

**SAN FRANCISCO ELECTRICAL WORKERS RETIREMENT SAVINGS PLAN
NORTHERN CALIFORNIA ELECTRICAL WORKERS PENSION PLAN
Rules Regarding Minimum Distributions and Distributions After Death**

The San Francisco Electrical Workers Retirement Savings Plan (the “RS Plan”) and the Northern California Electrical Workers Pension Plan (the “Pension Plan”) generally require participants to begin taking pension payments no later than the first April 1 that falls after the calendar year in which the participant attains age 72. Other rules require a participant’s beneficiary to begin taking distributions within a certain period of time after the participant’s death. The Internal Revenue Code requires the Plan to apply these “minimum distribution” rules, and this Explanation summarizes how they operate. You should read this Explanation if you are a participant who is approaching or has attained retirement age and you wish to delay the receipt of your retirement payments from either retirement plan, or if you are a beneficiary of a deceased participant and wish to delay the receipt of retirement payments to be made after the participant’s death.

This Explanation frequently uses several terms that have the following meanings:

1. *Account Balance*, for a distribution year, means the participant’s (or beneficiary’s) RS Plan account balance as of the end of the previous calendar year (December 31).
2. *Designated Beneficiary* means an individual who has been designated by the participant as a beneficiary, but includes an individual whom the plan treats as a beneficiary such as a spouse without a designation (a “default beneficiary”). All of the participant’s potential Designated Beneficiaries are determined as of the date of the participant’s death, and those that remain as Designated Beneficiaries on the September 30 following the year in which the participant died are taken into account when applying the rules explained in this notice. This additional time allows family members to disclaim death benefits in favor of other individuals (such as other family members) if desired, or for a Designated Beneficiary to take his or her full death benefit before the September 30 date so as to be excluded from the minimum distribution rules. If multiple beneficiaries are designated, the Plan may establish separate beneficiary accounts and apply the rules below separately for each beneficiary. A former spouse who is an alternate payee under a qualified domestic relations order (QDRO) is treated the same as a spousal beneficiary under these rules.
3. *Eligible Designated Beneficiary* means a Designated Beneficiary determined as of the date of the Participant’s death.
4. *Installment Rule* describes a distribution method requiring a minimum amount to be distributed each year. The minimum distribution amount for a year under this rule is obtained by dividing the participant’s Account Balance by his or her Life Expectancy. If the participant is married or has a nonspouse Designated Beneficiary, the participant’s and beneficiary’s joint life expectancy based on their ages attained during the distribution year may be used.
5. *Life Expectancy* means a participant’s or beneficiary’s life expectancy as found in IRS Publication 939 (see <http://www.irs.gov/publications/p939/ar02.html>) using the individual’s age on his or her birthday during the year. Joint life expectancy tables can also be found in Publication 590, and refer to the joint life expectancy of a participant and his or her Designated Beneficiary. A joint life expectancy is always longer than a single life expectancy because a joint life expectancy estimates the date when both the participant and the beneficiary will have died.
6. *Required Beginning Date* means the first April 1 following the calendar year in which the participant either (i) has attained age 72 or (ii) has retired, whichever is later.
7. *10 Year Rule* describes a distribution method applicable upon a participant’s death, and requires that the participant’s account be distributed at any time as elected by the participant’s beneficiary, provided the account is fully distributed no later than the last day of the tenth year that begins after the year in which the participant died.

I. PENSION PLAN

A. General Rule

The minimum distribution rules under the Pension Plan are generally quite simple because most Pension Plan participants commence their pension before, or as of, the date that the participant attains age 65. For those participants who delay commencing their pension until after having attained age 65, the pension must begin no later than the participant's Required Beginning Date.

B. Incidental Benefit Rule

In general, a Pension Plan participant may select a joint and survivor annuity upon retirement with a survivor annuity percentage as high as 100% (*i.e.*, the survivor's monthly payment will equal 100% of the monthly payment made while the participant was living). Under the "incidental benefit rule," if a participant selects a nonspouse survivor annuitant, the survivor annuity percentage is limited if the nonspouse beneficiary is more than 10 years younger than the participant. For example, if the participant selects a nonspouse beneficiary who is 20 years younger than the participant, the maximum survivor annuity percentage is 73%. The IRS regulation at http://www.irs.gov/irb/2004-26_IRB/ar07.html contains the table that specifies the maximum percentages for various age differences between the participant and the survivor annuitant.

II. RETIREMENT SAVINGS PLAN

Annual minimum distributions under the RS Plan will be made in accordance with the rules in this Part II. However, accounts that do not exceed \$5,000 will be distributed to the participant in a single sum shortly before the participant's Required Beginning Date or, if earlier, to the participant's beneficiary shortly after the participant's death. Due to special legislation relating to the coronavirus pandemic, no minimum distribution is required under the RS Plan for 2020.

