

February 2005

TO: All Pensioners and Surviving Spouses receiving monthly benefits

FROM: Plan Office

RE: Tax Withholding

Dear Pensioner:

At the time you first applied for pension benefits, you were given the opportunity to choose whether you want Federal and/or California State income taxes withheld from your pension. Federal law requires that we annually remind you that you may change your decision if you desire. In addition, please note that we have updated the Federal and California State taxes being withheld from monthly pensions in accordance with year 2005 withholding tables. **Therefore, if you are having taxes withheld from your payments, this may change the net amount you are receiving.**

You have previously elected or rejected having withholding applied to your monthly pension benefit check and this election or rejection will remain in effect unless you instruct us differently. You may revoke your prior election at any time by returning a signed and dated revocation to the Plan Office at the above address. Any election or revocation will be effective on any pension check issued more than 30 days after you submit your request in writing to the Plan Office at the above address.

In computing the amount to be withheld, Federal and State regulations require the Trust to treat your pension payment as "wages" and to apply Federal and State tax tables assuming you are a married person claiming three allowances, unless you notify us, in writing, of a different filing status and/or a different number of withholding allowances. When assuming you are a married with three withholding allowances, the Trust is not required to take Federal Income tax withholding from your monthly pension check if the amount you receive is under \$1,480 per month, or to take California State Income tax if the amount you receive is under \$2,080 per month. **The Plan Office has W-4P (Federal) and DE-4P (State) withholding forms available upon request.**

Withholding is one way for you to pay a portion of your income tax. If no tax or not enough tax is withheld from your benefits, you may have to pay estimated taxes during the year or a tax penalty at the end of the year. Of course, whether you have to pay Federal or California State income tax on your pension depends on the total amount of your taxable income. Your decision on withholding is an important one and you may want to discuss it with a qualified tax advisor.