Notice of Reduction in Adjustable Benefits under Section 432(e) of the Internal Revenue Code and Notice of Reduction in Future Benefit Accruals under Section 204(h) of ERISA

A. Introduction

You were recently notified that the Sheet Metal Workers Local 46 Pension Fund ("Fund") was certified to be in "critical status" for the Plan Year beginning 7/1/2020. As required by federal law, the Board of Trustees of the Fund adopted a Rehabilitation Plan ("RP"), with schedules of contribution increases and benefit reductions designed to improve the Fund's funded status over a specified period of time. The RP includes schedules of contribution rate increases, reductions in future pension credit accruals and the reduction or elimination of specified benefits, referred to as adjustable benefits, under the Sheet Metal Workers Local 46 Pension Plan ("Plan"). Upon the expiration of each collective bargaining agreement ("CBA") under which the Plan is maintained, employers and the local union ("Union") are required to adopt one of the Schedules in the RP. If an employer and the Union do not agree on a Schedule within 180 days of the expiration of the applicable CBA, a Schedule, referred to as the Default Schedule, is imposed by law.

The Fund has recently been advised that the bargaining parties have adopted the Preferred Schedule of the RP. This Notice is being sent to you consistent with federal law. The purpose of this Notice is to explain the effect of the Preferred Schedule. Part B of this Notice is to advise you of the upcoming reduction and elimination of adjustable benefits, including changes to the Plan's early retirement subsidies. The Fund is required by law to provide Part B of the Notice to affected participants, beneficiaries, contributing employers and the union at least 30 days prior to the effective date of this change.

Part C of this Notice is being provided to you consistent with the requirements of Section 204(h) of the Employee Retirement Income Security Act ("ERISA") to advise you of the reduction in future pension credit accruals that is effective for work in covered employment on and after January 1, 2021. The Fund is required by law to provide Part C of the Notice to affected participants, beneficiaries, contributing employers and the union at least 15 days prior to the effective date of this change.

Please be assured that the changes described in this Notice were adopted only after careful analysis and deliberation to allow the Fund to improve its funded status while it continues to provide significant benefits to participants and beneficiaries. If you have any questions, please contact the Fund Office.

If you are currently receiving a pension, or if your pension starting date is on or before January 1, 2021, and you do not return to work in covered employment, your benefits will not be affected by the changes described in this Notice.

These changes modify your Summary Plan Description ("SPD"), which is the booklet that describes the rules of the Plan in detail. Please keep this notice with your SPD.

B. Reductions in Adjustable Benefits

The explanations below indicate how each of the changes will affect the benefits provided under the Plan.

The following changes are effective for pension effective dates after January 1, 2021:

1. Reduction of Early Retirement Pension (for Participants retiring from Active Service).

The Plan offers an "Early Retirement Pension," described on pages 16-17 of the SPD. It allows eligible participants to retire as early as age 55. Once benefits under the Plan commence, they are generally paid over the remainder of a participant's life (and may continue beyond that for a period of time depending on the payment form you elect). Therefore, to provide benefit payments that are "actuarially" equal in value to the Regular Pension commencing at age 65, the monthly amount of the Early Retirement Pension, with a pension starting date before age 65, must be reduced to account for the additional years over which benefits will be paid. Previously, the Fund had not fully reduced the monthly Early Retirement benefit payments to reflect the early receipt of benefit payments, in effect, "subsidizing" the amount of this reduction for retirements commencing before age 65. Now, for pension effective dates after January 1, 2021, the subsidy will be decreased to more truly reflect the actuarial cost of the earlier monthly benefits to be paid. The following explains and provides examples of how the Early Retirement Pension is currently calculated for participants and how it will be calculated, as changed with pension effective dates after January 1, 2021.

Application of Early Retirement Reductions to Participants

Under the current Plan, as described on pages 16-17 of the SPD, an Early Retirement Pension is first calculated in the same way as if the participant were retiring on a Regular Pension. This amount is payable unreduced if the participant is age 58 or older, had earned at least 10 Pension Credits, and had worked at least 150 hours in Covered Employment in the 24 month period immediately preceding the effective date of the pension. If the participant is not yet age 58 the amount the participant would receive is reduced by ¼ of 1% for each month that he or she is younger than age 58 on the day his or her pension starts.

