

Northwest Sheet Metal Workers Pension Trust

August 25, 2017

TO: All Participating Employers and Participants

Each year the Pension Protection Act requires determination of the funding status of all pension plans under its jurisdiction.

Accordingly, Milliman, the independent actuarial firm retained by the Trust, has made that determination, and their certification is attached as an enclosure to this letter.

Highlights and comments about the funded status of the Plan.

- Please note that the enclosed funding notice reports that the funded percentage as of May 1, 2016 was 101.47% on a market value of assets basis and 102.84% on an actuarial value of assets basis. The Plan actuaries recently certified that the funded percentage as of May 1, 2017, is projected to be 106.7%, and therefore this Plan is “highly rated” and receives the “green status” ranking.
- All vested benefits of the Plan are fully funded.
- While these results are very pleasing to all of the Trustees, the future of the Plan depends on how well the actual results affecting this Plan match up with the assumptions used in the actuarial projections.
- The key assumptions are;
 1. Future hours worked each year.
 2. Future investment results for the Plan.
- With regard to the investment assumption, the current assumed rate used in the actuarial projections is 6.5%. That means that in order to maintain the Plan’s expected levels of benefits, this important assumption has to be matched by a 6.5% rate of investment return on average over the years of the Plan.

All of us are aware of the enormous fluctuation of investments and your Plan is no exception. We are constantly monitoring the investment performance of our investment managers with the object of trying to enhance our investment income - but that becomes difficult in the volatile markets that affect all of us.

The “FAIR Benefit Policy”

A number of years ago, the Trustees, recognizing that we need to be cautious about the operation of the Plan, adopted what we call the “FAIR Policy” to determine benefit rates.

In practice, that means that as each year goes by, we look at the prior plan years actual results and consider modifying the “base benefit accrual rate” upwards (or not) after prudent deliberation. Currently, the benefit accrual rate is 1% per month, or 12% per year. Twelve percent, when you think about it, in this investment environment, is a very attractive rate.

In conclusion, we continue to be pleased by the Plan’s performance, and we assure you that we will continue to monitor and try to enhance the Plan’s results going ahead.

We have had strong contribution income negotiated into the Plan, and that has been very positive in this kind of environment.

We appreciate your support in the past and encourage you to ask any questions of any one of us that come to your mind.

Sincerely yours,

The Board of Trustees
Northwest Sheet Metal Workers Pension Trust



ANNUAL FUNDING NOTICE



For the NORTHWEST SHEET METAL WORKERS PENSION TRUST

Introduction

This notice includes important information about the funding status of your multiemployer pension plan ("the Plan"). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is for the Plan Year beginning May 1, 2016 and ending April 30, 2017 ("Plan Year").

How Well Funded Is Your Plan

The law requires the administrator of the Plan to tell you how well the Plan is funded using a measure called the "funded percentage." The Plan divides its assets by its liabilities on the Valuation Date for the plan year to get to this percentage. In general, the higher the percentage, the better funded the Plan. Your Plan's funded percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also states the value of the Plan's assets and liabilities for the same period.

	2016 Plan Year	2015 Plan Year	2014 Plan Year
Valuation Date	May 1, 2016	May 1, 2015	May 1, 2014
Funded Percentage	103%	100%	101%
Value of Assets	\$770,790,390	\$713,332,084	\$647,179,010
Value of Liabilities	\$749,468,687	\$713,344,043	\$641,494,074

Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date. They also are "actuarial values." Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan's funded status at a given point in time. The asset values in the chart below are market values and are measured on the last day of the Plan Year. The chart also includes the year-end market value of the Plan's assets for each of the two preceding plan years.

	April 30, 2017	April 30, 2016	April 30, 2015
Fair Market Value of Assets	\$848,349,183	\$760,522,914	\$746,496,057

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in "endangered" status if its funded percentage is less than 80 percent. A plan is in "critical" status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in "critical and declining" status if it is in critical status and is projected to become insolvent (run out of money to pay benefits) within 15 years (or within 20 years if a special rule applies). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status or critical and declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan was not in endangered, critical or critical and declining status in the Plan Year.

Participant Information

The total number of participants in the Plan as of the Plan's valuation date was 7,164. Of this number, 3,699 were current employees, 1,982 were retired and receiving benefits, and 1,483 were retired or no longer working for the employer and have a right to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure for establishing a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The funding policy of the Plan is to maintain a balance such that plan resources will fund plan obligations. Plan resources include accumulated plan assets plus expected future contributions and investment income. Plan obligations are benefit payments to current and future retirees and beneficiaries, including benefits earned to date as well as benefits expected to be earned in the future. Plan obligations also include expected expenses paid from plan assets. In implementing this funding policy, the plan Trustees will work with professional advisors to adopt a prudent investment policy and to determine the actuarial value of plan obligations. Over time, the Trustees may adjust plan benefits in response to investment returns and other plan experience, or seek additional contributions from the bargaining units.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy of the Plan is to achieve a long-term rate of return that meets or exceeds the Plan's assumed actuarial rate. In addition, the Plan seeks to maintain sufficient income and liquidity to meet all anticipated cash flow requirements, including periodic pension benefit payments. To accomplish these policy objectives, investments are prudently diversified among several asset classes. The Trustees establish reasonable guidelines for each asset class and investment account specifying acceptable and/or prohibited investments, ranges on exposures, risk constraints, and investment return objectives. Specific performance objectives are that each investment management portfolio is expected to produce a total net return equal to or exceeding an appropriate benchmark return.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<u>Asset Allocations</u>	<u>Percentage</u>
Stocks	49%
Investment grade debt instruments	40%
High-yield debt instruments	1%
Real estate	9%
Other	1%

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if you want information about your accrued benefits. Your plan administrator is identified below under "Where To Get More Information."

Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal. The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notice of its status to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected, including loss of a lump sum option.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed.

There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC's multiemployer program. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of \$600, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ($\$600/10$), which equals \$60. The guaranteed amount for a \$60 monthly accrual rate is equal to the sum of \$11 plus \$24.75 ($.75 \times \$33$), or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ($\35.75×10).

Example 2: If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or $\$200/10$). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus \$6.75 ($.75 \times \$9$), or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ($\17.75×10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under a plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on the PBGC's website at www.pbgc.gov/multiemployer. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information About Your Plan," below.

Where to Get More Information

For more information about this notice, you may contact:

Northwest Sheet Metal Workers Pension Trust
c/o BeneSys Administrators
1220 SW Morrison #300
Portland, OR 97205
(503) 222-7694

For identification purposes, the official plan number is 001 and the plan sponsor's name and employer identification number or "EIN" is Northwest Sheet Metal Workers Pension Plan, 91-6061344.