



## U.A. Local No. 467 Trust Funds

MAILING ADDRESS: P. O. BOX 5057, ZIP 95150-5057 • SAN JOSE, CALIF. • PHONE:(408) 288-4400

# SUMMARY OF MATERIAL MODIFICATION to the **U.A. LOCAL 467 DEFINED CONTRIBUTION 401(K) PLAN**

The Board of Trustees of the U.A. Local 467 Defined Contribution 401(k) Plan (“Plan”) is pleased to inform you that the Plan has been amended consistent with the Coronavirus Aid, Relief, and Economic Security Act (known as the “CARES Act”) that was signed into law on March 27, 2020, to permit partial distributions to Participants who have lost their jobs as a result of the Coronavirus pandemic and related issues and well as change the Plan Participant loan rules, as follows

**Partial Distribution Upon Termination of Employment—Coronavirus Pandemic.** A Participant who is terminated from Covered Employment (including a furlough, layoff or short termination) on or after March 1, 2020, as a result of impacts of the Coronavirus (also known as a Coronavirus-Related Distribution as defined in the Coronavirus Aid, Relief, and Economic Security Act known as “CARES”), is entitled to a distribution from his or her Individual Account up to \$50,000. A Coronavirus-Related Distribution will be permitted for any of the following reasons:

- a. A Participant who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention,
- b. A Participant whose spouse or dependent (as defined in section 152 of the Internal Revenue Code of 1986) is diagnosed with such virus or disease by such a test, or
- c. A Participant who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or such other factors as determined by the Secretary of the Treasury for the (or the Secretary’s delegate).

The Plan Office may rely on a Participant’s certification that he or she satisfies the conditions noted above.

To be entitled to the distribution, the Participant cannot have performed any work in the Electrical Industry for a non-signatory employer during the March-December period. The ability to take a distribution pursuant to this provision terminates as of December 31, 2020.

You will be responsible for ordinary taxes on the distribution. Fortunately, Congress amended the law to eliminate the IRS 10% premature tax penalty for early distributions and does not require mandatory 20% withholding on the distribution. You may elect to withhold any amount you want, including no withholding (otherwise the tax withholding will be 10%). (Although California has yet to eliminate the 2.5% premature state tax penalty for early distributions, we are hopeful that that will happen.) While the distribution is subject to ordinary income tax, you can choose to include one-third of the taxable amount in your income each year for three consecutive years in order to spread the tax burden over a longer period. You are encouraged to consult with a tax advisor regarding this issue.

In addition, if you wish, you may repay the distribution to the Plan at any time during the 3-year period beginning on the day after the date on which your Coronavirus-related distribution is received by you. If you do not repay the distribution within the 3-year repayment period, then you lose the opportunity to repay the distribution. The repayments may be made in one or more installments which in the aggregate may not exceed the total amount of the Coronavirus-related Distribution made to you. Once again, you are encouraged to consult with a tax advisor regarding the repayment option.

**Higher Participant Loan Amount—Loan up to \$50,000 is Permitted.** During the 180-day period following the enactment on March 27, 2020, of the Coronavirus Aid, Relief and Economic Security Act (known as the "CARES Act"), the Plan will permit a "qualified individual" to obtain a Participant loan from the Plan in an amount up to the lesser of \$50,000 or 100% of the Participant's Individual Account balance. A qualified individual is any person who satisfies one of the three eligibility criteria:

- a. A Participant who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention,
- b. A Participant whose spouse or dependent (as defined in section 152 of the Internal Revenue Code of 1986) is diagnosed with such virus or disease by such a test, or
- c. A Participant who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or such other factors as determined by the Secretary of the Treasury (or the Secretary's delegate).

The Plan Office may rely on a Participant's certification that he or she satisfies the conditions noted above to be a Qualified Individual.

If you default on a Participant loan on or after January 1, 2021, you will owe ordinary taxes as well as the IRS 10% Premature Tax Penalty for early distributions (depending upon your age), unless Congress changes the rules.

**Certain Loan Payments Are Suspended for One Year.** Loan repayments for a CARES Act loan or any outstanding loan as of March 27, 2020 through December 31, 2020 to a Qualified Individual, are suspended for one year. This applies to any repayments for such Qualified Individual due between March 27, 2020 and December 31, 2020. The suspension period is not counted when determining the maximum permitted loan period (five years for a general loan and a longer period for loans used to purchase a primary residence). Pursuant to the CARES Act, interest will be charged during the postponed payment period. For any new loans issued during the period from April 1, 2020 through December 31, 2020, the Interest rate will be one percent below the Prime Rate.

**Required Minimum Distributions Postponed.** Pursuant to the CARES Act, the Required Minimum Distributions ("RMD") that are required to be made during 2020 are not required to be made during 2020. This includes 2020 RMD payments for individuals already receiving RMD payments and individuals who would have received their first RMD payment in 2020. This provision shall be interpreted consistent with the CARES Act and any lawful regulations or guidance issued thereunder.

The Chair and Co-Chair are delegated the responsibility to interpret these provisions and take any appropriate action. These provision shall be interpreted liberally for the best interests of the Participants given the seriousness of the Coronavirus.