

PENSION ENHANCEMENT OPTION

Retiring Participants who are contemplating receiving a distribution from their Individual Retirement Savings Individual Account in one of the monthly installment arrangements, or as a lifetime annuity, to help offset Early Retiree self-payments or other expenses may want to consider this option as an alternative. Before making a decision, you should carefully review the following information to determine if you are interested in the pension enhancement option. If you have any questions or would like additional information, please contact the Plan Office.

What is a Pension Enhancement Option?

- This is an option that allows you to voluntarily transfer all or a portion of your San Francisco Electrical Workers Retirement Savings individual account at the time of your retirement to the defined benefit plan in order to increase your pension benefit.

What are the Tax advantages?

- Because you will be receiving your benefits for life rather than in one-lump sum it **provides a means to spread taxes on a lump-sum distribution over time.**

Since deferment of taxes may also be accomplished by a rollover to an IRA or monthly installments from my Retirement Savings Account, what is the advantage of electing a pension enhancement?

- **The Pension Enhancement Option provides you with the security of receiving a benefit for life, regardless of the amount transferred.** Monthly payments under an installment arrangement, on the other hand, cease when the final balance in your Individual Account is paid out.

What happens in the event that I die before receiving the amount I transferred into the Plan?

- Your beneficiary will receive a lump-sum benefit equal to the difference between the principal amount transferred into the Plan and the amount of benefits that were paid to you (and your spouse if benefits were paid in the form of a joint survivor annuity). **This guarantees that you and your beneficiary will receive the full amount of your transfer to the Plan.**

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What happens if I change my mind after I start receiving my enhanced benefit from the Plan?

- One of the advantages of the installment or periodic payment arrangements available under the Retirement Savings Plan, is that you have the ability to change the amount you are receiving or elect to have the remaining balance in your account paid in a lump-sum. This does not apply to the Pension Enhancement. If you purchase an annuity either through an insurance carrier or under this Enhanced Pension Option, you will not have the ability to change to one of the other benefit forms that are available under the Retirement Savings Plan. **Your election to receive an enhanced benefit under this option will, therefore, be irrevocable once you receive your first enhanced benefit payment**

How do I qualify?

- You must be eligible and have applied to receive either an early retirement or normal retirement pension from the Northern California Electrical Workers Pension Plan. Application to make a transfer under this option must be received by the Plan Office within 90-days of the date of commencement of your normal or early retirement pension from the defined benefit plan.

What forms of benefit are available under this option?

- The form of benefit will be the same as the benefit form you elect for your regular benefits under the defined benefit plan. Hence, if you elect a Joint Survivor Annuity for your pension benefits, the enhanced benefit will also be paid in this form. Furthermore, all of the provisions that apply to your pension benefit distributions under the defined benefit plan, (including the Plan's suspension of benefit rules) will also apply to your enhanced benefit.

How much can I transfer under this option?

- You must rollover at least \$10,000 from your individual retirement savings account. The larger the transfer, the greater the increase to your benefit.

How do I determine the impact a transfer will have on my monthly benefit from the defined benefit plan?

- The Plan Actuary has prepared actuarial tables to enable the Plan Office to calculate enhanced pension benefits. The amount of the enhanced pension will depend on your age and the pension option you have chosen for your regular benefits. It will also depend on the plan's actuarial valuation interest rate assumption (currently 8%) and mortality assumptions at the time your application for enhanced benefits is submitted. For illustration purposes, we have enclosed a chart that shows monthly "single life" enhancements at various retirement ages for transfers of between \$10,000 and \$100,000.