Under the Preferred Schedule, for participants with pension effective dates after January 1, 2021*,* an Early Retirement Pension will be calculated by reducing a participant's Regular Pension at age 65 by 5/12 of 1% for each month the participant is younger than age 62 on the day his or her pension starts. However, if on the day the participant's pension starts the participant's age in years added to his or her total number of pension credits totals at least 93, the participant's Early Retirement Pension benefit will be unreduced as long as the participant is age 58 or older. If the participant meets this "rule of 93" upon retirement but is not yet age 58, his or her Early Retirement Pension benefit will be reduced by 5/12 of 1% for each month the participant is younger than age 58.

Example 1: *When Dave retires on November 1, 2021 at age 55, he has 20 Pension Credits. Here's how his Early Retirement Pension is calculated:*

First, calculate the full pension benefit that Dave is eligible for at age 65:

$110.00 x 14 = $1.540.00 plus

$90.00 x 6 = $540.00

Regular Pension Amount = $2,080.00

Under the current Plan

Then, reduce that benefit for early retirement. Since Dave elects to start receiving payments at 55, exactly 3 years (36 months) before age 58, the reduction is:

36 x 1/4 of 1% (.0025) = 9%

9% (.09) x $2,080.00 = $187.20

$2,080.00 – $187.20 = $1,892.80 per month (Rounded to $1,893.00)

Under the Preferred Schedule, effective for participants with pension effective dates after January 1, 2021

Then, reduce that benefit for early retirement. Since Dave elects to start receiving payments at 55, exactly 7 years (84 months) before age 62, the reduction is:

84 x 5/12 of 1% (.004167) = 35%

35% (.35) x $2080.00 = $728.00

$2,080.00 – $728.00 = $1,352.00 per month

Note that Dave's monthly benefit may be reduced further depending on the payment option he elects.

Example 2: *When Dave retires on November 1, 2021 at age 56, he has 37 Pension Credits. Here's how his Early Retirement Pension is calculated:*

First, calculate the full pension benefit that Dave is eligible for at age 65:

$110.00 x 27 = $2.970.00 plus

$90.00 x 10 = $900.00

Regular Pension Amount = $3,870.00

Under the current Plan

Then, reduce that benefit for early retirement. Since Dave elects to start receiving payments at 56, exactly 2 years (24 months) before age 58, the reduction is:

24 x 1/4 of 1% (.0025) = 6%

6% (.06) x $3.870.00 = $232.20

$3,870.00 – $232.20 = $3,637.80 per month (Rounded to $3,638.00)

Under the Preferred Schedule, effective for participants with pension effective dates after January 1, 2021

Then, reduce that benefit for early retirement. Since Dave meets the "rule of 93" upon retirement but has not yet attained age 58, his benefit is reduced from age 58. Since he is age 56, exactly 2 years (24 months) before age 58, the reduction is:

24 x 5/12 of 1% (.004167) =10%

10% (.10) x $3,870.00 = $387.00

$3,870.00 – $387.00 = $3,483.00 per month

Note that Dave's monthly benefit may be reduced further depending on the payment option he elects.

2. Reduction of early Vested Pension (for Participants not retiring from Active Service).

The Plan offers a "Vested Pension," described on pages 18-19 of the SPD. It allows eligible participants who are not active participants to retire as early as age 55. Like the Early Retirement Pension described above, to provide benefit payments that are "actuarially" equal in value to the Regular Pension commencing at age 65, the monthly amount of the Vested Pension, with a pension starting date before age 65, must be reduced to account for the additional years over which benefits will be paid. Previously, the Fund had not fully reduced the monthly Vested Pension benefit payments to reflect the early receipt of benefit payments, in effect, "subsidizing" the amount of this reduction for retirements commencing before age 65. Now, for pension effective dates after January 1, 2021, the subsidy will be decreased to more truly reflect the actuarial cost of the earlier monthly benefits to be paid. The following explains and provides examples of how the Vested Pension is currently calculated for participants and how it will be calculated, as changed with pension effective dates after January 1, 2021. The following changes are made to benefits, regardless of when you terminated covered employment or otherwise ceased to be an active participant, as of the effective dates indicated below.

Application of Early Vested Pension Reductions to Participants

Under the current Plan, as described on pages 18-19 of the SPD, a Vested Pension is first calculated in the same way as if the participant were retiring on a Regular Pension. This amount is payable unreduced if the participant is age 58 or older and has 15 or more pension credits. If the participant is not yet age 58 and has 15 or more pension credits, the amount the participant would receive is reduced by ¼ of 1% for each month that he or she is younger than age 58 on the day his or her pension starts. If the participant has at least 10 pension credits but less than 15 pension credits, the portion of his or her benefit based on pension credits earned before 1/1/2011 is reduced by ½ of 1% for each month the participant is younger than age 60 and the portion of his or her benefit based on pension credits earned after 12/31/2010 is reduced by ½ of 1% per month for each year the participant is younger than age 65.

