Administered by BeneSys

U.A. Local No. 393 Benefit Funds

HEALTH & WELFARE, SUB, DEFINED BENEFIT PENSION AND DEFINED CONTRIBUTION

6293 San Ignacio Ave ▪ San Jose, CA 95119 ▪ P.O. Box 2460 ▪ San Jose, CA 95109-2460
(408) 588-3751 ▪ (408) 436-8210 fax ▪ Staff@ualocal393benefits.org ▪ www.ualocal393benefits.org

# NOTICE: BASIC INFORMATION ABOUT PLAN LOANS

The U.A. Local No. 393 Defined Contribution Plan permits participants to borrow a portion of their account balance in the Plan, as authorized under 29 C.F.R. Sec. 2550. This notice explains the rules of the Loan Program and the tax consequences in the event of the default of a Plan Loan. If you are considering a Plan Loan, read this notice in full.

## GENERAL RULES OF THE LOAN PROGRAM

In many ways, a Plan Loan is the same as any other loan, however, a Plan Loan is different from ordinary loans if you default. If you default, your loan becomes a distribution from the Plan. You are liable for regular income taxes, plus a 10% federal tax and 2½ % state tax for a premature distribution if you are under 59½, plus possible penalties. You should not take a Plan Loan if you intend to, or are likely to, default.

## 1. PURPOSE FOR A PLAN LOAN

You may use your Loan for any purpose except establishing a company in the Plumbing and Pipefitting Industry, unless that company is signatory to a collective bargaining agreement with the Local Union of the United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada having jurisdiction over the company's work in its geographical area of operations. You will need to provide proof of your use of the Plan Loan for this purpose. If the purpose of your loan is to purchase your primary residence, you may repay the loan in a period not to exceed thirty years. Otherwise, the repayment period may not exceed five years.

## 2. AMOUNT OF MONEY AVAILABLE

The amount of money you may borrow from the Plan may not exceed the lowest of the following amounts:

- The amount of money needed for the purpose of the loan
- Half of your account balance
- $50,000

You are only permitted two outstanding loans at a time. The maximum amount for a second Plan Loan is $50,000, reduced by the excess (if any) of

(1) the highest outstanding balance of loans from the plan during the 1-year period ending on the day before the date on which such loan was made, and

(2) the outstanding balance of loans from the plan on the date on which such loan was made.

## 3. QUALIFYING FOR A PLAN LOAN

To qualify for a Plan Loan, you will be required to repay your loan via ACH (Automatic Clearing House). An Authorization Agreement for ACH Direct Payment form is provided to allow automatic payments from your financial account of choice. You may not take out more than 2 loans at the same time. Furthermore, you cannot receive a Plan Loan if you have defaulted on a prior Plan Loan within the last 7 years. **Caution**: If you default on this loan, you will not be permitted to take another loan until **7 years** after the date of default.

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## NOTICE: BASIC INFORMATION ABOUT PLAN LOANS *(continued)*

### 4. USE OF YOUR PLAN BALANCE AS SECURITY

When you take a Plan Loan, you pledge that portion of your account balance as security for your loan. If you are married, your spouse must consent to the use of your Plan assets as security for the loan. While you are repaying your loan, the only income you accrue on your loan balance is the interest you pay, not a share of the interest of income of the Plan as a whole. If you default, your retirement benefits are reduced by any part of the Loan that you do not repay. As you repay your loan, your account balance is restored and accrues interest and income.

### 5. PENSION LOSSES AND TAX PENALTIES IF YOU DEFAULT

If the Plan is unable to perform an ACH deduction due to insufficient funds in your account, which is not fixed within 30 days, you will be notified by the Plan that you are delinquent and that you are at risk of being in default. If you are 90 days late, the Plan will notify you that you are in default, and your loan will be declared a distribution from the Plan.

Once your loan is declared a distribution, the unpaid balance is lost as a pension benefit. You may not repay the loan later to restore your account. You lose the income and tax savings that you would have earned under the Plan for the defaulted amount of the loan.

