

**Elevator Constructors Union Local No. 1 Annuity & 401(k) Fund 140 Sylvan Avenue, Suite
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**DESCRIPTION OF DISTRIBUTION OPTIONS
FOR INDIVIDUAL ANNUITY AND 401(k) ACCOUNTS**

Following is an explanation of the optional forms of benefit payments available to Participants who are eligible to receive a distribution of their Local No. 1 Individual Annuity and 401(k) Accounts. The distribution options set forth below are the distribution options under the Fund that are effective as of January 1, 2019. Different benefit options may apply to Participants with Annuity Starting Dates prior to January 1, 2019.

If you have an Individual Annuity Account and a 401(k) Account, you can elect to receive your Individual Annuity Account at one time and your 401(k) Account at a different time. Please refer to the Summary Plan Description for the conditions that must be met in order to receive a distribution of your Account(s).

Distribution Options for Individual Annuity Accounts

Please note: A Participant who has any outstanding loan(s) must pay the loan(s), including any accrued interest, in full or have the balance of the loan(s) deducted from his/her Individual Annuity Account before distribution is made from the plan.

Normal Forms of Benefit

- If you are **single**, the normal method of distribution of your Individual Annuity Account is a Lifetime Monthly Annuity (see payment method 3 below). You may elect to waive the Lifetime Monthly Annuity and choose any one of the other payment methods described below under the “Optional Forms Benefit” section for which you are eligible. This election can be made only during the 180 days before you receive or begin to receive your Individual Annuity Account and you may revoke such election prior to the date your benefits begin.
- If you are **married**, the normal method of distribution is a Qualified Joint and Survivor Annuity. A Qualified Joint and Survivor Annuity (“QJSA”) provides an actuarially reduced monthly payment, payable only for as long as you live. After your death, monthly payments continue to your spouse if you die before your spouse. The payment to your spouse will be 50% of your monthly payments and will be paid for the rest of your spouse’s life. The amount of the monthly payment will depend on the amount in your Individual Annuity Account and your age and your spouse’s age. If a QJSA is payable, the Fund will provide the QJSA by purchasing an annuity contract from an insurance company with your Individual Annuity Account balance. (The insurance company making the annuity payments will automatically withhold federal income taxes from the monthly payments by assuming that you are married, with three withholding exemptions, but you may request a larger or smaller withholding amount or zero withholding by submitting

a Form W-4P.) However, you may elect to waive the QJSA and choose any one of the other payment methods described below for which are eligible, provided you do so in writing and your spouse consents in writing before a notary to your election. Your spouse's consent must be voluntary and it is up to your spouse to decide if he or she wishes to consent to a waiver of the QJSA benefit. This election can be made **ONLY** during the 180 days before you receive or begin to receive your Individual Annuity Account and you may revoke such election prior to the date your benefits begin.

Optional Forms of Benefit

1. **Lump Sum:** Under this option, you will receive your Individual Annuity Account in an 80%/20% split. In general, you will receive an initial distribution of 80% of your Individual Annuity Account (as determined in accordance with the terms of the Plan), and the remaining balance in your Individual Annuity Account will be paid in a final distribution after applicable Investment Yield and Administrative Fees have been allocated to your Account. You can elect to receive the payment directly or make a direct rollover of the payment to a traditional IRA or an eligible plan, or to receive part of the payment directly and make a direct rollover of the remainder. An eligible plan includes a 401(k) plan, profit sharing plan, defined benefit plan, stock bonus plan, money purchase plan, a Code Section 403(a) benefit plan, annuity plan, a Code Section 403(b) tax-sheltered annuity, and an eligible Code Section 457(b) plan maintained by a governmental employer. If you receive all or part of the payment directly, the Fund Office must withhold 20% of the part of the payment you receive for federal income taxes. If you make a direct rollover of all or part of the payment, no taxes will be withheld on the part you directly roll over. Even if you elect to receive all or part of the payment directly, within 60 days of receiving the payment, you can still roll over the entire payment to a traditional IRA or an eligible plan, but you will have to find other money to replace the 20% income tax withholding.
2. **Monthly Distributions:** This form of distribution is available to retired participants or participants who have attained age 65. To be considered "retired", you must have completely withdrawn from any employment for wages, salary or profit in the Elevator Industry and must be receiving a Normal, Automatic, Early or Disability pension benefit from the National Elevator Industry Pension Plan or a Social Security Retirement or Disability Benefit. As with all forms of distribution, any outstanding loans must be paid prior to your receiving a monthly distribution. You can elect how much you want to receive each month under this option, but the monthly distribution amount cannot be less than \$500 per month or be more than \$5,000 per month (or more than \$10,000 per month for Plan Years after the first Plan Year for which you receive such monthly distributions). The monthly distribution amount that you elect must also be projected to result in at least 12 monthly payments.

You may elect to stop such monthly distributions or change the amount of your monthly payments once per year by submitting a request to change or stop monthly

distributions on a form designated by the Plan Administrator by November 1st of the Plan Year, and such election will be effective January 1 of the following Plan Year. If you are married, notarized spousal consent is required to change the amount of the monthly distribution or for any subsequent distribution election.

