Sheet Metal Workers' Pension Plan
OF SOUTHERN CALIFORNIA, ARIZONA & NEVADA
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TO: All Pension Plan Participants, Beneficiaries, and Alternate Payees under Approved Qualified Domestic Relations Orders (QDROs)

SUBJECT: **ANNUAL FUNDING NOTICE for Sheet Metal Workers' Pension Plan of Southern California, Arizona and Nevada**

DATE: April 24, 2024

Introduction

This Annual Funding Notice ("notice") includes important information about the funding status of your multiemployer pension plan, the Sheet Metal Workers' Pension Plan of Southern California, Arizona and Nevada (the "Plan"). This notice 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 required by federal law. This notice is for the plan year beginning January 1, 2023 and ending December 31, 2023 ("2023 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 this percentage. In general, the higher the percentage, the better funded the plan. The Plan's funded percentage for the 2023 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.

Funded Percentage

	2023 Plan Year	2022 Plan Year	2021 Plan Year
Valuation Date	January 1, 2023	January 1, 2022	January 1, 2021
Funded percentage	89.4%	89.7%	74.9%
Value of Assets	$1,434,607,559	$1,407,822,539	$1,150,966,275
Value of Liabilities	$1,604,647,242	$1,569,079,457	$1,537,188,926

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 2023 Plan Year. The chart also includes the year-end market value of the Plan's assets for each of the two preceding plan years.

	December 31, 2023	December 31, 2022	December 31, 2021
Fair Market Value of Assets	$1,365,538,837 (unaudited)	$1,239,568,003	$1,407,822,539

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 enter 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 in endangered and critical status in previous plan years, and in response the Board of Trustees adopted and implemented rehabilitation plans and funding improvement plans as necessary.

The Plan actuary has certified that the Plan was not in endangered or critical status in the 2023 Plan Year.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the January 1, 2023 valuation date was 11,231. Of this number, 5,299 were active participants, 4,179 were retired or separated from service and receiving benefits, and 1,753 were retired or separated from service and have a right to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The general funding policy of the Plan is to attempt to ensure that contributions, which are made by employers pursuant to collective bargaining agreements with the unions that represent the Plan's participants, plus financial returns on Plan assets invested by the Board of Trustees of the Plan in accordance with their fiduciary duties, are, over time, sufficient to pay promised benefits to participants and beneficiaries according to the terms of the Plan and consistent with applicable law.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries. Specific investments are made in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning various types or categories of investment management decisions.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The general investment policy of the Plan is to minimize risk of major principal loss while at the same time achieving an investment result consistent with returns available in the capital markets. In order to achieve these objectives, the Board of Trustees diversifies the Plan's assets among such investment vehicles as common stocks, fixed income securities, cash equivalents, mortgages and other real estate related investments.

The Board of Trustees employs investment managers whose investment philosophies and approaches in utilizing the above investment vehicles will provide a form of diversification which can be expected to achieve the Plan's objectives. In general, the Board of Trustees has established flexible guidelines pursuant to which assets of the Plan will be diversified among asset categories, with the following current investment targets stated as a percentage of total invested assets: equity securities (e.g., stocks-domestic, international, and emerging markets) – 60%; fixed income (e.g., bonds, mortgages, and cash) – 15%; real estate equity – 15%; alternative investments – 10%.

Investments are regularly monitored by the Board of Trustees. The Finance Committee of the Board of Trustees meets at least quarterly with the Plan's investment consultant and selected investment managers.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the 2023 Plan Year. These allocations are percentages of total assets:

Asset Allocations	Percentage
Stocks	57.48%
Investment grade debt instruments	18.29%
High-yield debt instruments	2.83%
Real estate	13.98%
Other	7.41%

These percentages are based on preliminary asset values and subject to confirmation when the annual audit for the 2023 Plan Year is completed.

For information about the Plan's investment in any of the following types of investments—common / collective trusts, pooled separate accounts, or 103-12 investment entities, if any—contact the plan administrator, SMBPAC, by telephone at (800) 947-4338, or by mail at 111 N. Sepulveda Boulevard, Suite 210, Manhattan Beach, California 90266.

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 are also 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 notification 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% of the first $11 of the Plan's monthly benefit accrual rate, plus 75% 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 x $33), or $35.75. Thus, the participant's guaranteed monthly benefit is $357.50 ($35.75 x 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 x $9), or $17.75. Thus, the participant's guaranteed monthly benefit would be $177.50 ($17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified pre-retirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive pension 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 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," below.

Where to Get More Information

For more information about this notice, you may contact Vernon Shaffer, Executive Director of Sheet Metal Benefit Plans Administrative Corporation, by telephone at 800.947.4338, by mail at 111 N. Sepulveda Boulevard, Suite 210, Manhattan Beach, California 90266, or by email at vshaffer@smbpac.org. For identification purposes, the official plan number is 001, the plan sponsor's name is Board of Trustees of Sheet Metal Workers' Pension Plan of Southern California, Arizona and Nevada, and the plan sponsor's employer identification number or "EIN" is 95-6052257.

cc: Business Managers, SMART Locals 26, 88, 104 District 3, 105, 206, and 359
Contributing Employers
Contractors' Associations
Pension Benefit Guaranty Corporation
Plan Counsel
Consultants