

5. If I take a CRD during 2020, does that impact my ability to take a Hardship Withdrawal or other Fund Distribution?

✓ **Absolutely not.** A CRD is a new type of distribution allowed under the CARES Act, and it is entirely *separate and distinct* from the Fund’s current Hardship Withdrawal, In-Service Distribution and other distribution (e.g., Terminated Participant) rules. However, all of the Fund’s normal rules governing these other distributions continue to apply.

As examples, if you were eligible to receive a full lump sum distribution as a Terminated Participant and did so, the Fund still would be required to withhold 20% from your lump sum for federal income tax withholding (as the exception for CRDs outlined above *does not apply*). Also, depending on your age or other circumstances, you might also be liable for the Internal Revenue Code’s 10% additional tax. Next, if you wanted to take a Hardship Withdrawal, you would still be subject to all normal Fund rules, including the limitation that you can only take one (1) Hardship Withdrawal in any twenty-four (24) month period (subject to very limited exceptions). You should refer to your Summary Plan Description for further details on the Fund’s other distribution rules.

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What should I do if I have additional questions? If you have questions about this Notice, or wish to request the Fund’s CRD Application packet on or after June 12, 2020, please contact the Fund Office at 866-288-9261 (Toll Free), using extension 638, by e-mail to [cklein@local478benefits.org](mailto:cklein@local478benefits.org) or by letter to:

Ms. Dorothy Siniscalchi, Executive Director  
IUOE Local No. 478 Annuity Fund  
1965 Dixwell Avenue  
Hamden, CT 06514-2400

We will work diligently to answer any questions you may have, and we will also work with the MassMutual, the Fund’s self-directed investment program service provider, to ensure that this new CRD option is implemented as quickly as possible.

Please keep this Notice with your Summary Plan Description (SPD) for future reference. Should you have any questions after reviewing this Notice, please contact us. The Fund Office is always ready to help with your individual questions. This Notice constitutes a Summary of Material Modifications to the Annuity Plan, and we are furnishing it to you in accordance with U.S. Department of Labor regulation §2520.104b-3. As a reminder, subject to applicable legal rules all Plan benefits are subject to amendment and/or termination as the Trustees may determine to be in the best interests of the Annuity Plan’s participants and beneficiaries. If you have any questions or wish to discuss your particular circumstances with the Fund Office, please contact us.

For the Annuity Fund Board of Trustees, Dorothy Siniscalchi, CPA, Executive Director

# Annuity Fund

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Local Union 478 A-C-D-E

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## NEW DISTRIBUTION OPTION - CORONAVIRUS-RELATED DISTRIBUTIONS June 2020

To: All Annuity Plan Participants (including Retirees) with an Account Balance:

The last few months have been difficult for all of us. The Board of Trustees of the International Union of Operating Engineers Local No. 478 Annuity Fund (Fund) understands that an economic slowdown in the middle of a health crisis has serious implications for all of our Participants and Retirees, as well as their families. With that background, recent federal legislation (the CARES Act - short for the Coronavirus Aid, Relief, and Economic Security Act) permitted a significant change to the Fund’s distribution rules and the Trustees have acted to implement this change.

**So, commencing June 15, 2020, the Fund will permit penalty-free distributions known as “Coronavirus-Related Distributions” or CRDs.** Here are the specific details:

- General Eligibility Rules for a CRD:
  - ✓ You, and your spouse if you are married, must properly complete all sections of the Fund’s CRD Application Form, along with the applicable state and federal income tax withholding forms.
  - ✓ You must also provide the Fund with a properly completed “COVID-19 Certification and Acknowledgement” Form which acknowledges under penalties of perjury that you, your spouse or a dependent, has been adversely impacted by the COVID-19 pandemic. This Form must be submitted with your CRD Application Form. *Also, the Fund strongly suggests that you keep appropriate documentation of the reason(s) for any Fund CRD (e.g., medical diagnosis, COVID-19 test result, etc.) for your own personal tax records.*
  - ✓ You must not have engaged in any “Non-Covered Employment” (meaning work which would be Covered Employment under the I.U.O.E. Local No. 478 Annuity Plan but for the fact it is being performed for a non-union contractor) during the immediately preceding thirty-six (36) months.
- The CRD Application Process:
  - ✓ We expect that our CRD Application Packet will be ready for distribution on or about Friday, June 12, 2020.
  - ✓ All CRD Application materials will be provided by the Fund Office, and must be returned to the Fund Office for review and processing. **Do NOT provide any CRD Application materials to MassMutual.**



✓ The last possible day you can actually receive a CRD is December 30, 2020. Under the rules of the CARES Act, the Fund is not permitted to issue any CRD after that date.