If you elect to stop monthly distributions, you may (with spousal consent, if married) elect to receive the amounts remaining in your Individual Annuity Account in another benefit form then available under the terms of the Plan effective as of January 1st of the following Plan Year, or you may defer receipt of your remaining benefits to the extent permissible under the Plan. If you decide to stop and later recommence monthly distributions under the Monthly Distributions form of benefit under the Plan, your application for benefits must be filed no later than November 1st of the year before the year in which the monthly distributions are to recommence.

If you are age 70 1/2 or older, you will receive at least the amount required under the required minimum distributions rules set forth in the Plan within the plan year. A yearly calculation will determine if you are meeting your RMD requirements. If necessary, a year-end payment will be issued to you.

If necessary to ensure that the proper Administrative Fee and Investment Yield is deducted from your Individual Annuity Account, an amount sufficient to cover the estimated Administrative Fees applicable to the your Individual Annuity Account for the prior Plan Year, as well as amounts to cover any estimated negative Investment Yield applicable to your Individual Annuity Account for the prior Plan Year, will be withheld from monthly payments that would otherwise be payable. If the payment of a monthly distribution amount would result in your Individual Annuity Account having a balance of less than \$3,000, you will receive a final payment of the entire remaining balance of your Individual Annuity Account (after adjustment for Administrative Fee and Investment Yield, if applicable).

If you die after monthly benefits have commenced and your surviving spouse is the designated beneficiary, your surviving spouse will have the option of continuing to take any remaining portion of your Individual Annuity Account in the Monthly Distributions form of benefit, subject to the required minimum distribution provisions of the Plan. You may designate someone other than your spouse as your beneficiary only if your spouse voluntarily consents to such designation on a form designated by the Plan and your spouse's consent is notarized. If you are unmarried when you die, any amounts remaining in your Individual Annuity Account will be payable to your designated beneficiary (or divided among your designated beneficiaries) in a lump sum distribution.

Monthly Distributions that are eligible rollover distributions are subject to mandatory 20% federal tax withholding unless the monthly distributions are directly rolled over to an IRA or another employer plan in a direct transfer (in which case no federal tax withholding will apply). If the monthly distributions are not eligible rollover distributions because the projected period of monthly payments

equals or exceeds 120 months, federal tax withholding will apply as if such payments were wages paid by an employer, unless the Participant elects otherwise on a Form W-4P.

3. **Lifetime Monthly Annuity With or Without Guarantee Certain:** Under this method, the amount in your Individual Annuity Account will be used to purchase an annuity from an insurance company. You may choose a monthly annuity with or without a guaranteed number of payments. If you choose payments guaranteed for a specified period, you will receive monthly payments for life, but if you die within the guaranteed period, payments will be made to your beneficiary for the remainder of the specified period. However, if you die after the end of the guaranteed period, no payments will be made to your beneficiary.

The amount of the monthly payment will depend on the amount in your Individual Annuity Account and your age. The insurance company making the annuity payments will automatically withhold federal income taxes from the monthly payments by assuming that you are married, with three withholding exemptions. You may request a larger or smaller withholding amount or zero withholding.

4. **5% Distribution for Retired Participants who have not reached age 70-1/2:** If you have not received or elected to receive your Individual Annuity Account under any other distribution method, and you have not reached age 70-1/2 and you are retired and receiving a pension from the National Elevator Industry Pension Plan, each year you may elect to receive a distribution of up to 5% of your current Individual Annuity Account balance provided the election is received in the Fund Office by July 1st. The Fund Office will issue checks in August of each year to all Participants who elect this distribution method. A Retired Participant may elect this form of distribution only once each calendar year and must make an application each year to receive this distribution. A Participant who has received any payment(s) under this form of distribution may subsequently elect one of the other distribution methods; however, once the distribution method has been changed, the Participant cannot revert back to the 5% distribution method. When you reach 70-1/2, you must select one of the other optional payment forms. The amount of this payment is subject to a mandatory 20% federal income tax withholding.

5. **Required Minimum Distribution Annual Installments:** Under this arrangement, you will receive annual installment payments over the life expectancy of you and your spouse or other beneficiary. Each year's payment will be equal to the value of your Individual Annuity Account as of the end of the prior year divided by the remaining life expectancy of you and your spouse or other beneficiary, determined under Internal Revenue Service tables. If you have retired or completely withdrawn from employment in the elevator industry, the first payment will be for the year in which you reach age 70-1/2. If you continue to work after age 70-1/2 for an employer who is obligated to make annuity contributions on your behalf, the first payment will be for the year in which you retire or completely withdraw from employment in the elevator industry. While you are receiving the annual payments, your Individual Annuity Account remains in the Fund and continues to be adjusted

for investment yield, as well as administrative expenses. At any time after you begin to receive payments, you can elect to stop the payments and receive your remaining benefit in a lump sum directly. You may elect the number of withholding allowances, if any, that you would like applied to the payments, as well as any additional amount you want withheld, for income tax withholding.

