



Stabilization Agreement of the Sheet Metal Industry

8403 Arlington Boulevard, Suite 310

Fairfax, Virginia 22031

Phone: (800) 858-0354 • Fax: (703) 549-9613

To: All SASMI Participants with SASMI Contribution's after January 1, 2010 Employees

SASMI is pleased to announce a new, improved benefit for eligible SASMI participants. As you know, SASMI provides a variety of important *active benefits* designed to protect our members during times of involuntary underemployment or unemployment. These important benefits include Supplemental Unemployment and Underemployment (SUB) Benefits, the advance payment Health Benefit to help maintain your health and welfare coverage, Travel Benefits and the inactive Severance Benefit. SASMI also offers *retiree benefits* including the existing Retiree Health Premium Benefit and now a new Retiree Health Care Reimbursement Account ("HCRA") benefit, which will be combined in a new separate retiree plan and benefit summary.

The purpose of this announcement is to explain how the new HCRA benefit will replace the Vacation Benefit (effective 1/1/2010 and terminated 12/31/2013) and give a brief explanation of how the HCRA benefit will work.

The *new* Retiree Health Care Reimbursement Account will become effective January 1, 2014. The HCRA benefit calculation will reach back for anyone who retires after 2009, who has not otherwise received payment of their Vacation Benefit, and eliminate the prior Vacation Benefit. Thus, if you are active in SASMI as of January 1, 2014, your old credits in the Vacation Benefit will be converted to the new HCRA Benefit. Those participants who were eligible for payment of Vacation Benefits before 1/1/2014 (but were not paid those benefits) will be entitled to a transitional option to receive the Vacation Benefit in lieu of having a HCRA.¹

The Trustees are happy to announce the *new* HCRA, in place of Vacation, as it is a more in line with the benefit level of the former Severance Benefits as participants will earn credits in a similar way to the former Severance Benefit calculation.

HCRA:

The HCRA calculation will be done at each participant's actual retirement date. The HCRA account is based on and includes all contributions made on your behalf over your career, multiplied by all Service Credit (equal to 4% for each year of Future Service and 1% for each year of Past service), less all SASMI Benefits previously paid.

Participants who had contributions made after 2009 and received the maximum percentage of 150% for the 2009 calculated Severance would have a larger calculated HCRA (based on the actual separation date) because the amount of contributions has increased.

Example:

Total contributions of \$100,000 at 12/31/2009			
Severance calculation at 150%	=		\$150,000.00
Total Contributions of \$125,000 at 12/31/2015			
HCRA calculation of 150%	=		\$187,500.00
Less	Severance Payable	=	\$150,000.00
Equals	HCRA Account Balance	=	\$ 37,500.00

¹ As of December 31, 2009, the Fund was required to discontinue the prior Severance Benefit. The Trustees, therefore, created a Vacation Benefit to provide a benefit that would provide periodic payments to participants that worked regularly, whether or not they received other SASMI benefits. After a period in which the Trustees received feedback and comment from Local Unions and participants, it was determined that the Vacation Benefit was too complex and misunderstood. Accordingly, the Trustees have replaced the Vacation Benefit with a new Retiree Healthcare Reimbursement Account that is designed to provide credits, in amounts similar to the amounts that were provided under the prior Severance Benefit that may be used by eligible participants after retirement to reimburse medical, hospital and other eligible expenses.

The benefit provided is credited to a “Retiree Health Care Reimbursement Account” maintained by SASMI, which can only be used to reimburse (or, in limited cases, pay) for HCRA Medical Expenses. The account is solely a bookkeeping eligibility account and is not vested for the Retiree or anyone else.

The eligible “HCRA Medical Expenses” are expenses incurred on or after January 1, 2014, which are not otherwise the responsibility of an insurance carrier, a group health plan or other third party, and which would be deductible under Section 213 of the Internal Revenue Code (IRC) (without regard to any percentage of income limitation), with certain exceptions. These expenses are summarized in IRS Publication 502 (2012), Medical and Dental Expenses, which you can find on the Internet at www.irs.gov/publications/p502/index.html. HCRA medical expenses include medical home services which satisfy the other rules with adequate documentation of the medical expense under IRC rules and regulations or, in lay terms, items not covered 100% by your insurance provider as well as the premiums you pay for coverage to an insurance carrier, deductibles, and copayments.

Payments from the HCRA account are available after you retire from a Sheet Metal [defined benefit] pension plan and a credit is made to your HCRA account, generally six (6) months after Retirement. The account can be used to reimburse expenses for you as a Retiree and your spouse and dependents.

A Retiree can claim reimbursement from the account for HCRA Medical Expenses by filing a SASMI form for reimbursement and agreeing to have payments electronically transferred. Reimbursement will be made as soon as administratively possible up to the balance of the account. SASMI will collect and reimburse eligible claims over \$200.00 (over \$200) on a quarterly basis, or annually for smaller amounts, up to the balance in the account. A claim that exceeds a current HCRA account balance will be reimbursed up to the balance in the account.

SASMI may pay a recurring HCRA Medical Expense, such as premium payments directly to a Trustee approved provider. Payment will only be made on application and submission of documentation of an HCRA Medical Expense that is sufficient to satisfy Internal Revenue Service requirements for payment of an unreimbursed medical expense that is not subject to federal income tax under the IRC. The reason for this is that the payment from the HCRA account is a reimbursement and therefore not subject to taxes. Yes, **reimbursement's are made tax free under current law.**

You must file a claim for reimbursement of HCRA Medical Expenses with SASMI within two (2) years of the date that the expense was incurred (or a shorter period, if required by IRS rules). Claims may only be submitted for HCRA Medical Expenses incurred for an eligible Retiree and his or her Spouse or Dependents at the end of the year (December 31) for which claims are filed. Due to other legal requirements, you cannot submit a claim for expenses incurred while you are actively at work, even if your pension is not suspended and there is no option to cash out the account.

You will receive an updated Summary Plan Description early in 2014 that will contain all of the rules pertaining to the HCRA, including how you can apply for benefits.

If you have specific questions regarding your situation please don't hesitate to contact the Plan Office at (703) 739-7250.

Sincerely,
The Board of Trustees