

**ELECTRICAL WORKERS LOCAL NO. 26 INDIVIDUAL ACCOUNT PLAN
IMPORTANT ANNOUNCEMENT CONCERNING
YOUR INDIVIDUAL ACCOUNT**

IMPORTANT AMENDMENT TO THE PLAN'S EMERGENCY CORONAVIRUS RELATED DISTRIBUTION

Dear Electrical Workers Local No. 26 Individual Account Plan Participant:

SUMMARY OF AMENDMENT

*Today's announcement details an important amendment to the Plan's **Emergency Coronavirus-Related Distribution** program, which extends the eligibility period for Emergency Coronavirus-Related Distributions and allows Participants who submit an application to the Fund Office on or after July 1, 2020 to receive a distribution of as much as \$25,000 regardless of whether the Participant submitted an application prior to July 1, 2020 for which the Participant may have received an Emergency Coronavirus-Related Distribution.*

EMERGENCY CORONAVIRUS-RELATED DISTRIBUTION (UPDATED APRIL 17, 2020)

This Summary of Material Modifications describes "Phase 1" and "Phase 2" of the Plan's updated **Emergency Coronavirus-Related Distribution** program.

Phase 1 of the Plan's Emergency Coronavirus-Related Distribution Program

Phase 1 Emergency Coronavirus-Related Distribution: Eligibility.

To be eligible for the Plan's Emergency Coronavirus-Related Distribution **during Phase 1** of the Program:

1. You must have experienced adverse financial consequences on account of a separation from Covered Employment (i.e., furlough, layoff or other job loss) that occurred on or after **February 1, 2020** and was the result of the COVID-19 pandemic,
2. Your severance from Covered Employment has lasted 30 days or more,
3. If you are married, your spouse must consent to the distribution, and
4. You must have submitted an application for an Emergency Coronavirus-Related Distribution to the Fund Office by **June 30, 2020**.

Phase 1 Emergency Coronavirus-Related Distribution: Amount

The total amount of an Emergency Coronavirus-Related Distribution you may receive during Phase 1 may not exceed the lesser of:

- \$25,000, and
- Your Individual Account balance as of the date of distribution reduced, if applicable, by an alternate payee's interest in your Individual Account as provided in a Qualified Domestic Relations Order.

Phase 2 of the Plan's Emergency Coronavirus-Related Distribution Program

Phase 2 Emergency Coronavirus-Related Distribution: Eligibility.

To be eligible for the Plan's Emergency Coronavirus-Related Distribution **during Phase 2** of the Program:

1. You must have experienced adverse financial consequences on account of a separation from Covered Employment (i.e., furlough, layoff or other job loss) that occurred on or after **February 1, 2020** but prior to **September 30, 2020**, which was the result of the COVID-19 pandemic,
2. Your severance from Covered Employment has lasted 30 days or more,
3. If you are married, your spouse must consent to the distribution, and
4. You submit an application for an Emergency Coronavirus-Related Distribution to the Fund Office on or after **July 1, 2020** but before **December 1, 2020**.

Phase 2 Emergency Coronavirus-Related Distribution: Amount

The total amount of an Emergency Coronavirus-Related Distribution you may receive during Phase 2 may not exceed the lesser of:

- \$25,000, and
- Your Individual Account balance as of the date of distribution reduced, if applicable, by an alternate payee's interest in your Individual Account as provided in a Qualified Domestic Relations Order.

For determining the maximum amount of your Phase 2 Emergency Coronavirus-Related Distribution, the amount of your Phase 1 Emergency Coronavirus-Related Distribution, if you received one, is NOT taken into account.

Emergency Coronavirus-Related Distribution: Special Federal Income Tax Treatment

The Trustees designed the Plan's Emergency Coronavirus-Related Distribution to comply with Section 2202(a) of the CARES Act. Coronavirus-related distributions that comply with Section 2202(a) have unique tax-advantages.

- *Waiver of the 10% Tax Penalty Typically Applicable to Early Distributions.* With limited exceptions, Internal Revenue Code Section 72(t) imposes an additional 10% tax on distributions to Participants who have yet to reach age 59½. Section 72(t) does not apply to the Plan's Emergency Coronavirus-Related Distribution.
- *No Mandatory 20% Withholding, Default Withholding Rules Apply.* Eligible rollover distributions include most single sum Plan distributions. Eligible rollover distributions are subject to mandatory 20% federal income tax withholding. However, the Plan's Emergency Coronavirus-Related Distribution is not an eligible rollover distribution and is not subject to mandatory 20% federal income tax withholding. Therefore, the Plan will apply the Internal Revenue Code's default retirement plan withholding rules. Under these rules, the Plan's Emergency Coronavirus-Related Distribution is subject to 10% federal income tax withholding, unless the Participant elects otherwise.
- *Income Inclusion Spread Over 3-Year Period.* The federal income taxes a Participant will owe on the Plan's Emergency Coronavirus-Related Distribution will be spread out over 3 years, unless the Participant elects otherwise. For instance, if a Participant takes a \$25,000 Emergency Coronavirus-Related Distribution, he or she would be treated as receiving \$8,333 per year for three years, which will help defray the Participant's tax burden. We anticipate that the IRS will issue guidance regarding how this will work so that the Fund Office can report such income accordingly.
- *Repayment Option, within 3 Years of Receipt.* If you receive an Emergency Coronavirus-Related Distribution, then within 3 years, you may make one or more contributions—not to exceed the amount you received—back into this Plan or another eligible retirement plan. If you repay all or a portion of your Emergency Coronavirus-Related Distribution to this Plan, the Plan will treat your repayments as eligible direct rollover contributions. Practically speaking, this means you may repay all or a portion of an Emergency Coronavirus-Related Distribution to this Plan (or any other plan in which you may participate that accepts rollovers) within 3 years of receiving an Emergency Coronavirus-Related Distribution, in which case such repayments will be treated as timely-remitted direct rollovers.

Emergency Coronavirus-Related Distributions Should Be a Last Resort

As COVID-19 spreads throughout the country, restricts economic activity, and causes potentially unprecedented levels of unemployment, impacted participants of qualified retirement plans may look to their individual account balances in those plans for financial relief until the pandemic passes. At the same time, all of us should understand that the CARES Act, *of which Section 2202(a) is only one small part*, constitutes an unprecedented fiscal stimulus package intended to help alleviate the financial burden felt by both businesses and workers resulting from the COVID-19 pandemic.

We urge all Participants to find out more about the financial relief that may be available to individuals and businesses under the CARES Act before taking an Emergency Coronavirus-Related Distribution.

We urge you to use this emergency distribution provision only as a last resort. The Electrical Workers Local No. 26 Individual Account Plan is a retirement plan, and having distributions made to you prior to your retirement are counter-productive to the intent of the Plan. Finally, although the Plan's Emergency Coronavirus-Related Distribution has several favorable Federal income tax features, the distribution remains fully taxable to you.

Sincerely,

The Board of Trustees