



## MICHIGAN REGIONAL COUNCIL OF CARPENTERS' FRINGE BENEFIT FUNDS

P.O. Box 4540 • Troy, MI 48099-4540  
Telephone: (248) 641-4950 800-572-2525

### IMPORTANT ANNOUNCEMENT SUMMARY OF MATERIAL MODIFICATIONS – February 2009

**TO: ALL PARTICIPANTS IN THE MICHIGAN REGIONAL COUNCIL OF  
CARPENTERS ANNUITY FUND**

The Board of Trustees for the Michigan Regional Council of Carpenters' Annuity Fund has implemented a Plan provision for a **Hardship Benefit** along with new Procedures for the **Valuation of Interest for Annuity Account Payouts, a new Termination of Employment Provision and new Distribution Payment Options**. Please review this cover letter in its entirety along with the enclosed question and answer insert. If you have further questions, or would like additional information concerning your Annuity Fund benefits, please contact the Benefits office.

***After February 1, 2009 call the Annuity Fund office at its new location:***

Michigan Regional Council of Carpenters' Annuity Fund  
Telephone: (248) 641-4950 or toll-free (800) 572-2525

*Street Address:*  
700 Tower Drive, Suite 300  
Troy, MI 48098

*Mailing Address:*  
P. O. Box 4540  
Troy, MI 48099-4540

### **HARDSHIP BENEFIT**

A Participant may now make a request for withdrawal from his or her Annuity Fund account in the event of a financial hardship. Such hardship must be an **"immediate and heavy financial need"** and must meet the IRS definition of a hardship.

The expenses that are deemed to be immediate and heavy include the following:

**1. Costs Relating to the Purchase of a Principal Residence**

Expenses directly related to the purchase of the participant's principal residence, and including the first month's mortgage payment. This expense must be documented by a copy of the signed purchase agreement.

**2. Payments necessary to prevent eviction from, or foreclosure on, a principal residence**

Payment necessary to prevent the participant's eviction from his principal residence or foreclosure on the mortgage on his principal residence, as well as one additional month's mortgage/rent payment. A principal residence is generally the official residence of the participant. The following factors will be considered for this purpose: the use of the property, the amount of time spent at the property, where other family members reside, where they are registered as a voter, where they pay local or state income taxes, the receipt of mail at the address, such as correspondence or utilities and the address on their driver's

license are all factors to consider. This expense must be documented by a copy of the eviction notice or foreclosure notice.

**3. Home Repairs – \*\* Requires Prior Approval from the Board of Trustees \*\***

Expenses for the repair of casualty damages to the participant's principal residence that would qualify as an IRS casualty deduction, determined without regard to whether the expenses exceed 10% of the participant's adjusted gross income. Casualty deductions are limited to a loss caused by theft, fire, storm, flood, or similar causes. Also, necessary repairs to bring a principal residence up to local Building Code, but only in order to purchase same or prevent its loss due to Building Code violations. Repair expenses must be documented by evidence of the casualty (such as pictures, an appraisal, etc.), the repair bill, and proof that insurance proceeds did not cover the expense. Normal remodeling, maintenance and similar repairs are NOT covered by this provision. Expenses related to proving the loss are not included, such as the cost of an appraisal.

**4. Tuition and related Educational Fees and Expenses**

Payment of tuition and related educational fees, and room and board expenses, (or an approved trade or technical school or graduate school) for the next 12 months of post-secondary education for the Participant, or the Participant's spouse, children, or dependents. This expense must be documented by a copy of the invoice or letter from the school confirming both the individual's enrollment and the amount of the expense. School loan payments are NOT considered a financial hardship.

**5. Medical Expenses**

Medical care expenses described in I.R.C. § 213(d) previously incurred by the Participant, the Participant's spouse, or any dependents (as defined in I.R.C. § 152) of the Participant, or necessary for these persons to obtain medical care.

*Medical care expenses* include any amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease; transportation primarily for and essential to medical care; insurance premiums paid for the coverage of medical care expenses; lodging expenses essential to the receipt of medical care; and long-term care services required by a chronically ill individual and provided pursuant to a plan of care prescribed by a licensed health care practitioner.

