receive depending upon the Plan’s investment returns. The changes are set forth below after the Amendment referenced above:

Amendment

Article V, Section 5.2 of the Sheet Metal Workers Pension Plan of Northern California is amended by adding a new subsection (i) and renumbering the existing subsections accordingly:

- (i) Not Entitled to Unreduced Early Retirement if Out of Industry for Three Years. Notwithstanding any provision herein to the contrary, effective as of November 1, 2019, no Participant is entitled to an unreduced early retirement benefit under the Plan if, after meeting the service requirement for unreduced early retirement, he or she has not worked in Covered Employment for thirty six consecutive months, exclusive of any period in which he or she has been on Sheet Metal Workers Local 104’s out-of-work list.

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(ii) Reduced Contribution Death Benefit—Maximum \$15,000. For any individual described in subsection i. above, effective for any death that occurs on or after November 1, 2019, the Contribution Death Benefit shall no longer be 100% of Employer contributions less any disability payments made under the Plan. Instead, the Contribution Death Benefit shall be 100% of Employer contributions less any disability payments made under the Plan, up to a maximum of \$15,000.

VBAR Formula Change

Change in Benefit Calculation Formula. As of January 1, 2017, the Board of Trustees of the Sheet Metal Workers Pension Plan of Northern California (“Plan”) determined that it was necessary to change the Plan’s benefit formula for benefits earned in the future to address situations in which the Plan’s investment yields are lower than anticipated. As part of the Plan’s Rehabilitation Program, in an ongoing effort to improve the Plan’s funding and to provide more certainty for the Plan in the future, the Trustees amended the Plan to establish a variable benefit accrual rate formula, with the value of the benefit credits being based on the Plan’s recent investment returns and the Plan’s funded status. This approach is referred to as a “Variable Benefit Accrual Rate” or “V-BAR”.

The new benefit calculation process bases the Benefit Credit earned in a Plan Year on the Plan’s investment yields over a three-year average. The higher the investment return, the greater the benefit credit percentage. Conversely, the lower the investment return, the lesser the Benefit Credit percentage. Because investment returns are somewhat volatile from year-to-year, the new benefit calculation process uses a three-year average of returns. For example, a member working in 2020 would earn a Benefit Credit based on the hours worked in 2020 and a pension benefit calculation percentage based on the average investment return for the three-year period 2018, 2019, and 2020.

Effective as of December 31, 2018, Article IV, Section 4.2 of the Sheet Metal Workers Pension Plan of Northern California is amended by adding the following:

(i) Based on the Plan’s Rehabilitation Plan and the Pension Protection Act, any benefit determined under the Variable Benefit Accrual Rate (“VBAR”) system as set forth in Amendment Two to the Plan, a Participant’s benefit that is determined based on the Plan’s investment returns cannot exceed the level of benefits provided by the Plan prior to the adoption of Amendment Two. This language is required because the Plan is not permitted under the Pension Protection Act to increase benefits. That language is necessary to comply with governmental requirements.

a. Effective as of December 31, 2019, Article 4.2 of the Plan is amended by replacing the existing language as follows: The amount of monthly Normal Retirement Benefit credited to any Participant who retires on or after December 31, 2019, shall be based on the following Table of the average investment returns over three years (with six tiers of investment returns rather than eight tiers):

BENEFIT CREDIT		
PERCENT		
FUND RETURN PERCENTAGE	0 – 15 YEARS	15 + YEARS
Negative	0.25%	0.25%
0.00% - 1.99%	0.50%	0.50%
2.00% - 3.99%	0.60%	0.70%
4.00% - 6.49%	0.70%	0.85%
6.50% - 9.99%	0.75%	1.00%
10% or above	0.80%	1.05%

The Board of Trustees is committed, with input from the Plan's actuarial consultant, to regularly review the Plan's financial condition and to address potential future benefits changes.

Please contact this office if you have any questions.