SAN DIEGO
ELECTRICAL HEALTH & WELFARE TRUST
P.O. BOX 231219
SAN DIEGO, CALIFORNIA 92193-1219
(858) 569-6322
(800) 632-2569
VISIT www.569trusts.org

San Diego Chapter
National Electrical
Contractors Association Inc.

Thank you for your interest in the San Diego Electrical Annuity Plan. The Board of Trustees is pleased to provide you with the enclosed enrollment materials:

- Important Questions and Answers – contains highlights of the Plan, basics of investing, an overview of investment options and frequently asked questions.
- Enrollment form – simply complete and return to the Trust Office to start contributing pre-tax dollars to the Plan.
- Beneficiary Designation Form – designate the primary and contingent beneficiaries that would be entitled to receive the value of your account in the event of your death.

Please read through the information and when you are ready to enroll, return the completed Enrollment form to the Trust Office.

If you are working locally in the jurisdiction of IBEW Local 569, please note that if you have indicated on a Job Referral slip that you want an annuity percentage deducted from your pay, you are not automatically enrolled in this Plan. You need to fill out and return the required forms to this office.

Also, each time you change employers, you must contact the Trust Office (x809) to notify of the change, so that your contributions can continue with your new employer.

If you are working out of town as a traveler under a reciprocal agreement, all contributions to the San Diego Electrical Pension Plan which are in excess of the current hourly rate for a journeyman under the Inside Wireman's agreement will be directed to the San Diego Electrical Annuity Plan.

For questions and information regarding investment options, please call Focus Investment Advisors at (800) 401-5488. Any other questions may be directed to our office at (858) 569-6322, x809 or (800) 632-2569, x809.

Board of Trustees

SAN DIEGO ELECTRICAL ANNUITY PLAN

What is a 401(k) Plan?

The 401(k) Plan is a tax-deferred retirement plan that is qualified under Section 401(k) of the Internal Revenue Code. It has been by far the most popular type of retirement savings plan in the past several years. In fact, virtually all Fortune 500 companies, as well as thousands of smaller employers and union groups have established 401(k) plans.

Under a 401(k) plan, no current federal income tax is due on deferred earnings contributed to the plan. Each employee can elect to reduce their wages by a certain amount and have that amount contributed to the plan. The contributed amount does not appear as taxable income on the employee's W-2 statement. Thus, the contributions are not subject to current federal or state income tax until the employees receive the money from the Plan.

Employees' elective contributions are only subject to Social Security tax and federal unemployment tax. However, this means that there are no reductions in benefits from these government programs due to 401(k) contributions.

Contributing money to a 401(k) plan <u>before</u> taxes immediately increases the amount employees can save for retirement compared to saving with after-tax money. For example, if an employee in the 28% tax bracket elects to defer $500 of earnings each year, their federal tax savings would total $140 – an actual reduction in spendable income of only $360.

	Personal Savings	401(k)
Annual Wages	$ 60,000.00	$ 60,000.00
401(k) Savings	$ -	$ 12,000.00
Taxable Income	$ 60,000.00	$ 48,000.00
Federal Income Tax (single)	$ 5,509.00	$ 3,693.00
State Income Tax (single)	$ 2,248.00	$ 1,380.00
FICA	$ 4,237.00	$ 4,237.00
Spendable Income after Taxes	$ 48,006.00	$ 38,690.00
Equivalent Outside Savings Acct	$ 12,000.00	$ -
Net Spendable Amount	$ 36,006.00	$ 38,690.00
Increase in Spendable Income due to Savings from 401(k) Contribution	$ -	$ 2,684.00

All amounts shown are estimated.

Like the contributions themselves, any interest or investment growth earned on the employee's individual account is free from federal and state tax until it is distributed. Generally, distributions are available at age 59½, retirement or termination of employment.

The convenience of wage or salary reduction retirement savings through regular automatic payroll reduction makes the savings easy and routine.

