

SAN MATEO COUNTY ELECTRICAL CONSTRUCTION INDUSTRY RETIREMENT PLAN

BASIC INFORMATION ABOUT PLAN LOANS

The I.B.E.W. Local 617 San Mateo County Electrical Construction Industry Retirement Plan (“Plan”) permits participants to borrow a portion of their account balance in the Plan through United Administrative Services, the Plan’s third-party administrator. This summary explains the rules of the Loan Program and the harsh tax consequences of the default of a Plan loan. If you are considering a Plan loan, read this notice in full.

GENERAL RULES OF THE PLAN LOAN PROGRAM

A Plan Loan should be treated the same as any other loan. You must qualify for the loan, and you must repay it. 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 then liable for regular income taxes, plus a 10% federal tax and 2½% state tax (if in California) for a premature distribution if you are under the age 59½ (age 55 if you terminate your employment on or after that date). You should not take a Plan Loan if you intend to, or are likely to, default. The following rules apply to all Plan Loans:

1. PURPOSE FOR PLAN LOAN/IMPACTS REPAYMENT PERIOD

A Plan Loan may be for any purpose. If your Loan is for the purpose of purchasing or building your primary residence, you will have to provide proof of such purchase or building. If the purpose of your loan is to purchase your primary residence, you may repay the loan in a period not to exceed twenty (20) years. Otherwise, the repayment period may not exceed five (5) years. If you are fine with paying off a loan for the purchase of your primary residence in five years, you do not need to provide proof of the purchase.

Active Military Exception. There is a repayment exception for those in active military service under Internal Revenue Code Section 414(u). The Plan may suspend the obligation to repay a loan during the period of active military servicing without causing the loan to be in default if the payments resume upon completion of the active military service.

2. AMOUNT OF MONEY AVAILABLE

The amount of funds you may borrow from your Individual Account with the Plan is strictly limited by federal law. You may borrow the lesser of \$50,000.00 or one-half of your account balance (minimum of \$1,000.00) as of the Valuation Date proceeding the date upon which you make application. Thus, if you have \$60,000 in your Individual Account, you may borrow up to \$30,000 (which is 50% of your Individual Account balance). If you have \$100,000 or more in your Individual Account, you may borrow up to \$50,000.

The maximum loan that you are able to take from the Plan is reduced by the highest outstanding loan balance during the one-year period ending immediately before the new loan date. Thus, if you have over \$100,000 in your Individual Account and thus typically could borrow \$50,000, if you had a \$15,000 loan balance on a different Participant loan during the prior one-year period, you could borrow only \$35,000 (\$50,000-\$15,000=\$35,000).

3. QUALIFYING FOR A PLAN LOAN

You will be required to complete an application for a loan. You will be responsible for the non-refundable loan-processing \$100 fee, which is explained in more detail when you apply.

4. USE OF YOUR PLAN BALANCE AS SECURITY

When you take a Plan Loan, you must pledge your account balance in the Plan as security for your loan. If you are married, your spouse must provide written consent to the Loan. While you are repaying your loan, the income you accrue on your loan balance is the interest you pay, not a share of the Plan's earnings 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 as before, except that you will be charged a **\$15 service fee for each payment.**

5. PENSION LOSSES IF YOU DEFAULT

If you are thirty days late on a payment, the Plan Office will notify you that you are delinquent, that you must pay a late fee, and that you are at risk of being in default. If you are ninety days late, the Plan will notify you that you are in default, and your loan will be declared a distribution. 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 Plan 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 ARE LIABLE FOR SUBSTANTIAL TAXES

Participants who default owe income taxes on their distribution. As required by federal law, the Plan office automatically reports the distribution to the IRS and to you, at the end of the year. You may also owe other taxes as well. If you are under the age of 59 ½ (age 55 if you terminate your employment on or after that date), you will owe a federal premature tax of 10%, and a state premature tax of 2½% in addition to ordinary taxes. In addition, you may owe a penalty for failing to have sufficient taxes withheld. If you are unable to timely pay your taxes, you will also be liable for 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, in order 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 on a Plan loan is **not** tax deductible.

8. APPLYING FOR A LOAN

If you wish to apply for a loan, contact United Administrative Service, at (408) 288-4556, or write to the Trust Fund Office at 6800 Santa Teresa Blvd. Suite 100, San Jose, CA 95119 or P.O.BOX 5057, San Jose, 95150, for further information and application forms.

SAN MATEO COUNTY ELECTRICAL CONSTRUCTION INDUSTRY RETIREMENT PLAN

(For members of IBEW Local 617)

LOAN APPLICATION Instruction and Loan Information

The San Mateo Electrical County Electrical Construction Industry Retirement Plan includes a loan program which permits you to borrow a portion of your Individual Account with the Plan as authorized under 29 C.F.R. Sec. 2550. Under the Plan, a participant may borrow up to half of his or her account balance in the Plan, to a maximum of \$50,000, for the purchase of a primary residence, refinancing, home improvement, and general purpose. 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". This notice is available from the Trust Fund Office at United Administrative Services, P.O.BOX 5057, San Jose, California 95150.

