

Sheet Metal Workers' Pension Plan

OF SOUTHERN CALIFORNIA, ARIZONA & NEVADA

P.O. BOX 10067

MANHATTAN BEACH, CA 90266-8567

PHONE: (800) 947-4338

PHONE: (310) 798-6572

FAX: (310) 937-2173

August, 2005

To: All non-retired Pension Plan Participants

Regarding: Reduction in Future Pension Benefit Accruals, and
Change in Reduction Factor for Early Retirement Pensions

Dear Participant:

The Board of Trustees of the Sheet Metal Workers' Pension Plan of Southern California, Arizona and Nevada has determined, after extensive consideration, that certain actions must be taken at this time in order to address significant funding concerns caused by lower than expected investment returns in the years 2000, 2001 and 2002. In the past, the Trustees unanimously voted to increase pension benefits which resulted in retroactive increases all the way back to your first pension credit, creating a very rich pension benefit. Unfortunately, the Pension Plan, like most pension plans in the nation, continues to deal with the fallout caused by the bursting of the "dot-com bubble" and the general decline in stock prices in the first few years of this century.

Reduction in Future Pension Benefit Accruals

The Board of Trustees studied several different options, and through the recommendation of the Plan's Consultant determined that future pension benefit accruals will be reduced by 30% beginning January 1, 2006. In addition, the benefit accrual percentage used to determine pension benefit accruals will be capped at (i.e., will not exceed) 3.148046%, which is equal to the highest percentage currently in effect after applying a 30% reduction. Your benefits earned prior to January 1, 2006 **will not be reduced** as a result of this change! **This 30% benefit accrual reduction and percentage cap will not affect pension benefits earned prior to January 1, 2006.** Enclosed is an example of the new benefit accrual percentages.

Change in Early Pension Calculation

At the present time the amount of an Early Retirement Pension benefit is equal to the amount of a Regular Pension benefit that would be paid to the Participant if he were age 65, reduced by $\frac{1}{4}$ of 1% for each month the Participant is younger than age 65, but not younger than age 60, and $\frac{1}{2}$ of 1% for each month the Participant is younger than age 60 but not younger than age 55.

For Early Retirement Pensions with an effective date of January 1, 2006 or after, benefits accrued on and after January 1, 2006 will be reduced $\frac{1}{2}$ of 1% for each month the Participant is younger than age 65 but not younger than age 55. Note: the Early Retirement Pension reduction from age 55 up to age 60 remains at $\frac{1}{2}$ of 1% per month. The value of your Early Pension benefit as of December 31, 2005 will **not be affected** by this change. Only benefits earned on and after January 1, 2006 will be affected. The age reductions for commencing benefits prior to age 65 that apply to Early Pensions do **NOT** apply to Regular, Service or Disability Pensions. An example of an Early Pension calculation is enclosed.

If you would like an estimate of your current pension benefit, please complete and return the enclosed form to this office. We will do our best to send you an estimate within a few days.

Sincerely,
Board of Trustees

**Sheet Metal Workers' Pension Plan of Southern California, Arizona and Nevada
Future Benefit Accruals**

The examples below show the impact of the 30% reduction in future benefit accruals that will be effective for hours worked on or after January 1, 2006.

The monthly benefit accrued in a calendar year equals the Average Hourly Contribution Rate for a participant during the year times the Benefit Accrual Percentage.

The Average Hourly Contribution Rate for a participant is determined each calendar year by dividing the total contributions made, or required to be made, on the participant's behalf for the calendar year by the number of hours for which such contributions were made, or required to be made, for him during the calendar year.

Current benefit formula through 12/31/2005:

Benefit Accrual Percentage equals the Average Hourly Contribution Rate times 0.85848%, plus 1.2264%

New benefit formula starting 1/1/2006:

Benefit Accrual Percentage equals the Average Hourly Contribution Rate times 0.600936%, plus 0.85848%, with a maximum Benefit Accrual Percentage of 3.148046%

The following table shows the Benefit Accrual Percentages under both the current formula through 12/31/2005 and the new formula starting 1/1/2006 for various Average Hourly Contribution Rates. The table also shows the monthly benefit accrued in a calendar year assuming 1,800 hours for which contributions are made, or are required to be made, for the participant.

