

Sheet Metal Workers' Pension Plan

OF SOUTHERN CALIFORNIA, ARIZONA & NEVADA

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NOTICE TO PLAN PARTICIPANTS

To: Active and Retired Participants and Beneficiaries of the Sheet Metal Workers' Pension Plan of Southern California, Arizona and Nevada

From: Board of Trustees

Date: December 18, 2020

Subject: Reinstatement of 55/25 Rule with Contribution Requirement

We are pleased to advise you that the Board of Trustees has determined to reinstate the 55/25 Rule effective January 1, 2021, with one change discussed below. As before, the 55/25 Rule will continue in effect for one year, through December 31, 2021, and be reviewed on an annual basis thereafter.

In 2016, the Board of Trustees adopted a Funding Improvement Plan, required by the Pension Protection Act (PPA), aimed at restoring the financial health of the Pension Plan. The Board updated the Funding Improvement Plan in 2018 and updated it again on December 17, 2020. This second updated Funding Improvement Plan makes only one change to the Plan, with respect to the 55/25 Rule.

55/25 Rule employees are pensioners age 55 and over with at least 25 years of pension credit under the Plan who apply for and receive advance approval from their SMART local union and the Board of Trustees of the Plan to return to work for an unlimited number of hours in sales or safety for a specific contributing employer – in what would otherwise generally be considered suspendable employment under Plan rules, while continuing to receive monthly pension benefits from the Plan. 55/25 Rule employees may not “work with the tools,” perform related supervision, or perform work (other than that specifically allowed by the 55/25 Rule) claimed by the SMART International Union. 55/25 Rule employees must be paid by their employer, as a minimum, regular journeyman wages in the jurisdiction, not including fringe benefits, for all hours worked, or at such rate as the bargaining parties in the jurisdiction may agree. Other terms and conditions apply under Plan rules.

As required by the second updated Funding Improvement Plan, effective for pensioners approved to work under the 55/25 Rule by the Board of Trustees of the Plan on or after January 1, 2021, the employer of such pensioner must pay to the Plan 55/25 Rule equalization contributions of \$3,000.00 per month to help defray the costs to the Plan of the 55/25 Rule. As before, pensioners working under the 55/25 Rule do not earn or accrue any benefits or credits under the Plan for their work.

On an informational basis only, we remind you that it is the understanding of this Plan that the Sheet Metal Workers' National Pension Fund ("NPF"), which is not affiliated with this Plan, takes the position that post-retirement employment with a contributing employer under the 55/25 Rule constitutes "Disqualifying Employment" under NPF rules for NPF participants under the age of 65, for which the participant's monthly pension benefits from the NPF may be suspended. The NPF may also take the position in an individual case that 55/25 Rule work at or after age 65 and before the participant's "Required Beginning Date" under NPF rules constitutes "Disqualifying Employment." Interested individuals are encouraged to check with the NPF about their benefits and the rules under that plan. The Board of Trustees of this Plan has no authority to and does not speak on behalf of the NPF, and these statements should not be considered authoritative.

Also, on an informational basis, we remind you that it is the understanding of this Plan that the NPF and other national fringe benefit funds, such as ITI and SMOHIT, take the position (contrary to the position of this Plan) that pensioners working in sales under the 55/25 Rule are performing covered work, and that their employers must pay regular fringe benefit contributions to the national plans for such work. The national plans also may take the position, contrary to the position of this Plan, that in some cases 55/25 Rule employees working in approved safety positions are performing covered work for which contributions to the national plans must be paid. This Plan has no ability to restrict or control the position of the national plans with respect to their interpretation of covered work under those plans. Again, these statements should not be considered authoritative.

We remind you that under this Plan, participants may, subject to Plan rules, leave active bargaining unit employment to work as an owner, shareholder, or partner, or in management, for a contributing employer, without incurring a "separation in service" or "break in covered employment" that could cause the participant to become "inactive" under Plan rules. The Board encourages participants (and their employers) to consider non-bargaining management or ownership positions as a potentially beneficial alternative to 55/25 Rule employment.

If you have any questions or for further information, please feel free to contact the Administrative Office at (800) 947-4338 or consult your Pension Plan Summary Plan Description ("SPD"). You may also request from the Administrative Office a copy of the second updated Funding Improvement Plan.

Please keep this important notice/Summary of Material Modifications (SMM) with your SPD and other important Plan documents.

Aviso a los participantes que hablan español: Si tiene alguna pregunta tocante este aviso, o requiere alguna otra información tocante a su cobertura bajo el Plan de Pensiones, por favor no dude en comunicarse con la Oficina Administrativa al 800-947-4338, donde habrá varios representantes bilingües que con gusto le ayudarán.

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