Western Metal Industry Pension Fund

A Multi-Employer Labor-Management Retirement Plan

2940 Fairview Ave. East • P.O. Box 12068, Seattle, WA 98102-0068

November 7, 2012

Re: Changes to the 2012 Rehabilitation Plan for the Western Metal Industry Pension Plan

The enclosed notice describes recent changes to the Rehabilitation Plan for the Western Metal Industry Pension Plan. No action is required at this time by bargaining parties that have adopted the Preferred Schedule – this letter simply explains what is happening and why.

What's Happening

The eight-year schedule of 16% increases contained in the Preferred Schedule has been increased to eleven years of 16% increases. Under the Default Schedule, the contribution increase will change from 214% to 254%. These changes affect employer contributions only – participant benefits are not affected beyond changes already made in 2010 in the initial Rehabilitation Plan.

Background

The Pension Protection Act of 2006 (PPA) requires an annual certification of the Plan's status. Because the Plan was in critical status beginning in 2010, the Trustees developed and now monitor the Rehabilitation Plan. The initial Rehabilitation Plan developed in 2010 included two schedules (the Preferred Schedule and the Default Schedule). Bargaining parties must select from these two schedules, which mandate new contribution rates and new accrued benefit features.

The monitoring process for the Rehabilitation Plan is an annual test that must reflect the ongoing experience of the Plan. Because the Plan must meet certain metrics for measuring its progress in meeting the objectives of the Rehabilitation Plan (primarily, improving funded status and avoiding projected funding deficiency), the two schedules were developed by projecting the new contribution and benefit structures into the future, using both demographics and investment return assumptions.

Why the Current Changes Are Necessary

Investment performance of the stock market plays a major role in pension plan funding and the metrics used to monitor the Rehabilitation Plan. The lack of positive market returns in recent years has been driven by a variety of economic factors outside our control.

Here's a look at how our Plan has been affected:

- In 2010, investment returns were higher than projected, providing a small buffer against future poor investment performance. Therefore, in 2011, no change to the Rehabilitation Plan was required.

- During 2011, however, investment returns were below the actuarially-assumed investment return used to develop the Rehabilitation Plan and the buffer created by the 2010 returns was not sufficient to keep the Rehabilitation Plan on target. This negatively impacted our plan's funding. The Trustees used the Plan's investment performance from January 2011 through June 2012 in developing the Rehabilitation Plan update for 2012. This allows the current changes to be less severe than if they had been based solely on 2011 performance. (Investment returns for the second half of 2012 will not be considered until 2013.)

How Participating Employers Are Affected
All bargaining parties that have thus far adopted the Rehabilitation Plan have chosen the Preferred Schedule. In updating the Rehabilitation Plan, the Trustees intentionally left the first eight years of contributions required under the Preferred Schedule unchanged, to give bargaining parties time to make necessary adjustments to the new schedule.

Here is more detail about the revised contribution schedules (see also the enclosed notice):

- ***Preferred Schedule***
  The recently adopted changes to the Rehabilitation Plan satisfy the requirement to annually update the Rehabilitation Plan, but do not impact bargaining parties during the initial eight years of the Rehabilitation Plan. However, three additional years of contributions were added to the end of the contribution schedule. While the hope is that favorable investment returns will allow these future projected increases to be removed eventually, the Trustees made the changes as required, in response to the plan's actual experience.

- ***Default Schedule***
  Under the Default Schedule, the contribution increase compared to pre-adoption rates will change from 214% to 254%.

The Trustees certainly understand the impact of requiring additional funding-only contributions to improve the financial health of the Plan. They continue to evaluate and receive professional guidance about the plan's investment strategy in light of the current economic environment.