*Dependents* include any of the following individuals over half of whose support, for the calendar year in which the taxable year of the Participant begins, was received from the Participant:

- (1) A son or daughter of the Participant, or a descendant of either;
- (2) A stepson or stepdaughter of the Participant;
- (3) A brother, sister, stepbrother, or stepsister of the Participant;
- (4) The father or mother of the Participant, or an ancestor of either;
- (5) A stepfather or stepmother of the Participant;
- (6) A son or daughter of a brother or sister of the Participant;
- (7) A brother or sister of the father or mother of the Participant;
- (8) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Participant; or
- (9) An individual who, for the taxable year of the Participant, has as his principal place of abode the home of the Participant and is a member of the Participant's household.

## **6. Burial or funeral expenses**

Burial or funeral expenses for the participant's deceased parent, spouse, child, or legal dependent. This expense must be documented by a copy of death certificate and funeral home bill showing the costs of the burial or funeral, and documents necessary to establish the deceased person's relationship to the participant.

## **7. Limitations**

Hardship distributions are limited to one per nine (9) month period and no more than four (4) distributions per lifetime. There is a minimum distribution requirement of \$1,000 and the net amount that can be distributed from your account is \$40,000 per eligible distribution (subject to "hold back rules" described in the valuation section of this summary).

It is important to understand that hardship distributions are NOT part of a loan program and that you will not be permitted to repay the Fund for these withdrawals. You should consult with your tax advisors to be sure that you understand the tax implications of your taking a hardship withdrawal. You should also note that your account with the annuity Fund is not a bank account. That is to say, contributions and withdrawals cannot be simply made on an as needed basis. There are strict government rules that cover the Plan's operations, including rules on hardship distributions. That means that a distribution cannot be made simply because a Participant may feel that a hardship situation exists. Both the Plan requirements and applicable IRS guidelines must be met before a hardship distribution can be made. In adopting this new benefit, the Annuity Fund has followed those rules and will continue to do so.

## **VALUATION OF INTEREST OF PARTICIPANTS ACCOUNT**

Annually, as near to the end of the Plan Year as reasonably possible, the Trustees establish the fair-market value of each Participant's account. However, until the actual rate of return to be allowed is determined, for payouts that occur throughout the year, whether they are full payouts, for a hardship, a partial or periodic, the payout will now be valued using the most current financial information available. Effective with all applications received after February 1, 2009, the following procedure will apply:

**Full payouts**, a 20% withhold will be applied to the account balance. Gains or losses in the financial market will be applied to the 20% balance held back -- the earliest of when the current financial information is available (typically 6-8 weeks).

Example: Participant applies for benefits January 4, 2009. The Primary check (80% of balance) is issued on Thursday, January 15, 2009. The adjustment check (20% of balance, adjusted for any gains or losses) is issued February 12, 2009 using the month of December's interest valuation.

### ***Hardships, Partial, and Periodic Payouts:***

- If the distribution amount is less than 80% of the participant's balance, then 100% of the requested amount will be distributed and any adjustments for earnings and losses, will be made to the remaining balance.
- If the distribution amount requested is more than 80% of the account balance, then 20% of the Participant's account balance will be withheld for the interest calculation adjustment as described above under the Full payout method.

Note: Any Participant who has applied for a distribution of his account balance may elect to delay the effective date of distribution until such time as the actual rate of return has been allocated by the Trustees, or accept the rate determined as above provided.

## **TERMINATION OF EMPLOYMENT**

When you accrue less than 200 Hours of Service in a Plan Year (May 1 through April 30) under this Plan and completely withdraw from further work in the carpentry and related industries in the Plan's geographic coverage area. Benefits paid as a result of termination of employment are paid following the end of the Plan Year in which these eligibility requirements are met.

## **DISTRIBUTION PAYMENT OPTIONS**

You now have the option to elect to be paid your Annuity Fund distribution in a lump-sum or you may receive your benefit on a monthly, quarterly or an annual basis. Please note however, that if you elect an option other than a lump-sum, your payment option can only be made once per year. e.g. a benefit election which was made by you in January 2009, cannot be changed again until January 2010.

The Trustees are continuously working to deliver the very best benefits possible at the same time managing the financial status of the Annuity Fund.

For the Board of Trustees,  
Michigan Regional Council of Carpenters' Annuity Fund Office