

To: All Participants

From: Board of Trustees

Date: April 5, 2020

Re: Special Annuity Fund Coronavirus-Related Distributions and Loans

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The Board of Trustees of the Elevator Constructors Local 1 Annuity & 401(k) Fund (the “Annuity Fund” or the “Fund”) is publishing this special notice to participants in response to the COVID-19 outbreak. It is our hope that you and your families are healthy and safe. We wish to let you know of a number of changes we have made to the rules governing the Fund to help you get through this trying time. We urge you to balance your short-term cash needs and your long-term retirement goals. While we adopted these changes to make your retirement funds more readily available to you now if necessary, you should take a distribution now only if it is truly needed. Selling investments after a steep drop in the markets may be very damaging to your ability to achieve your retirement goals.

In the following “Frequently Asked Questions” you will learn of the following temporary changes the Trustees have adopted in response to the coronavirus crisis and the new federal law (the “CARES Act”):

- Increasing the Special Financial Needs withdrawal and loan maximum weekly withdrawal for involuntary unemployment or illness from \$700 to \$1,000
- Waiving the 21-day waiting period for Special Financial Needs withdrawals and loans for involuntary unemployment or illness
- Increasing the interval for re-applying for Special Financial Needs withdrawals and loans for involuntary unemployment or illness from 2 weeks to 4 weeks
- Providing eligible participants with increased access to their account balances through Coronavirus-Related Distributions and Loans
- Extending due dates for the repayment of outstanding loans in certain circumstances
- Allowing participants who would otherwise be required by law to receive a distribution from their accounts in 2020 due to their age to defer such distribution to allow the markets additional time to recover.

The following “Frequently Asked Questions” describe these changes.

## **Temporary Increase in SFNs/Loans for Unemployment/Illness**

### ***1. How much is the weekly maximum for a special financial needs withdrawal or a loan based on involuntary unemployment or illness***

The weekly amount you may receive for a Special Financial Needs withdrawal or a loan for involuntary unemployment or illness has been increased from \$700 to \$1,000 effective immediately.

### ***2. Must I wait to apply for a special financial needs withdrawal or a loan based on involuntary unemployment or illness?***

No, the 21-day waiting period that normally applies has been temporarily waived.

### ***3. How long will these changes remain in effect?***

Until June 30, 2020 unless extended by the Board of Trustees.

## **Coronavirus-Related Distributions**

### ***4. What is a Coronavirus-Related Distribution?***

As you know, the Fund allows certain types of distributions, such as distributions for Hardship Withdrawals and distributions after you stop working in Covered Employment. The CARES Act adds a new distribution which will be available to eligible participants during this emergency, known as a Coronavirus-Related Distribution.

### ***5. What is the maximum amount I can take for a Coronavirus-Related Distribution?***

The lesser of (i) \$100,000 (when aggregated with Coronavirus-Related Loans and other Coronavirus-Related Distributions) or (ii) 70% of your account balance as of December 31, 2019 before 2019 yield adjustments less any outstanding loans and less any distributions taken in 2020. If you have a loan outstanding, the distribution cannot reduce your account balance below 130% of the current outstanding loan balance(s). The Coronavirus-Related Distribution is limited to 70% of your account balance because the Trustees are considering adoption of an interim valuation of all individual account balances to account for 2020 market losses and to prevent the aggregate value of individual annuity accounts from exceeding plan assets. If you would be eligible for a hardship distribution under the Plan’s normal rules in an amount greater than the maximum Coronavirus-Related Distribution described above, you may take a Coronavirus-Related Distribution in the higher amount.

**6. *What is the deadline for applying for a Coronavirus-Related Distribution?***

You must apply for a Coronavirus-Related Distribution before September 27, 2020.

**7. *Is there a limit on the number of Coronavirus-Related Distributions I may take?***

No. You may take as many Coronavirus-Related Distributions as you choose, but you may not take more than the total amount described above in Question 2. We recognize that this is a time of great uncertainty and that it may be difficult to determine the extent of your financial need at this time. By not limiting the number of Coronavirus-Related Distributions available to you over the next 6 months, you may apply to take out the smallest amount possible to meet your initial needs while knowing that you can take additional distributions if necessary. That will help preserve your retirement savings.

