

U.A. Local No. 393 Self-Directed Educational Webinar

February 22nd, 2025



Seminar Agenda



1. **Introductions**

2. **Defined Contribution Plan**(Part B)

- Comparison of the DB and DC Plan
- Contribution amounts and limits
- Eligibility for Distributions
- Forms of Benefits
- Loan Program
- Extended Reserve Account

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2. **Defined Contribution Plan** (Part B)

- Comparison of the DB and DC Plan
- Contribution amounts and limits
- Eligibility for Distributions
- Forms of Benefits
- Loan Program
- Extended Reserve Account



Differences in terminology of our 2 plans

- Part A
- Part B



Differences in terminology of our 2 plans

- Part A
- DB Plan
- Part B
- DC Plan



Differences in terminology of our 2 plans

- Part A
 - DB Plan
 - Defined Benefit Plan
- Part B
 - DC Plan
 - Defined Contribution Plan



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- Part A

- DB Plan
- Defined Benefit Plan
- This is a benefit defined by the pension trustees that each member earns for every hour worked.

- Part B

- DC Plan
- Defined Contribution Plan
- This benefit is based on the mandatory and voluntary contributions made throughout a member's career and the performance of its investments.



Differences in terminology of our 2 plans

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- Part B

- DC Plan
- Defined Contribution Plan
- This benefit is based on the mandatory and voluntary contributions made throughout a member's career and the performance of its investments.
- Prior to 1/1/2015----401A(Money purchase plan),
- After 1/1/2015-----Profit Sharing Plan with a 401K option.



Defined Benefit Plan (DB Plan or the Part A)

This is the union's retirement pension plan. There has been a predetermined benefit that you will earn for every hour of work performed. (At this point it is \$0.12/hr)

Defined Contribution Plan (DC Plan or the Part B)

This is a secondary means of retirement savings that every member can voluntarily contribute to. Along with voluntary contributions, there are mandatory employer contributions of \$11.00 an hour for every journeyman hour performed. As of July 1, 2017, apprentices also participate in the mandatory employer contributions but at a lower rate based on their level of placement in the apprenticeship.

1 st -- 4 th	periods receive	\$2.00/hr
5 th -- 8 th	periods receive	\$3.00/hr
9 th -- 10 th	periods receive	\$4.00/hr

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1. Defined Contribution, (DC Plan or the Part B)
 2. Prior to January 1st. 2015 the plan was considered a 401A(Money Purchase Plan).
 3. In a 401A, all contributions are 100% tax deferred.
 4. Due to an IRS audit of our plan we switched to a more traditional 401K
 5. As of January 1st. 2015 the plan changed to what is now called a Profit-Sharing Plan with a 401K option.
 6. Employer mandatory contributions are applied to the Profit-Sharing Plan which is still a 401A.
 7. All voluntary contributions go into the 401K option. These monies are also taxed deferred, but only after FICA has been taken out. So, it is not 100% tax deferred
 8. FICA taxes are divided into two parts: [Social Security tax](#) and Medicare tax. The [Social Security tax rate](#) is 6.2% of wages for 2023, and the Medicare tax rate is 1.45% of wages.
 9. For 2024, the wage cap for paying FICA increased from \$168,600 to \$176,100

Defined Benefit vs. Defined Contribution



DB Plans:

- **Pros:**
 - Guaranteed retirement income
 - No investment risks to participant
 - Not dependent on participant's ability to save
- **Cons:**
 - Can be difficult to understand
 - Does not benefit employees who are unable to get to vested status

DC Plans:

- **Pros:**
 - Tax deferred savings
 - Participant decides amount to save
 - Can be funded through payroll deductions
 - Not as difficult to understand
- **Cons:**
 - Difficult to build account when beginning late in career
 - Some investment risk to participant

Defined Contribution Plan (Part B)

- **Vesting** – All accounts are 100% vested at all times
- **Benefit Amount** – Employer contribution is \$11/hr. Participant has the option to make additional contributions of any whole number per hour. Election can be changed up to 3 times per year.
- **401(k) Contribution Limits** – The IRS limits the amount of 401(k) elective deferral contributions you can make. The mandatory employer contribution of \$11/hr. does not apply towards these limits. The limits as of 2025 are as follows: \$23,500 if you are under age 50, & \$31,000 if you are 50 or older.