Under the Preferred Schedule, for participants with pension effective dates after January 1, 2021, a Vested Pension will be calculated by reducing the amount of the Regular Pension at age 65 by 5/12 of 1% for each month the participant is younger than age 62 on the day his or her pension starts, if the participant has 15 or more pension credits. If the participant has at least 10 pension credits but less than 15 pension credits, the portion of his or her benefit based on pension credits earned before 1/1/2011 is reduced by ½ of 1% for each month the participant is younger than age 62 and the portion of his or her benefit based on pension credits earned after 12/31/2010 is reduced by ½ of 1% per month for each year the participant is younger than age 65.

Example 3:

Dave earned 8 Pension Credits as of December 31, 2010. He continues to work and earns 7 more Pension Credits and then he leaves the industry. Dave has a total of 15 Pension Credits. Dave applies for a Vested Pension to be effective on January 1, 2022 when he reaches age 55. His benefit is calculated as follows:

Under the current Plan

I. <u>Benefit Earned Prior to 1/1/2011:</u>

8 Pension Credits x $110 = $880.00

Early Retirement Reduction = 3% x 3 years younger than 58 = 9%

Benefit Earned prior to 1/1/2011: $880.00 x 91% = $800.80

II. <u>Benefit Earned After 12/31/2010:</u>

7 Pension Credits x $90 = $630.00

Early Retirement Reduction = 3% x 3 years younger than 58 = 9%

Benefit Earned after 12/31/2010: $630.00 x 91% = $573.30

Total Benefit (Part I plus Part II) $800.80 + $573.30 = $1,374.10 (Rounded to $1,374.00)

Under the Preferred Schedule, effective for participants with pension effective dates after January 1, 2021

I. <u>Benefit Earned Prior to 1/1/2011:</u>

8 Pension Credits x $110 = $880.00

Early Retirement Reduction = 5% x 7 years younger than 62 = 35%

Benefit Earned prior to 1/1/2011: $880.00 x 65% = $572.00

II. <u>Benefit Earned After 12/31/2010:</u>

7 Pension Credits x $90 = $630.00

Early Retirement Reduction = 5% x 7 years younger than 62 = 35%

Benefit Earned after 12/31/2010: $630.00 x 65% = $409.50

Total Benefit (Part I plus Part II) $572.00 + $409.50 = $981.50

Example 4:

Dave earned 8 Pension Credits as of December 31, 2010. He continues to work and earns 5 more Pension Credits and then he leaves the industry. Dave has a total of 13 Pension Credits. Dave applies for a Vested Pension to be effective on January 1, 2022 when he reaches age 55. His benefit will be calculated as follows:

Under the current Plan

I. <u>Benefit Earned Prior to 1/1/2011:</u>

8 Pension Credits x $110 = $880.00

Early Retirement Reduction = 6% x 5 years younger than 60 = 30%

Benefit Earned prior to 1/1/2011: $880.00 x 70% = $616.00

II. <u>Benefit Earned After 12/31/2010:</u>

5 Pension Credits x $90 = $450.00

Early Retirement Reduction =6% x 10 years younger than 65 = 60%

Benefit Earned after 12/31/2010: $450.00 x 40% = $180.00

Total Benefit (Part I plus Part II) $616.00 + $180.00 = $796.00

Under the Preferred Schedule, effective for participants with pension effective dates after January 1, 2021

I. <u>Benefit Earned Prior to 1/1/2011:</u>

8 Pension Credits x $110 = $880.00

Early Retirement Reduction = 6% x 7 years younger than 62 = 42%

Benefit Earned prior to 1/1/2011: $880.00 x 58% = $510.40

II. <u>Benefit Earned After 12/31/2010:</u>

5 Pension Credits x $90 = $450.00

Early Retirement Reduction =6% x 10 years younger than 65 = 60%

Benefit Earned after 12/31/2010: $450.00 x 40% = $180.00

Total Benefit (Part I plus Part II) $510.40 + $180.00 = $690.40 (Rounded to $690.50)

3. Changes to Disability Pension for Participants retiring from Active Service.

The Plan offers a "Disability Pension," described on pages 19-20 of the SPD. It allows totally and permanently disabled participants who meet certain service and work requirements under the Plan to retire on an unreduced Disability Pension before reaching age 58. The monthly pension amount is calculated the same way as a Regular Pension, based on pension credits and the accrual rate in effect when you become disabled. Now, for pension effective dates after January 1, 2021, participants will generally be eligible for a Disability Pension benefit if they become totally and permanently disabled and meet the service and work requirements under the Plan before reaching age 62.