✓ Assuming all of your CRD Application materials are properly completed and you are eligible, the Fund Office will coordinate with MassMutual to process your CRD. As that process takes time, our expectation is that it may take up to ten (10) business days to actually receive your CRD check. **Also, since CRDs will “sunset” at the end of December, if you are applying for a CRD late in the year all of your properly completed CRD Application materials must be received at the Fund Office no later than the end of business (4:00 p.m.) on Friday, December 18, 2020, to allow sufficient processing time.** Please keep these important timing issues in mind if you are considering taking a CRD, or two CRDs.

3. Other important items of information with these new CRDs:

✓ The Fund has set a limit of two (2) CRDs per eligible Participant during 2020, and the maximum *overall amount* such a Participant may receive during 2020 under this new option is \$40,000. Also, for any CRD request submitted to the Fund, the amount which may actually be distributed is the lesser of:

(a) 50% of the Participant’s account balance(s), OR

(b) the overall maximum of \$40,000 (which considers any prior CRD).

Please be aware that the Board of Trustees are allowing up to two CRDs during 2020 to provide Participants with additional flexibility during these uncertain economic times. Here is an example which shows how these rules interact:

Assume you are a married Participant with an account balance in July of 2020 of \$100,000. Also assume your spouse has been diagnosed with COVID-19, and she has been out of work resulting in a significant loss of household income. You and your spouse consider whether to take the overall \$40,000 maximum CRD immediately (as that is the lesser of (a) or (b) noted above), but you jointly decide you only need \$15,000 at this time. Under the Fund’s rules and assuming all CRD application materials are provided to our Fund Office in a timely manner, you could receive an *initial* CRD of \$15,000 in July of 2020. Note that the \$15,000 CRD amount is less than 50% of your \$100,000 account balance at the time of this CRD, and it is \$25,000 less than the overall maximum (as \$40,000 - \$15,000 = \$25,000).

Next, assume all the same facts above, but now it is late November of 2020 and your account balance is \$86,000. At this time your spouse is still out of work, and your household still faces significant financial burdens. Again, assuming all CRD application materials are provided to our Fund Office in a timely manner, you could receive a *second* CRD of up to \$25,000. We note that \$25,000 is the maximum CRD here because it is the lesser of: (a) 50% of your account balance (which is \$43,000), or (b) the overall maximum of \$40,000 (under these facts you previously received a CRD of \$15,000, so only \$25,000 remains available). You

and your spouse could obviously elect to receive a second CRD that is *less than* \$25,000 as well.

✓ Any CRD can only be paid in the form of a single, lump-sum payment.

4. What are the tax benefits of a CRD?

**While the Fund always encourages you to consult with your own professional tax advisor before receiving *any* Fund distribution,** the Fund’s understanding of the various tax benefits of a CRD are as follows:

✓ A CRD is exempt from the Internal Revenue Code’s 10% additional tax (contained in Section 72(t)) on early distributions from qualified retirement plans such as the Fund. To be clear, if you receive a CRD and are younger than age 59-½, the 10% additional tax of Section 72(t) *will not apply* to the amount you receive as a CRD.

✓ A CRD is not an “eligible rollover distribution” under federal tax rules. This means that the Fund is NOT required to withhold 20% mandatory federal income tax withholding from your CRD. However, you will be supplied with a special CRD withholding form where you are permitted to elect either: (a) optional 10% federal income tax withholding if you wish (which could include additional withholding at your choice), or (b) no federal income tax withholding.

✓ Connecticut requires mandatory state income tax withholding on Fund distributions to Connecticut residents. So, until such time as Connecticut’s Department of Revenue Services issues any applicable guidance, the Fund will comply with Connecticut’s withholding rules as to any CRD issued to a Connecticut resident by honoring a properly completed Form CT-W4P. Note that if you are a Connecticut resident and do not provide the Fund Office with a properly completed Form CT-W4P, the Fund must withhold for Connecticut income tax at a 6.99% rate. If you live in a state other than Connecticut which requires mandatory state income tax withholding from Fund distributions, MassMutual will automatically deduct the required amount from your CRD and forward that to the appropriate state agency.

✓ Unless you elect otherwise for a taxable year, any amount you receive as a CRD will be included in your gross income evenly over a three-year period. As a simple example, if you actually receive one CRD from the Fund during 2020 in the total amount of \$15,000, unless you elect otherwise, \$5,000 would be included in your gross income during the 2020, 2021 and 2022 taxable years.

✓ The amount of your CRD may be “re-contributed” back to the Fund over the three-year period which begins on the day after you receive your CRD. Federal law allows you to make one or more such “re-contributions,” as long as they do not exceed the original amount of your CRD. Such re-contributions are treated as “eligible rollover distributions,” and our Fund has been accepting such rollovers for many years.