### 6. IF YOU DEFAULT, YOU BECOME LIABLE FOR SUBSTANTIAL TAXES

All participants who default owe income taxes on their distribution. As required by federal law, distributions are reported to the IRS and to you and the end of the year.

You may also owe other taxes. If you are under the age of 59½, you will owe a federal tax of 10%, and a state tax of 2½%. In addition, you may owe a penalty for failing to have sufficient taxes withheld. If you are unable to pay your taxes, you will be liable for IRS penalties and interest.

### 7. GENERAL ADVICE FROM THE TRUSTEES

You should not apply for a Plan Loan if you cannot repay your loan, or do not intend to repay your loan. The Trustees must discourage defaults to protect the Plan and the participants. If you are unsure about whether you will be able to repay your loan, you should consider the taxes you will pay if you default. Furthermore, please be aware that the interest paid by a member on a Plan Loan is not tax deductible.

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# PLAN LOAN APPLICATION INSTRUCTIONS AND INFORMATION

By submitting this application, you are agreeing to be bound by the rules of the Loan Program. These rules are explained in the notice "Basic Information About Plan Loans".

**Loan Fee:** An application fee of $125 will be charged to your Plan account regardless of whether your application is approved or denied. You may withdraw your application at any time.

If you are married, your spouse must consent to the use of your account balance as collateral.

If you are requesting a loan to purchase your primary residence, you must provide proof, such as a purchasing agreement, before you receive your loan. You may request advance approval of your loan, which will then be finalized upon receipt of the documentation.

Once you qualify for a Plan Loan, you will be provided with the full disclosure of the terms of your loan via email from NWPS, the Plan's recordkeeper (393loans@nwpsbenefits.com ). You will then have 30 days in which to accept the loan by signing the Promissory Note and Security Agreement, promising to repay your loan, and pledging part of your account balance as collateral for the loan. If you need more than 30 days to decide, you may request an extension in writing. However, if you do not decide within 30 days of submitting your application, you must reapply.

**Loan Disbursement:** After you accept your loan, it will be issued to you via check or ACH deposit by NWPS, the Plan's recordkeeper.

**Repayments:** Your loan will be amortized in equal repayments over the loan term. Your loan repayments must be made by ACH deduction on the 1st of each month to ensure timely repayment of your loan. You may repay your loan in full, plus any outstanding interest, at any time with no prepayment penalty.

**Past Due:** You will be notified if your repayments are 30 days late, and again if 60 days late. If you are 90 days late, your loan will be in default. If you default on your loan, it will be declared a distribution under the Plan, and the IRS will be notified. Your account balance will then be reduced to cover the amount of the unpaid balance. If you were under the age 59½ when you received your loan, you will be liable for a 10% federal excise tax and a 2½ % state excise tax (in addition to your regular tax rate) for a premature distribution from a pension plan.

You will not earn any market gains (or loses) on the unpaid balance of your loan. Instead, you will only earn the interest you pay yourself on the balance of your loan. All the principal and interest you pay is credited to your account balance. The interest paid on your loan is not tax deductible.

Your loan will affect your rights for distributions from the Plan in several ways:

- No distribution will be made of the pledged portion of your account balance while it is used as security for your loan.
- If you qualify for a distribution upon retirement and you have an outstanding loan balance, you may have the loan declared a distribution (with spousal consent, if married).
- While you have an outstanding loan, the amount of money available for a Hardship distribution will be reduced by the unpaid portion of the loan which is attributable to elective contributions.

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## PLAN LOAN APPLICATION INSTRUCTIONS AND INFORMATION *(cont'd)*

***Please submit the following documents with your completed Loan Application*:**

- Copy of your birth certificate
- Copy of your spouse's birth certificate – if applicable
- Copy of your Photo ID/Driver's License
- Copy of your spouse's Photo ID/Driver's License – if applicable
- Copy of your Marriage License/Certificate – if applicable
- Copy of Final Judgment of Dissolution for any prior divorces, complete document – if applicable
- Copy of QDRO or Marital Settlement, complete document – if applicable

Please return your completed Loan Application and any supporting documentation to the Benefit Office:

Mail: U.A. Local No. 393 Defined Contribution Plan
P.O. Box 2460
San Jose, CA 95109-2460
Email: staff@ualocal393benefits.org
Fax: (408) 436-8210

In Person at the Benefit Office:
6293 San Ignacio Ave, San Jose CA 95119
Open Monday through Friday, 8:00 a.m. – 4:30 p.m. *(closed 12:00 - 1:00)*

If you have any questions, please call the Pension Department at (408) 588-3751.