401 K Annual Deferral limits

- 2019---\$19,000 with \$6,000 of catch-up contributions for individuals over 50
- 2020---\$19,500 with \$6,500 of catch-up contributions for individuals over 50
- 2021---\$19,500 with \$6,500 of catch-up contributions for individuals over 50
- 2022---\$20,500 with \$6,500 of catch-up contributions for individuals over 50
- 2023---\$22,500 with \$7,500 of catch-up contributions for individuals over 50
- 2024---\$23,000 with \$7,500 of catch-up contributions for individuals over 50
- 2025---\$23,500 with \$7,500 of catch-up contributions for individuals over 50 *
- * 2025 SECURE ACT 2.0 Allows a catch-up contribution of \$11,250 for those 60 - 63

Defined Contribution Plan (Part B)

Eligibility For Distributions:

All distributions, except hardship and Inter-Plan Transfers, require termination of Industry Service.

You may be eligible for a distribution under the following occurrences:

- The latest of your retirement from Industry Service, attainment of age 65, or the fifth anniversary of participation of the Plan
- Your retirement under Part A Plan (DB)
- You become disabled
- April 1st of the year following the year in which you attain age 73, even if still employed
- Attain age 52 with 25 or more Years of Benefit Credits under Part A, and permanently cease all Industry employment
- Hardship distribution & have all necessary elective contributions (this option didn't exist with the 401A)
- Change membership to another UA Union, a transfer could be arranged
- If you are active, employed with a contributing employer, and have never worked in non-signatory employment since becoming a participant, you can take up to 25% of your account balance per year (age 62-64) or up to 100% of your account balance (age 65+)

Defined Contribution (Part B)

Forms of Benefits

- **Lump Sum Payment** – one payment equal to your entire account balance
- **Partial Lump Sum** – a payment which is less than your entire account balance
- **Fixed Periodic Payments** – monthly installments of more than \$100
- **50%, 75%, or 100% Joint & Survivor Annuity** – a monthly pension for the life of participant, followed by a benefit for the life of the surviving spouse equal to a percent of the amount the participant had been receiving, depending on which percent was selected.
- **Single Life Annuity** – a monthly pension for the participant's lifetime, based on the life expectancy and limited to the account balance.

Defined Contribution (Part B)

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If you have not attained age 55, the only forms of benefit available to you are a Single Life Annuity or a 50%, 75% or 100% Joint and Survivor Annuity.

Your account is eligible for rollover to an IRA or qualified plan. If you do not rollover your account, all distributions are subject to 20% federal tax withholding.

Death Benefits: Spouse beneficiary: spouse can elect to receive death benefits in any form offered under the Plan. Non-spouse beneficiary: beneficiary can elect to receive death benefits in any form except Joint & Survivor. If they elect anything other than a Single Life annuity, balance must be paid within 5 years of your death.

Disability Benefits: Disability distributions are available if you become permanently disabled from work under the CBA. You must either have Social Security Disability Award or equivalent medical proof. If not age 55 or retired under Part A (& no Social Security Disability Award), the only form of benefit available to you, is monthly installments equivalent to 120 hours of Journeyman wages. This benefit is paid out of your Part B account.

Separation from Service: If your account balance is less than \$20,000, you are not vested in Part A, & have permanently stopped working in the trade, you will be eligible if you have not worked in covered employment for the more than: the number of years of Vesting Credits earned in Part A, or 2 years. If your account balance is more than \$20,000, or you are vested in Part A, you will be eligible when you have been separated from Industry Service for a period equal to the number of years during which contributions were made to the Plan on your behalf.

