Northern California Electrical Workers Pension Plan
San Francisco Electrical Workers Retirement Savings Plan
720 Market Street, Suite 700, San Francisco, CA 94102
Tel: 415-263-3670 Fax: 415-263-3672

TAX NOTICE

You are receiving this notice because all or a portion of a payment you are receiving from the Northern California Electrical Workers Pension Plan or the San Francisco Electrical Workers Retirement Savings Plan is eligible to be rolled over to an IRA or an employer plan. This notice is intended to help you decide whether to do such a rollover. This notice describes the rollover rules that apply to payments from the Plan that are not from a designated Roth account (a type of account with special tax rules in some employer plans). Rules that apply to most payments are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section. This Notice generally refers to both plans simply as the “Plan” unless it specifies either the “Pension Plan” or the “Retirement Savings Plan.”

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover affect my taxes?

You will be taxed on a payment from the Plan if you do not roll it over. If you have not attained age 59½ and do not roll over, you will also have to pay a 10% additional federal income tax on early distributions, plus 2½% additional state income tax, unless an exception applies. However, if you roll over, you will not have to pay tax until you receive payments later and the combined 12½% additional income tax will not apply if those payments are made after you have attained age 59½ (or if an exception applies).

Where may I roll over the payment?

You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees and rights to payment from the IRA or employer plan (for example, no spousal consent rules apply to IRAs and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

How do I roll over?

There are two ways to roll over. You can do either a direct rollover or a 60-day rollover.

<u>If you directly roll over</u>, the Plan will make the payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

<u>If you do not directly roll over</u>, you may still roll over by making a deposit into an IRA or eligible employer plan that will accept it. You will have 60 days after you receive the payment to make the deposit. If you do not directly roll over, the Plan is required to withhold 20% of the payment for federal income taxes (up to the amount of cash and property received other than employer stock), plus another 2% for state income taxes. This means that, to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 22% withheld. If you do not roll over all of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional federal income tax (plus 2½% state income tax) on early distributions if you have not attained age 59½ (unless an exception applies).

How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Any payment from the Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);

- Required minimum distributions after age 70½ (age 72, if you were born after June 30, 1949), or after death;
- Hardship distributions;
- Corrective distributions of contributions that exceed tax law limitations;
- Loans treated as deemed distributions (for example, loans in default due to missed payments before your employment ends); and

The Plan Office can tell you what portion of a payment is eligible for rollover.

If I don't roll over, will I have to pay the additional income tax on early distributions?

If you have not attained age 59½, you will have to pay the 12½% additional federal and state income tax on early distributions for any payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax is in addition to the regular income tax on the payment not rolled over.

The 12½% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation;
- Payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary);
- Payments made due to disability;
- Payments after your death;
- Corrective distributions of contributions that exceed tax law limitations;
- Payments made directly to the government to satisfy a federal tax levy;
- Payments made under a qualified domestic relations order (QDRO);
- Payments of up to $5,000 made to you from the Retirement Savings Plan if the payment is a qualified birth or adoption distribution;
- Payments up to the amount of your deductible medical expenses;
- Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001, for more than 179 days; and
- Payments for certain distributions relating to certain federally declared disasters.

If I roll over to an IRA, will the additional income tax apply to early distributions from the IRA?

If you receive a payment from an IRA when you have not yet attained age 59½ you will have to pay the 12½% additional federal and state income tax on early distributions from the IRA, unless an exception applies. In general, the exceptions to the additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- There is no exception for payments after separation from service that are made after age 55;
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse);
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service; and
- There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments after

you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

SPECIAL RULES AND OPTIONS

If you miss the 60-day rollover deadline

Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).

If you have an outstanding loan that is being offset

If you have an outstanding loan from the Retirement Savings Plan, your benefit may be offset by the outstanding amount of the loan if you default on the loan at a time when you are eligible for a distribution. An offset amount is treated as a distribution to you at the time of the offset. Generally, you may roll over all or any portion of the offset amount, and any offset amount not rolled over will be taxed (including the 12½% additional income tax on early distributions, unless an exception applies). You may roll over offset amounts to an IRA or an employer plan (if the terms of the employer plan permit the plan to receive plan loan offset rollovers). How long you have to complete the rollover depends on what kind of plan loan offset you have. If you have a qualified plan loan offset, you will have until your tax return due date (including extensions) for the tax year during which the offset occurs to complete your rollover.

If you become late on a payment due on your Retirement Savings Plan loan and you do not make up that late payment by the end of the calendar quarter that begins after the date the payment became late, you will be treated as having defaulted on your loan. If you are not then eligible for a distribution from the Plan, it will be taxable to you and you will not be able to roll it over. However, you will be permitted to roll over cash to another employer plan or IRA up to the amount of the defaulted loan if (i) you make the rollover <u>both</u> after you have terminated employment from all Employers contributing to the Plan <u>and</u> within one year of the date of the default, and (ii) at the time of the default one of the following applies:

- you had not yet attained age 55 but you were disabled;
- you had attained age 55 and you were collecting monthly benefits from the Pension Plan;
- you had attained age 55, had not worked in covered employment in the preceding 18 months, had not been employed in the electrical construction industry in Local 6's jurisdiction in the preceding 18 months, and had submitted a statement that you do not intend to return to electrical construction work in Local 6's jurisdiction; or
- you had attained age 65.

If you roll over your payment to a Roth IRA

If you roll over a Retirement Savings Plan distribution to a Roth IRA, a special rule applies under which the amount of the payment rolled over will be taxed. However, the additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions are not taxed (including earnings after the rollover). A qualified distribution is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, count from January 1 of the year for which your first Roth contribution was made. Payments from the Roth IRA that are not qualified distributions are taxed to the extent of earnings after the rollover, including the additional 12½% income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs).*

If you are not a plan participant

Payments after death of the participant. If you receive a distribution after the participant's death that you do not roll over, the distribution will generally be taxed in the same manner described elsewhere in this notice, though the additional 12.5% income tax on early distributions will not apply.

> If you are a surviving spouse. If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.
>
> An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½ (or age 72, if you were born after June 30, 1949).
>
> If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 12½% additional income tax on early distributions. However, if the participant had begun taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you may delay taking required minimum distributions from the IRA until the year the participant would have become age 70½ (or age 72, if you were born after June 30, 1949).
>
> If you are a surviving beneficiary other than a spouse. If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a qualified domestic relations order. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). Payments under the QDRO will not be subject to the 12½% additional income tax on early distributions.

If you are a nonresident alien

If you are a nonresident alien and do not do a direct rollover to a U.S. IRA or employer plan, instead of withholding 20% for federal income taxes, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens,* and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities.*

Other special rules

If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments). If your payments for the year are less than $200, the Plan need not allow you to directly roll over and is not required to withhold for federal income taxes. However, you may do a 60- day rollover.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, *Armed Forces' Tax Guide.*

FOR MORE INFORMATION

You may wish to consult with the Plan Office, Fidelity or a professional advisor, before taking a Plan payment. More detailed information on the tax treatment of payments from employer plans can be found in IRS Publication 575, *Pension and Annuity Income,* IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans), all of which are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.