**PLEASE NOTE: ELECTRONIC SIGNATURES & ELECTRONIC NOTARIES ARE NOT ACCEPTED BY THE TRUST FUND OFFICE**

### NOTICE CONCERNING FINANCIAL PRIVACY POLICY

The Trustees of the pension Trust Fund are committed to maintaining the confidentiality of personal and financial information that you provide to the Plan. This notice describes our privacy policy, and the steps we take to protect the privacy of your financial information.

The Plan collects personal and financial information from you and your employer in order to administer your pension and collects additional information when you apply for a loan. The Trustees do not disclose any personal financial information about current or former plan participants, except as follows. We share information with service providers, Plan Trustees, and employees who need to know the information to provide you with services. For example, the Plan discloses regularly to providers such as the Administrative Office, and the Plan's accountants, consultants, and attorneys, but only to assist us in administering the Plan. Information that is provided as a part of a loan application is shared only as necessary to process that application. We have implemented electronic, procedural, and technical safeguards to protect your information from accidental disclosure or theft. Otherwise, we do not disclose information, except as required by law or as you authorize. We do not disclose any information about participants or beneficiaries to any third parties for them to use for marketing or other purposes

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## DEFINED CONTRIBUTION LOAN APPLICATION

Participant's Name: _____ Soc. Sec. No.: _____
Address: _____ Date of Birth: _____
_____ Telephone: _____
E- Mail Address: _____

Amount of Loan Requested: $_____ (½ of your account balance up to a maximum of $50,000)

Purpose of Loan: ☐ General Purpose ☐ Purchase of a Primary Residence

**Employment Information**

Name of Current Employer: _____ Telephone: _____
Address of Current Employer: _____ Date of Hire: _____
Name of Previous Employer: _____ Dates of Employment: _____

**Spouse Information**

Name of Spouse: _____ Soc. Sec. No.: _____ Date of Birth: _____
Name of Current Employer: _____ Telephone: _____
Address of Current Employer: _____ Date of Hire: _____

Have you ever defaulted on a Plan Loan? ☐ **YES, on this date: _____** ☐ **NO**

I hereby apply for a U.A. Local No. 393 Defined Contribution Pension Plan Loan, as described in this Application. I agree to be bound by the rules of the Plan Loan Program. I understand that my account balance in the Plan will be pledged as security for the Loan and that if I default, the balance outstanding on the Loan at the time of the default will be lost to my account balance. I also understand that no distribution will be made of the portion of my account balance, which is being used as security for my loan. No Plan Loan shall be made to a Participant who has defaulted on a Plan Loan.

In connection with my Application, I certify that the information in this application is true, complete, and correct. I agree to notify you of any material change in the information, which has been provided in this Application. I authorize you to obtain such information as you may require from whichever sources you may deem necessary concerning any statements made on this Application.

_____ _____
Participant Signature Date Spouse Signature Date

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# SPOUSAL CONSENT FORM FOR DEFINED CONTRIBUTION LOAN

Participant:_____Loan Amount: _____

I understand my spouse has applied for a Plan Loan in the above amount, and that the following rules of the Plan Loan Program will apply to the Loan:

1. A portion of my spouse's account balance in the U.A. Local No. 393 Defined Contribution Pension Plan, equal to the amount of the loan, will be pledged as security for the Loan; and

2. No interest or income will accrue on the portion of the account balance used as security for the Loan, except the interest on the loan; and

3. No distribution will be made of the portion of the account balance which is being used as security for the Loan; and

4. If my spouse defaults, the balance outstanding on the Loan at the time of the default will be lost to the account balance, and a substantial tax liability may accrue for a premature distribution from a pension plan.