Application of Disability Pension Changes to Participants

Under the current Plan, as described on pages 19-20 of the SPD, a participant becomes eligible for a Disability Pension if he or she becomes totally and permanently disabled before reaching age 58, has at least 10 pension credits, and worked in covered employment for at least 500 hours in the period between the date of the disability and January 1 of the calendar year immediately prior to the calendar year in which the disability occurred. The monthly pension amount of a Disability Pension is calculated the same way as a Regular Pension, based on pension credits and the accrual rate in effect when you become disabled.

Under the Preferred Schedule, for participants with pension effective dates after January 1, 2021, a participant becomes eligible for a Disability Pension if he or she becomes totally and permanently disabled before reaching age 62, has at least 10 pension credits, and worked in covered employment for at least 500 hours in the period between the date of the disability and January 1 of the calendar year immediately prior to the calendar year in which the disability occurred, provided he or she would otherwise have been eligible for an unreduced pension benefit if not for the reductions in the Preferred Schedule. The monthly pension amount of a Disability Pension is calculated the same way as a Regular Pension, based on pension credits and the accrual rate in effect when you become disabled.

C. Reductions in Future Benefit Accruals

The Preferred Schedule will result in the following changes that will decrease the rate of future benefit accruals for certain participants who work less than 1,750 hours in a calendar year for which contributions are due on their behalf on and after January 1, 2021. <u>These changes affect only your pension credits for hours worked on and after January 1, 2021.</u>

Increase in Hours of Service Required for Pension Credit for Participants in Programs.

For calendar years on and after January 1, 2021, participants must be credited with at least 1,750 hours for which contributions are due on their behalf in a calendar year to receive one full pension credit for that calendar year.

Under the current Plan, as explained on page 8 of the SPD, a participant receives one full pension credit for each calendar year in which the participant is credited with at least 1,500 hours for which contributions are due on his or her behalf. If a participant is credited with less than 1,500 hours in a calendar year for which contributions are due on his or her behalf, he or she will receive 1/10th of a pension credit for each 150 hours in that calendar year for which contributions are due on his or her behalf.

For calendar years before January 1, 2021, the following table shows how much pension credit a participant will receive in a calendar year, based on the number of hours the participant works for which contributions are due:

Hours of Service in Calendar Year for Which Contributions Are Made to Pension Fund	Pension Credit (in Tenths)
150 to 299	1/10
300 to 449	2/10
450 to 599	3/10
600 to 749	4/10
750 to 899	5/10 (1/2)
900 to 1,049	6/10
1,050 to 1,199	7/10
1,200 to 1,349	8/10
1,350 to 1,499	9/10
1,500 or more	10/10 (1)

***Under the Preferred Schedule, for calendar years after December 31, 2020*,** the following table shows how much pension credit a participant will receive in a calendar year, based on the number of hours the participant works for which contributions are due on his or her behalf:

Hours of Service in Calendar Year for Which Contributions Are Made to Pension Fund	Pension Credit (in Tenths)
175 to 349	1/10
350 to 524	2/10
525 to 699	3/10
700 to 874	4/10
875 to 1,049	5/10 (1/2)
1,050 to 1,224	6/10
1,225 to 1,399	7/10
1,400 to 1,574	8/10

1,575 to 1,749	9/10
1,750 or more	10/10 (1)

D. Rights and Remedies for Participants and Beneficiaries

Federal law requires that this Notice contain information as to the rights and remedies of Participants and Beneficiaries. For a complete statement of the rights of Participants and Beneficiaries under ERISA, including the right to examine or receive certain Plan documents or to file suit under ERISA, consult page 41 of your SPD. In addition, page 35 of the SPD describes your right to file an appeal should you experience a denial of benefits under the Plan, the Plan's procedures governing such appeals, and your right to file suit in a federal court. A copy of the SPD is available on the Fund's website at www.smw46benefits.com.

To contact the Board of Trustees, write to:

Board of Trustees
Sheet Metal Workers Local 46 Pension Fund
244 Paul Road
Rochester, NY 14624

If you need further assistance understanding your rights under ERISA, you can contact the nearest office of the Employee Benefits Security Administration ("EBSA"), U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, EBSA, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also contact EBSA by calling 1-866-444-EBSA [3272] or visiting the EBSA's website at: www.askebsa.dol.gov.

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