

U.A. Local No. 393 Benefit Funds

PLUMBERS, STEAMFITTERS & REFRIGERATION FITTERS

1731 Technology Drive, Suite 570 ■ San Jose, CA 95110

P.O. Box 2460 ■ San Jose, CA 95109-2460

Phone (408) 588-3751 ■ Fax (408) 436-8210

To: U.A. Local Union No. 393 Building Trades Apprentices
From: Board of Trustees
Date: April 2022
Re: Mandatory Employer Non Elective Contribution – 3% of Gross Wages

This notice is intended to explain the U.A. Local No. 393 Defined Contribution Plan's mandatory employer non elective contribution (NEC) and how it may impact you. The U.A. Local 393 Defined Contribution Plan is a safe harbor 401(k) plan. The Master Labor Agreement governing journeypersons and apprentices requires employers to make an hourly employer non elective contribution on behalf of all bargaining unit employees, including apprentices. The Plan is a safe harbor 401(k) plan because the required hourly employer non elective contribution meets the threshold under the Internal Revenue Code of at least 3% of gross compensation. To continue to be a safe harbor plan, this hourly non elective contribution must continue to be at least 3% of gross compensation. Since this is a 401(k) plan, you are also permitted to defer additional amounts from your wages in addition to the 401(a) safe harbor contribution paid by your employer on your behalf.

Employer non elective contributions (often referred to as the 401(a) contributions) are received by the Plan regardless of whether employees make their own contributions. These contributions come directly from the employer and are not deducted from employees' wages.

The Plan's NEC is equal to at least **3% of gross compensation**.

This safe harbor design allows all employees to max out employee contributions (deferrals) to the Plan and avoids complex annual non-discrimination testing. Most importantly it requires employer contributions into your retirement account so your retirement account will grow over the course of your career even if you decide not to make employee contributions (deferrals). All employer non elective contributions are 100% vested at all times.

What does this mean for Building Trades Apprentices?

This Plan requirement means that the 401(a) contribution must be at least 3% of your total taxable wages (Base Rate, Employee Savings, Market Recovery and Dues Check Off) and may require that some of your collectively bargained increase is allocated toward 401(a) contributions.

Below are examples of 401(a) employer contribution minimum requirements based on different wage rates.

| <u>Total Taxable Wages</u> | <u>401(a) Contribution</u> |
|-----------------------------------|-----------------------------------|
| \$100/hour | \$3.00/hour |
| \$50/hour | \$1.50/hour |
| \$40/hour | \$1.20/hour |

If you have any questions, please contact the Fund Office at the number listed above.