5. I may withdraw my consent at any time in writing, until the loan is given to my spouse. Unless withdrawn, this consent will be considered conclusive, and no further consent will be requested of me.

I hereby consent to the use of my spouse's Plan account balance as security for this Loan. I authorize you to obtain such information as you may require from whichever sources you may deem necessary concerning any statements made on this application.

| Participant Signature | Date | Spouse Signature | Date |
|---|---|---|---|

**SIGNATURE OF SPOUSE MUST BE NOTARIZED OR WITNESSED BY A PLAN REPRESENTATIVE**

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# CERTIFICATION OF MARITAL/SINGLE STATUS

Federal Law requires the Trustees to confirm whether a previous spouse is entitled to any portion of your pension benefits. As such, it is necessary that we request the following certification and supporting documentation. Failure to complete this form in full, including signing it in front of a notary public, and providing all documentation requested, will result in a delay of the processing of your application.

Participant Name:_____Soc. Sec. No.: _____

Current marital status:

- ☐ SINGLE, NEVER MARRIED
- ☐ SINGLE, PREVIOUSLY MARRIED*
- ☐ MARRIED, NO PREVIOUS MARRIAGE(S)
- ☐ MARRIED, WITH PREVIOUS MARRIAGE(S)*

***If you have had previous marriages, please list the names of your ex-spouses, the date(s) of marriage and date(s) of divorce. If any of your previous marriages ended due to the death of your spouse at the time, please list the date of death.**

| Ex-spouse's Name | Date of Marriage | Date of Divorce/Death |
|---|---|---|
| 1. | | |
| 2. | | |

Please provide complete copies of all marriage certificates, divorce decrees, separation agreements, Qualified Domestic Relations Orders and any other accompanying documents related to the termination of your previous marriage(s). If any previous spouses have passed away, please provide a copy of the death certificate(s). If you do not have these documents, contact the appropriate court through which the proceedings occurred to obtain certified copies.

I hereby certify, subject to the penalty of perjury, that the above information is, to the best of my belief and knowledge, true and complete. ANY PERSON WHO SUPPLIES A FALSE CERTIFICATION IN CLAIMING A BENEFIT FORFEITS ANY RIGHT HE OR SHE MAY HAVE TO THE BENEFIT AND, UPON DISCOVERY, BECOMES LIABLE FOR FULL REPAYMENT OF ANY MONEY RECEIVED AS A CONSEQUENCE.

_____

Participant Signature Date

**PARTICIPANT SIGNATURE MUST BE NOTARIZED OR WITNESSED BY A PLAN REPRESENTATIVE**

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# DIRECT DEPOSIT AUTHORIZATION FORM FOR ONE TIME LOAN DISTRIBUTION

***Please complete this form to receive your loan distribution via ACH deposit. If you do not complete this form the loan distribution will be issued via check.***

Name _____SSN# _____

Address _____Phone # _____

City _____State _____Zip Code _____

Email Address: _____

Name of Financial Institution _____

Bank Routing Number _____Account No._____

Type of Account: ☐ Checking ☐ Savings

**Note: If your account type is checking, please attach a voided check or bank direct deposit letter. If your account type is savings, please attach a deposit slip or bank direct deposit letter.** Verify that your routing number and account number are correct and are on the voided check and deposit slip.

I hereby authorize the Board of Trustees of U.A. Local No. 393 Defined Contribution Plan ("Plan") to deposit all amounts due to me under the Plan in my account at the Financial Institution named above. This authorization is effective for the loan distribution requested in this application only. If, due to lack of knowledge of my death, the Plan distributes benefits after my death for deposit in my account, I authorize and direct the Financial Institution to refund to the Plan any amounts paid after my death.

_____ _____

Participant Signature Date

Please return completed form properly signed to:
U.A. Local No. 393 Defined Contribution Plan
c/o Benesys Administrators
PO Box 2460
San Jose, CA 95109