**8. *What are the eligibility requirements for a Coronavirus-Related Distribution?***

In order to be eligible for a Coronavirus-Related Distribution, you must be an individual:

- a) who is diagnosed with SARS-CoV-2 or COVID-19 by a test approved by the Centers for Disease Control and Prevention (“CDC”);
- b) whose spouse or dependent is diagnosed with SARS-CoV-2 or COVID-19 by a test approved by the CDC; or
- c) who experiences adverse financial consequences as a result of:
  - i. being quarantined,
  - ii. being furloughed, or laid off or having hours reduced due to such virus or disease, or
  - iii. being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.

**9. *What are the documentation requirements for a Coronavirus-Related Distribution?***

You must fill out the Coronavirus-Related Distribution Form available on both the Fund’s and the Union’s website. Your spouse’s consent is required if you are married. The Fund will rely on the participant’s certification that he/she satisfies the above-listed conditions for a Coronavirus-Related Distribution. Please keep in mind that the Annuity Plan requires that all information provided in connection with an application for benefits must be accurate.

***10. Is a Coronavirus-Related Distribution subject to an additional 10% penalty if I am younger than age 59½?***

No.

***11. Is a Coronavirus-Related Distribution subject to a mandatory 20% withholding?***

No, but you may want to consider requesting tax withholding at the time of the distribution to reduce the amount of income tax due later.

***12. Is a Coronavirus-Related Distribution subject to any taxes?***

Yes. The amount of taxes you owe will be based on your income. Under a special rule, you may spread the amount of the distribution over three taxable years, rather than having to include the entire distribution in your income for 2020. You are not required to spread your income over three years, but the option to do so may help you to manage the taxes associated with a Coronavirus-Related Distribution. If you do not withhold any taxes at the time of the distribution, you will be responsible for the income tax when you file your taxes.

***13. Am I required to repay a Coronavirus-Related Distribution?***

No.

***14. Am I permitted to repay a Coronavirus-Related Distribution?***

Yes. You may repay your Annuity Fund account in a total amount not to exceed the amount of your total Coronavirus-Related Distributions. You may make such repayment at any time via one or more payments during the three-year period after you receive your Coronavirus-Related Distribution.

***15. What should I consider before applying for a Coronavirus-Related Distribution?***

The CARES Act recognizes that it is important for workers affected by the pandemic to have access to their assets during this crisis, but there are other things to think about. Any withdrawal from your Annuity Fund account prior to retirement could negatively affect your ability to adequately prepare for retirement. This is especially true at times like this where the market has experienced such a severe decline. Pulling your money out of the market could “lock in” your losses, and you may not have the opportunity to recoup those losses unless your money is invested when the market starts to rebound. Consider how much you really need right now. **In addition, because a pre-retirement distribution may be considered “income,” it could adversely affect your eligibility to receive unemployment compensation. Each state sets its own unemployment insurance benefits eligibility**

**guidelines; therefore, you should review your state's latest updates on unemployment insurance changes related to COVID-19 before you act.**

***16. Can I take a Coronavirus-Related Distribution even if I have taken two Hardship Distributions in the last 12 months?***

Yes. This limitation doesn't apply to a Coronavirus-Related Distribution; but a Coronavirus-Related Distribution is taken into account in considering whether you are eligible for a later hardship distribution that is not related to coronavirus.

***17. How do I initiate a Coronavirus-Related Distribution.***

Contact Zenith at 201.592.6800.

## **Coronavirus-Related Loans**

***18. What is a Coronavirus-Related Loan?***

As you know, the Fund allows loans subject to certain limitations. The CARES Act adds a new type of loan called a "Coronavirus-Related Loan," which will be available for a limited time.

***19. What is the maximum amount I can take for a Coronavirus-Related Loan?***

The lesser of \$100,000 (when aggregated with other outstanding loans and Coronavirus-Related Distributions) or 70% of your account balance as of December 31, 2019 (before 2019 yield adjustments, and including other outstanding loans, less any distributions taken in 2020). The maximum amount allowed for non-Coronavirus-Related loans under the Fund continues to be the lesser of \$50,000 or 50% of your account balance (when aggregated with other outstanding loans, including Coronavirus-Related Loans). The aggregate limit for Coronavirus-Related Loans and Distributions is limited to 70% because the Trustees are considering an interim valuation of individual account balances to account for 2020 market losses and to prevent the aggregate value of individual annuity accounts from exceeding plan assets. If you would be eligible for a loan under the Plan's normal rules in an amount greater than the maximum Coronavirus-Related Loan described above, you may take a Coronavirus-Related Loan in the higher amount.