Qualified Domestic Relations Orders (QDRO): If you are married while you accrue benefits under the Plan, and get divorced, your former spouse *may* be granted a QDRO, making some benefits payable to your former spouse.

Defined Contributions Plan (Part B)



Loan Program

Key Points:

- You can apply to borrow half of your Part B account balance up to a maximum of \$50,000.
- The loan terms available are:
 - 5 years for a regular loan;
 - 30 years if the loan is for the purpose of acquiring your principal residence.
- There is a *non-refundable* application fee of \$125.
- The interest rate on the loan is the greater of the current prime rate plus 1.5%; or 6%. The interest you pay is deposited back into your account.
- There is a \$15 late fee charged on any payments received after the 15th of the month.

Defined Contributions:



Loan Credit Worthiness Requirements –

The standard of credit-worthiness is a debt-to-income ratio of 60% or less. You must be determined “creditworthy” in order to qualify for a Plan Loan.

You can elect to have your loan go towards debt consolidation. If approved, up to 3 creditors will be paid directly and that debt will not be included in your debt-to-income ratio when determining credit-worthiness.

Please note: If you have defaulted on a previous Plan Loan, you are not eligible on a new one. Additionally, you are not eligible for second Loan if you are delinquent on your current Plan Loan

❑ *Example of Debt-To-Income ratio calculation: Net Income is \$5,000/month, and you have \$3,500 debt your ratio would be 70%. (Debt includes mortgage, rent, car payments, credit cards, other loans & etc.)*

What Happens If I **Default** On My Part B (DC) Plan Loan?



If you fail to make your monthly payments when due, it may result in a deemed distribution of the outstanding balance of the loan, including interest. Once a loan has been declared to be a distribution, you cannot make any further payments, and the unpaid balance of the loan will be lost to your account balance in the Plan. A 1099 will be issued at the end of the year, and under the Internal Revenue Code, the amount of the distribution will be current taxable income. You may also have to pay a penalty tax if you are younger than 59½.

Extended Reserve Account (ERA)



- Often referred to as your Benny account (Benny Card)
- This is a means of saving money tax free for medical expenses
- There are employer mandatory contributions, and a member can make voluntary contributions
- These funds are tax free when deducted from your income and tax free when used for qualified medical expense

Extended Reserve Account (ERA)



- While Working – Funds in your ERA may be used for doctor office and/or prescription drug co-pays, as well as dental & vision services.
- While Unemployed – Funds in your ERA may be used towards COBRA or self-payments.
- At Retirement – When you retire, you must use ERA to pay monthly premiums.
- Upon Death – Remaining account balance maybe be used for your spouse or dependent children to continue Plan coverage.
- Health Expense Reimbursement – Effective 1/1/2006, you/covered dependents, while active, retired or after your death, may use ERA for reimbursement of qualified health expenses which are not otherwise covered in the Plan.
- Growth Earnings & Tax-Free – Funds contributed towards ERA are tax exempt. The funds are invested, and the actual investment returns are applied to your account annually.

Extended Reserve Account (ERA) - Continued

- The current mandatory employer contribution is \$1.50 per hour.
- You may elect an additional \$1, \$2 or \$4 per hour contribution to be paid into your H&W ERA to be automatically deducted from your paycheck. This amount is non-taxable, and it is not taxed when used.
- IRS rules do not allow death benefit payments from the ERA.
- You have the option to submit a paper claim form with copies of receipts for reimbursement or use your BennyCard at the time services are rendered. However, please note, some BennyCard transactions may require substantiation, so save those receipts – just in case!
- You can only receive payment for services rendered for yourself or your eligible dependents.

*Always refer to Plan Rules for more detailed information



Potential ERA savings over your career

- If a member takes full advantage of the opportunity to max out contributions, at the end of 30 years their ERA account could grow to:
- 45,000 hours at \$5.50/hr. = **\$247,500**
- 60,000 hours at \$5.50/hr. = **\$330,000**

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