A. Minimum Distributions While Participant is Living

Beginning for the year that includes the participant's Required Beginning Date, and through the year in which the participant dies, an RS Plan participant must receive annual minimum distributions no later than the end of the year. However, the minimum distribution for the first year (the year in which the participant's Required Beginning Date falls) may be delayed until April 1 of the following year, though all succeeding years' minimum distributions must be paid out by December 31 of that year. Thus, the second minimum distribution year may actually have two minimum distribution payments – one by April 1 for the first minimum distribution year and another by December 31 for the second minimum distribution year.

The amount of a participant's minimum distribution is obtained by dividing the participant's Account Balance by the participant's Life Expectancy. If the participant is married or has a nonspouse Designated Beneficiary, the participant may compute the year's minimum distribution by using the participant's and beneficiary's joint life expectancy as of the December 31 that precedes the distribution year.

Example 1. Participant P turned 72 on March 13, 2021, while married to spouse S who turned 69 during 2021. P's RS Plan balance was \$100,000 on December 31, 2020, and \$103,000 on December 31, 2021. P's and S's joint life expectancy, based on their ages on December 31, 2021, (72 and 69, respectively) is 20.3 years. Therefore, the Plan must distribute at least \$4,926 (*i.e.*, $\$100,000 \div 20.3$) to P for the 2021 Plan year no later than April 1, 2022. No later than December 31, 2022, the Plan will distribute at least another \$5,074 (*i.e.*, $\$103,000 \div 20.3$) to P for the 2022 Plan year.

B. Minimum Distributions After the Death of Participant

If the beneficiary of a deceased participant is not a Designated Beneficiary (such as the participant's estate or certain trusts), the participant's account shall be distributed in whatever manner the beneficiary elects under the plan (such single sums on request, installments or a pre-retirement survivor annuity), provided the account is distributed in accordance with the 5 Year Rule. If the participant's beneficiary is a Designated Beneficiary, then the account must be distributed in accordance with the 10 Year Rule. If any of the participant's Designated Beneficiaries is a nonspouse Eligible Designated Beneficiary, the account may be distributed as the Eligible Designated Beneficiary may elect, provided the account is distributed either (i) in accordance with the 10 Year

Rule or (ii) over the life expectancy of the longer of the deceased participant (as determined immediately before his death) or the participant's oldest Eligible Designated Beneficiary, with each succeeding year's life expectancy factor reduced by 1.0. If the participant's sole Designated Beneficiary is also the participant's surviving spouse, the account may be distributed as the surviving spouse may elect, provided the account is distributed either (i) in accordance with the 10 Year Rule or (ii) over the surviving spouse's life expectancy beginning with the later of the year following the participant's death or the year in which the participant would have attained age 72. The surviving spouse's life expectancy is re-determined each year after the spouse's birthday in the distribution year.

Should the participant's beneficiary die before the account is fully distributed, then the account shall be distributed to the beneficiary of the deceased beneficiary as the beneficiary may elect, provided the account is distributed in accordance with the 10 Year Rule.

If the surviving spouse dies before this date, the surviving spouse's beneficiary must commence minimum distributions under the Installment Rule by the last day of the year in which the surviving spouse died, though the beneficiary may at any time elect the 5 Year Rule.

Example 2. Participant P dies in 2021 at age 74 and with his spouse S as his sole beneficiary. S turned age 71 during 2021. For 2021, the Plan will distribute to S the minimum distribution required under the rules in the previous section above, since those rules apply through the year in which P died. S may elect to commence receiving even annual distributions over her life expectancy beginning in 2022, or she may choose to take distributions in whatever manner she wishes so long as the account is fully distributed no later than December 31, 2031. When S dies, whatever remains in the account minimum may be distributed however S's beneficiary wishes, provided it is distributed no later than the end of the tenth year following the year in which S dies.

C. Multiple Beneficiaries

If there are multiple Designated Beneficiaries and separate accounts are established for each Designated Beneficiary, these rules may be applied separately to each account.

If a trust is established to receive the account of a deceased participant, all of the beneficiaries of the trust are Designated Beneficiaries, and at least one of the Designated Beneficiaries is either disabled or chronically ill, then the minimum distribution for the disabled or chronically ill Designated Beneficiary(ies) may be determined using the surviving spouse rules.

D. Rollovers

RS Plan required minimum distributions cannot be rolled over to an IRA or other tax-preferred retirement account, and the first distributions during a year for which a minimum distribution is required are counted as a required minimum distribution. Therefore, only distributions during a year that exceed the required minimum distribution for that year will be eligible for rollover.

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