



## SHEET METAL WORKERS' LOCAL 292 FRINGE BENEFIT FUNDS

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July 2019

### ***Re: Important Changes to the Sheet Metal Workers Local Union No. 292 Annuity Fund***

Dear Plan Participant:

Please read this letter and attachments in their entirety to review upcoming changes to your account held in the Annuity Fund ("Plan").

#### ***Plan Administrative Fees and Expenses:***

Plan administrative fees may include recordkeeping, legal, accounting, trustee and other administrative fees and expenses associated with maintaining the Plan. Some plans may deduct these fees and expenses from individual accounts in the Plan while others rely on revenue sharing payments from mutual funds to cover the expenses or some combination of the two. This is described in greater detail below.

Revenue sharing is the practice of adding additional non-investment related fees to the expense ratio of a mutual fund. These revenue sharing amounts are refunded or paid to the Plan in some cases. Some mutual funds have revenue sharing and others do not. Some mutual funds have several share classes and some share classes provide more revenue sharing than others. Typically, the more revenue sharing a mutual fund or share class provides, the higher the expense ratio. In other words, if an investor is willing to forgo revenue sharing, the investor can typically select a mutual fund or share class with a lower overall expense ratio.

Unfortunately, not all options net the same overall fee to the investor. For example, Mutual Fund A may offer share class 1 and share class 2. Share class 1 may have an expense ratio of 1.00% but provide revenue sharing of 0.20%, which is returned to the investor, for a "net" fee to the investor of 0.80%. Share class 2, however, may have an expense ratio of 0.85% with no revenue sharing. On a pure net fee basis, share class 1 would be the better option for the investor. However, if share class 2 had an expense ratio of 0.75%, then it would be the better option for the investor. Some share classes may only be available to certain kinds of investors like retirement plans or institutional investors as opposed to individuals.

As provided in the May 16, 2019 Notice, since the Board of Trustees changed the Fund's record-keeper at the end of 2016, the Fund has been able to offset such Administrative Expenses through the use of revenue sharing dollars received from the investment alternatives utilized by the plan. As such, individual participant accounts have not been charged any Administrative Expenses since the Fourth Quarter of 2016. However, the Plan can no longer cover its Administrative Expenses

with just revenue sharing payments and on May 16, 2019 you were notified that a one-time fee of \$143.36 was going to be deducted from your accounts and the Board of Trustees would review the projected Administrative Expenses and the revenue sharing dollars the Fund expects to receive in order to set a fair and equitable amount to be deducted from each individual account on a monthly basis.

After reviewing Administrative Expenses and projected revenue sharing, it was determined that Administrative Expenses account for about 0.55% of the Plan's assets per year. Therefore, the Board of Trustees has decided that, effective September 3, 2019 this amount will be deducted from individual accounts proportionally based upon account balance. For example, if your account balance is \$10,000 you will have an estimated fee of \$55 per year. The actual amount charged will be deducted monthly and will appear on your quarterly statement. In other words, each month you will be charged a fee, which will be deducted from your account and reported to you quarterly, to cover your portion of the Plan's administrative fees as follows: [account balance x (0.55% / 12)].

In addition, rather than aggregating the revenue sharing payments to the Plan and using them to offset administrative expenses, the Board of Trustees has also decided that, effective September 3, 2019, if a participant is invested in a mutual fund that generates revenue sharing payments, those payments will be credited back to the individual participant on a monthly basis. These rebates will also be reflected on the quarterly statements. For example, if you have \$10,000 invested in Mutual Fund B, which has an expense ratio of 0.70% and revenue sharing of 0.15%, you will be credited \$15 per year, or \$1.25 per month [\$10,000 x (0.15% / 12)].

***Investment Option Share Class Changes:***

In light of the changes to how the Plan will pay for its administrative expenses, outlined above, and in a continuing effort to provide you the most cost-effective and efficient mutual fund investments available, the Board of Trustees of the Plan has made the decision to change share classes of some investment options currently offered in the plan to share classes with lower expense ratios but also less or no revenue sharing. Assets held in the funds will automatically transfer to the share class indicated in the attached notice on August 29, 2019. It is highly recommended you review the notice for timing and updated expense ratios associated with these changes.

For your information and so that you can make the most educated investment selections possible, also enclosed is a listing of the mutual funds that generate revenue sharing and the amount.

If you have any questions regarding these changes, contact the Fund Office at 888.646.6565.

Sincerely,

*Board of Trustees  
Sheet Metal Workers Local Union No. 292 Annuity Fund*