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 28, 2017

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, 2016 and ending December 31, 2016 ("2016 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 2016 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

	2016 Plan Year	2015 Plan Year	2014 Plan Year
Valuation Date	January 1, 2016	January 1, 2015	January 1, 2014
Funded percentage	71.3%	73.7%	74.6%
Value of Assets	$965,239,767	$985,059,220	$992,992,733
Value of Liabilities	$1,354,275,850	$1,336,513,801	$1,331,828,428

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 2016 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, 2016	December 31, 2015	December 31, 2014
Fair Market Value of Assets	$895,753,624 (unaudited)	$878,397,891	$921,062,781

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.

From 2012 through 2015 the Plan was in critical status. In an effort to improve the Plan's funding situation, the trustees adopted a rehabilitation plan on October 10, 2012. This "2012 Rehabilitation Plan" changed the formula for future benefit accruals and reduces or eliminates certain "adjustable benefits," beginning in 2014, and required certain contribution increases beginning in 2014 or after, depending on the rehabilitation plan "schedule" selected by the collective bargaining parties. The Plan emerged from critical status at the end of the 2015 Plan Year because of MPRA special emergence rules.

The Plan was in endangered status in the 2016 Plan Year ending December 31, 2016 because the funded percentage is 71.3%. In an effort to improve the Plan's funding situation, the trustees of the Plan adopted a funding improvement plan on November 21, 2016. This "Funding Improvement Plan" contains benefit and eligibility changes, and "schedules" which provide for additional benefit and contribution changes depending on the "schedule" selected by the collective bargaining parties.

You may get a copy of the Plan's 2012 Rehabilitation Plan, the 2016 Funding Improvement Plan, any update or updates to such plans, and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement. You may get this information by contacting the plan administrator, Sheet Metal Benefit Plans Administrative Corporation ("SMBPAC").

The Plan actuary has certified that the Plan is in endangered status for the 2017 Plan Year ending December 31, 2017. A notice of endangered status for the 2017 Plan Year is being provided to you in a separate document.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the January 1, 2016 valuation date was 10,121. Of this number, 4,106 were active participants, 4,369 were retired or separated from service and receiving benefits, and 1,646 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 Trustees diversify the Plan's assets among such investment vehicles as common stocks, fixed income securities, cash equivalents, mortgages and other real estate related investments. The Trustees employ 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 Trustees have 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) – 63%; fixed income (e.g., bonds and mortgages) – 15%; real estate equity – 15%; alternative investments – 5%; and cash and cash equivalents (e.g., Treasury bills) – 2%.

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 2016 Plan Year. These allocations are percentages of total assets:

	Asset Allocations	Percentage
1.	Cash (interest bearing and non-interest bearing)	2.4%
2.	U.S. Government securities	3.2%
3.	Corporate debt instruments (other than employer securities)	
	Preferred	
	All other	9.4%
4.	Corporate stocks (not employer securities)	
	Preferred	
	Common	58.5%
5.	Partnership / joint venture interests	
6.	Real estate (other than employer real property)	15.2%
7.	Loans (other than to participants)	1.2%
8.	Participant loans	
9.	Value of interest in common / collective trusts	
10.	Value of interest in pooled separate accounts	
11.	Value of interest in 103-12 investment entities	
12.	Value of interest in registered investment companies (e.g., mutual funds)	
13.	Value of funds held in insur. co. general account (unallocated contracts)	
14.	Employer-related investments:	
	Employer Securities	
	Employer real property	
15.	Buildings and other property used in plan operation	2.6%
16.	Other	7.5%

These percentages are based on preliminary asset values and subject to confirmation when the annual audit for the 2016 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 100, 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 Richard J. Wondra, Administrative Director of Sheet Metal Benefit Plans Administrative Corporation, by telephone at 800.947.4338, by mail at 111 N. Sepulveda Boulevard, Manhattan Beach, California 90266, or by email at rwondra@sheetmetalsam.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, Sheet Metal Workers' Locals 26, 88, 104 District 3, 105, 206, and 359
All Contributing Employers
All Employer Associations
Pension Benefit Guaranty Corporation
Legal Counsel
Consultants