6. **75% Qualified Optional Joint and Survivor Annuity**: Under this option, you will receive a monthly annuity for your life, and after your death, monthly payments will continue to your spouse. This option is available to married participants in lieu of the 50% Qualified Joint and Survivor Annuity. A 75% Qualified Joint and Survivor Annuity provides an actuarially reduced monthly payment, payable only for as long as you live. After your death, the monthly payments to your spouse will be 75% of your monthly payments and will be paid for the rest of your spouse's life. The amount of the monthly payment will depend on the amount in your Annuity Account, your age, and your spouse's age.

The insurance company making the annuity payments will automatically withhold federal income taxes from the monthly payments by assuming that you are married, with three withholding exemptions. You may request a larger or smaller withholding amount or zero withholding.

Distribution Options for 401(k) Account

Normal Forms of Benefit

- Whether you are single or married, the normal method of distribution for your 401(k) Account (or "401(k) Account") is a Lump Sum. You may reject the Lump Sum and choose any one of the other payment methods described below.

Optional Forms of Benefit

1. **Ten Annual Installments**: Under this method, each year for 10 years, you will receive an installment payment. Each installment payment will be equal to the value of your 401(k) Account divided by the number of annual installments which remain to be paid (including the current payment being computed). The first year's payment will be 1/10th of your 401(k) Account. The second year's payment will be 1/9th of your 401(k) Account. The third year's payment will be 1/8th of your 401(k) Account and so on. In the tenth year, you will receive your remaining 401(k) Account. At any time after you begin to receive the payments, you can elect to stop the payments and receive your remaining benefit in a lump sum. You may roll over the lump sum to a traditional IRA or an eligible retirement plan (in which case no taxes will be withheld from the lump sum payment), or receive the lump sum directly (subject to mandatory 20% federal income tax withholding), or roll over part of the lump sum and directly receive the remainder. If you receive all or part of the lump sum directly, within 60 days of receiving the lump sum, you can still roll over the entire lump sum to a traditional IRA or an eligible plan, but you will have to find other money to replace the 20% income tax withholding.

2. **Lump Sum and Ten Annual Installments:** Under this method, you will receive part of your 401(k) Account in an initial lump sum and the remainder of your 401(k) Account will be paid under the Ten Annual Installments method described above. You select the amount you want to receive as the initial lump sum payment. You may roll over the lump sum to a traditional IRA or an eligible retirement plan (in which case no taxes will be withheld from the lump sum payment), or receive the lump sum directly (subject to mandatory 20% federal income tax withholding), or roll over part of the lump sum and receive the remainder. If you receive all or part of the lump sum directly, within 60 days of receiving the lump sum you can still roll over the entire lump sum to a traditional IRA or an eligible plan, but you will have to find other money to replace the 20% income tax withholding. At any time after you begin to receive the installments, you can elect to stop the payments and receive your remaining benefit in a lump sum as described above.
3. **Rollover and Ten Annual Installments:** Part of your 401(k) account is rolled over to a Vanguard IRA or another IRA or qualified plan and the remainder of your 401(k) account is paid under the Ten Annual Installments as described above.
4. **Lump Sum and Rollover:** You receive part of your 401(k) account in a lump sum and the remainder of your 401(k) account is rolled over to a Vanguard IRA or another IRA or qualified plan you choose.
5. **Monthly Installment Payments:** Under this arrangement, you will receive your 401(k) account in Monthly payments over the number of months you select, up to the number of months permitted under IRS rules. You continue to manage the investment of the accounts in your account during the payout period.
6. **Required Minimum Distribution Annual Installment:** Under this method, you will receive annual installment payments over the life expectancy of you and your spouse or other beneficiary. Each year's payment will be equal to the value of your 401(k) Account as of the end of the prior year divided by the remaining life expectancy of you and your spouse or other beneficiary, determined under Internal Revenue Service tables. If you have retired or completely withdrawn from employment in the elevator industry, the first payment will be for the year in which you reach 70 $\frac{1}{2}$. If you continue to work after age 70 $\frac{1}{2}$ for an employer who is obligated to make annuity contributions on your behalf, the first payment will be for the year in which you retire or completely withdraw from employment in the elevator industry. At any time after you begin to receive the installments, you can elect to stop the payments and receive your remaining benefit in a lump sum as described above.

THIS NOTICE HAS BEEN WRITTEN IN A PLAIN, STRAIGHTFORWARD MANNER IN ORDER TO MAKE THE INFORMATION AS CLEAR AS POSSIBLE. HOWEVER THIS NOTICE IS NOT A SUBSTITUTE FOR THE OFFICIAL PLAN DOCUMENT, WHICH GOVERNS THE OPERATION OF THE FUND. IF YOU HAVE ANY QUESTIONS REGARDING THE BENEFIT DISTRIBUTION OPTIONS THAT ARE AVAILABLE UNDER THE FUND, PLEASE CALL OR WRITE TO THE FUND OFFICE.

The forms for the aforementioned distributions must be on file at the Fund Office for at least 30 days before processing.

A Participant who has a pending Qualified Domestic Relations Order (QDRO) cannot receive any distribution option until the order is finalized and determined to be qualified.