A 401(k) plan is better than an IRA because of the limitations on deductions for IRA contributions and because employees can make a higher contribution to a 401(k) plan than to an IRA. A 401(k) plan enables employees to contribute up to $23,000 in 2024 to their tax-deferred account, with another $7,500 catch-up allowed for employees aged 50 or more.

Federal law governs the operation of the plan and the plan's rules for participation, timing and amount of contributions, investment of funds and withdrawal or distribution of benefits.

SAN DIEGO ELECTRICAL ANNUITY PLAN
IMPORTANT QUESTIONS AND ANSWERS

Q: When am I eligible to participate?
A: You are eligible to participate immediately upon employment under a collective bargaining agreement (CBA) that permits wage reduction contributions to the Plan.

Q: How do I make contributions?
A: You contribute through payroll deductions by completing an enrollment form and sending it to the Trust Office.

Q: How much can I contribute?
A: You can contribute up to 100% of your wages in whole percentages, up to a maximum of $23,000 per year in 2024. This dollar amount is adjusted annually for cost-of-living increases. Some payroll taxes are mandatory, such as FICA as well as dues deductions.

Q: What are "Catch-Up" Contributions?
A: The "catch-up" rate is an additional $7,500 a year to the Plan beyond other contribution limits for participants aged 50 and over.

Q: Will the employer contribute?
A: No, employers do not make a separate contribution to this Plan. However, when Local 569 members travel to other areas and reciprocate their Pension contributions to their home local, the excess of the other area's pension contribution rate over the home local rate will go to their Annuity account.

Q: Can I lose my contribution?
A: No, your contribution is 100% always vested and nonforfeitable. However, depending upon the investment fund or funds you choose, the value of your account may, at any time, be more or less than the amount of your contributions based on investment performance. Also, your account is subject to administrative expenses which may reduce your account balance.

Q: When can I receive funds from my account?
A: You are eligible for benefits when you satisfy one of the following conditions:

- You attain age 59½ or older. You do not need to terminate employment to receive a distribution at age 59½.
- You terminate employment for any reason (including disability, layoff, etc.) with any employer maintaining this Plan prior to age 59½. Your contributions and investment earnings are available as soon as practical following termination of employment and receipt of an application for benefits but may be subject to early withdrawal penalties. The Summary Plan Description describes these options in more detail.

If married, notarization is required.

Q: Can I take a loan on my 401(k) Account?

A: Yes, you may have one loan at a time. The maximum is one-half of your account balance or $50,000, whichever is less. The maximum term of the loan is 5 years unless it is for the purchase of your principal residence, which has a maximum term of 30 years. The interest charged on the loan and paid back to your account is the prime rate plus one percent, currently 8.75%. Apply for a loan at myplan.johnhancock.com. If married, notarization is required.

Q: What happens when I am unable to make the loan payments?

A: If you miss more than 3 consecutive payments your loan will go into default, and you will get a 1099-R the following for taking a distribution. Additionally, monthly service charges of $2.00 and interest on your loan will continue to accrue. The total will be subtracted from your balance when you take a final distribution.

Q: Can I take a hardship withdrawal?

A: You may take a hardship withdrawal from your account for the following reasons:

- To apply to the purchase of your primary residence
- Prevention of eviction or foreclosure of your primary residence
- Payment of tuition and related educational expenses for you, a dependent or designated beneficiary
- Medical expenses for you, a dependent or designated beneficiary
- Expenses for repair or damages to your primary residence
- Burial expenses for a dependent or designated beneficiary

Forms can be found on 569trusts.org/401k-plan and can be submitted to the Trust Office. If married, notarization is required.

Q: Can I revoke my election?

A: Yes, at any time. Simply complete a change form to revoke or rescind your election. A revocation will be effective as soon as it's processed by your employer's payroll office.

Q: How and where are my funds invested?

A: Upon deposit of contributions into your individual account, you will receive a welcome package from John Hancock explaining how to access your account online and how to set up investment selections.

Q: Will I be charged any fees for participating in this plan?

A: Account balances with less the $10,000: the fee is the account balance multiplied by .00125. This is a monthly fee. Account balances greater than $10,000 have a flat fee annually of $270. Paid in monthly installments of $22.50.