To receive a loan, you must submit the application, an application Fee of **\$100.00**. The Trust Fund Office will first review your application to see if you are a vested participant in the Plan and that your Plan balance is a minimum of \$5,000 to permit you to borrow the amount requested. **If you are married, your spouse must provide written consent of the loan.**

Please complete the application **in full**. Feel free to use additional pages to answer any question in full. Indicate the time period in which you wish to repay your loan. Loans for purchasing (or building) your primary residence may be repaid in up to twenty (20) years. All other loans must be repaid within five (5) years. You must provide proof of the purpose before you receive your loan, or you may also request advance approval of your loan, which will then be distributed to you only upon supplying the proper proof. **You may withdraw a loan application at any time. However, your loan application fee will not be refunded.**

If you qualify under the Plan you will be provided with a full disclosure of the terms of your loan. 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 90 days of submitting you application, you must re-apply.

If your loan is approved, the Plan will issue a payment to you. Your loan will be amortized in equal payments over the period you selected. Your payments will be due on **the first of each month**. You will receive a coupon packet, good for the current year, upon signing your loan and each year thereafter. If you wish, you may repay the full balance of the loan, plus any outstanding interest, at any time. There is no prepayment penalty. If you prepay part of your principal, the term of your loan is reduced accordingly.

If a payment is received after the 15th of any month, you will be charged a \$15 late fee to cover the cost of late notices and other administrative costs of the loan. The late fee will be due with

your next payment. If you do not pay the late fee, it will be deducted from the amount which is credited to your account balance. No additional interest will be charged on a late payment.

You will be notified if you are 30, 60, and 90 days late. If you are 90 days late, your loan will be declared 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 (age 55 if you had terminated your employment on or after age 55), 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.

As long as you owe any money on the loan, you will not earn a share of the income of the Plan on the unpaid balance of the loan. The only income you earn on the balance of your loan is the interest you pay. All of the principal and interest you pay is credited to your Plan account balance, except for a service fee of \$15 per payment.

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

1. No distribution will be made of the pledged portion of your account balance while it is used as security for your loan.
2. If you qualify for a distribution from the Plan upon retirement and you have an outstanding loan balance, you may have the loan declared a distribution, with your spouse's consent if you are married.

If you have any questions about the Loan Program, please contact United Administrative Services at (408) 288-4556 or visit or write the Fund office at 6800 Santa Teresa Blvd. Ste 100 San Jose, CA 95119 or P.O.BOX 5057, San Jose 95150.

Dear Participant,

Please include a copy of the following documents with your completed application:

- Birth Certificate for you and your spouse.
- Marriage Certificate (if Applicable).
- If you have been divorced, submit a copy of your Divorce Decree or any Property Settlement Agreement or Qualified Domestic Relations Order (if Applicable).
- If the purpose of the loan is for the purchase of your primary residence, submit a copy of the real estate purchase agreement, loan estimate, and/or closing document.
- Please include the **Loan Application Processing fee of \$100.00. Checks are made payable to: San Mateo Electrical-Local 617 Retirement Plan.**

If you have any questions, you may contact the Fund office (408)288-4556 or toll free at 1(800)541-8059 Extension 4556 (California residence only).

**SAN MATEO COUNTY ELECTRICAL
CONSTRUCTION INDUSTRY RETIREMENT PLAN**

LOAN APPLICATION

APPLICANT

Name: _____ Social Security No.: _____

Address: _____ Date of Birth: _____

Telephone: _____

E-mail Address: _____

Marital Status: Single Married Divorced.

If you are married, your spouse must consent to the loan. If you are divorced, you are required to submit a Qualified Domestic Relations Order (QDRO), which shows the disposition of the account balance of the Plan or other pertinent divorce documents showing that your former spouse is not entitled to any share of your pension.

Spouse Name: _____ Spouse -Social Security No: _____

Spouse Date of Birth: _____

LOAN: Purpose of Loan: General Purpose (60 Months) Home Loan (Up to 240 Months)

Provide proof of purpose, such as contract of sale, if for the purchase of a primary residence (which may be repaid over a period of more than five (5) years.)

AMOUNT OF LOAN REQUEST: \$ _____

(Half of your account balance or less up to a maximum of \$50,000.00)

STATEMENT OF APPLICANT

I apply for a participant loan from the San Mateo Electrical Construction Industry Retirement Plan, 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. I also understand that no distribution will be made of the portion of my account balance that is being used as security for my loan. I certify that the above statements, which are submitted for the purpose of obtaining credit, are true, complete, and correct. I agree to notify you of any material change in the information which has been provided in this application.

Participant Signature: _____ Date: _____

SPOUSAL CONSENT OF THE PARTICIPANT LOAN

Participant: _____ Loan Amount: _____

I understand that my spouse has applied for a Plan Loan in the above amount, and that a portion of my spouse's account balance in the San Mateo County Electrical Construction Industry Retirement Plan, equal to the loan amount will be pledged as security for the Loan, that no interest or income will accrue on the Loan amount except the interest on the loan, that no distribution will be made of the portion of the account balance which is being used as security for the Loan, and if my spouse defaults, the balance outstanding on the Loan at the time of the default will be lost to the account balance. I understand that I may withdraw my consent at any time in writing, until the loan is given to my spouse. I understand the effects of this spousal consent. I consent to the Participant loan elected by my spouse..

Signature: _____ Date: _____

SPOUSE SIGNATURE MUST BE NOTARIZED