Average Hourly Contribution Rate	Current Formula through 12/31/2005		New Formula starting 1/1/2006	
	Benefit Accrual Percentage	Monthly Benefit accrued in a calendar year assuming 1,800 hours	Benefit Accrual Percentage	Monthly Benefit accrued in a calendar year assuming 1,800 hours
\$0.50	1.655640%	\$14.90	1.158948%	\$10.43
\$0.75	1.870260%	\$25.25	1.309182%	\$17.67
\$2.30	3.200904%	\$132.52	2.240633%	\$92.76
\$3.25	4.016460%	\$234.96	2.811522%	\$164.47
\$3.50	4.231080%	\$266.56	2.961756%	\$186.59
\$3.60	4.316928%	\$279.74	3.021850%	\$195.82
\$3.67	4.377022%	\$289.15	3.063915%	\$202.40
\$3.81	4.497209%	\$308.42	3.148046%	\$215.89

**Sheet Metal Workers' Pension Plan of Southern California, Arizona and Nevada
Early Retirement Pensions**

The examples below show the impact of the increase in the reduction for Early Retirement Pensions for benefits accruing on or after January 1, 2006.

Benefits accrued prior to January 1, 2006 are not affected.

The age reductions for commencing benefits prior to age 65 that apply to Early Retirement Pensions do NOT apply to Regular Pensions, Service Pensions or Disability Pensions.

Reduction for benefits accrued up through December 31, 2005:

- 1/4 of 1% for each month the participant is younger than age 65, but not younger than age 60, and
- 1/2 of 1% for each month the participant is younger than age 60

Reduction for benefits accrued on or after January 1, 2006:

- 1/2 of 1% for each month the participant is younger than age 65

The following table shows the reduction percentages at various ages at retirement. If the participant were to retire at some point between these ages, such as at age 63 and 2 months, the reduction factor would be slightly different based on the reduction described above.

Age at Retirement	Reduction for benefits accrued up through 12/31/2005			Reduction for benefits accrued on or after 1/1/2006	
	Months younger than age 65 but not younger than age 60	Months younger than age 60	Reduction Percentage	Months younger than age 65	Reduction Percentage
64	12	0	3.0%	12	6.0%
63	24	0	6.0%	24	12.0%
62	36	0	9.0%	36	18.0%
61	48	0	12.0%	48	24.0%
60	60	0	15.0%	60	30.0%
59	60	12	21.0%	72	36.0%
58	60	24	27.0%	84	42.0%
57	60	36	33.0%	96	48.0%
56	60	48	39.0%	108	54.0%
55	60	60	45.0%	120	60.0%

Examples:

1. Assume a participant has an accrued benefit of \$1,200 per month payable at age 65 and decides to retire early at age 57 on December 1, 2005. His monthly pension at age 57 would be reduced by 33.0% to \$804 per month.
2. Assume a participant has an accrued benefit of \$1,200 per month payable at age 65 and decides to retire early at age 57 on December 1, 2008. Assume that \$950 of the \$1,200 accrued benefit is accrued on or before December 31, 2005. His monthly pension at age 57 would be \$950 reduced by 33.0%, plus \$250 reduced by 48.0%, for a total pension of \$766.50 per month.

To: Sheet Metal Workers' Pension Plan of Southern California, Arizona and Nevada
P.O. Box 10067, Manhattan Beach, CA 90266

- Please send me an ESTIMATE of my pension benefit to the following address.
- Please send me a Pension Plan Booklet for the Sheet Metal Workers' Pension Plan of Southern California, Arizona and Nevada

From: _____
First Name Last Name

Current Mailing Address. Is this a new address? Yes No

City State Zip Code

() _____
Telephone Number

Social Security Number Date of Birth

Signature (forms without a signature will be returned) Date

If you are ready to retire and wish to apply for pension benefits, please check the box below:

- I wish to retire and apply for pension benefits, please send me a pension application packet.

===== FOR OFFICE USE ONLY =====

Current Address on file? Yes No. If no, forward this form to the Eligibility Dept. to update the address

Address updated, returned this form to Pension Dept: _____

Pension Credit Status Report Mailed on: _____