***20. What is the deadline for applying for a Coronavirus-Related Loan?***

September 22, 2020.

***21. Is there a limit on the number of Coronavirus-Related Loans I may take?***

No, you may take as many Coronavirus-Related Loans as you choose, but you may not take more than the total amount described above.

***22. What are the eligibility requirements for a Coronavirus-Related Loan?***

See FAQ No. 8. The same eligibility requirement applies to Coronavirus-Related Loans.

***23. I have participated in the Annuity Fund for less than three years. Am I eligible for a Coronavirus-Related Loan?***

Yes. Although you must have participated in the Fund for three years to be eligible for other types of loans, you need not have participated for three years to qualify for a Coronavirus-Related Loan.

***24. I already have an outstanding loan. Am I eligible for a Coronavirus-Related Loan?***

Yes, subject to the dollar limits in Question 19 above.

***25. I previously defaulted on a loan. Am I eligible for a Coronavirus-Related Loan?***

Yes, as long as you pay off the previously defaulted loan in full prior to requesting a new loan. See the Questions 30 to 33 below to see if you are eligible for loan payment relief for your prior loan.

***26. What are the documentation requirements for a Coronavirus-Related Loan?***

You must fill out the Coronavirus-Related Loan Form available on both the Fund's and the Union's website. Your spouse's consent is required if you are married. The CARES Act allows the Fund to rely on a participant's certification that he/she satisfies the above-listed conditions for a Coronavirus-Related Loan. Please keep in mind that the Annuity Plan requires that all information provided in connection with an application for benefits must be accurate.

***27. Is a Coronavirus-Related Loan subject to taxes?***

No. However, if you default on the loan and incur a deemed distribution, you will be responsible for taxes. Review the Annuity Fund's Summary Plan Description for more information.

***28. What are the advantages of taking a Coronavirus-Related Loan rather than a Coronavirus-Related Distribution?***

As long as you make your quarterly payments on your loan, your loan will not have any tax consequences. In addition, loans are repaid over five years (six years if you request an extension of your loan repayments described in Questions 30- 33 below), so you will have a

longer period of time to repay a loan than the three-years permitted to repay a Coronavirus-Related Distribution. Make sure you are comfortable with your quarterly loan payments. The most important benefit, though, is that you will be making your retirement more secure by repaying the loan to your own account.

***29. I have decided to apply for a Coronavirus-Related Loan. Who should I contact?***

Contact Zenith at 201.592.6800.

## **Extension of Certain Loan Repayments**

***30. Is there any relief available on loan repayments that are coming due?***

Yes. If you are an eligible participant (see FAQ No. 8) with an outstanding loan on or after March 27, 2020 and you have loan repayments falling between March 27, 2020 and December 31, 2020, you may elect to delay those loan repayments for one year. Applications to defer loan repayments are available on Zenith's website.

***31. Is there additional interest charged during this one-year period?***

Yes. The CARES Act requires that subsequent repayments be adjusted to reflect the delay in the due date and interest accruing during the delay. Remember, though, that you are paying the additional interest to your account.

***32. What are the eligibility requirements for this loan extension?***

See FAQ No. 8. The same eligibility requirements apply to loan relief.

***33. I want to apply for an extension of my loan repayment. Who should I contact?***

Contact Zenith at 201.592.6800.

## **Temporary Waiver of Required Minimum Distribution Rules**

***34. Based on my age, I am required by law to receive a Minimum Required Distribution from my account. I do not want to withdraw money from my account until the market has a chance to recover. Is there any relief for me?***

Yes. The CARES Act provides for a waiver of any Required Minimum Distributions required to be paid from the Fund in 2020. If you have already received a 2019 Required Minimum Distribution required to commence by April 1, 2020, you can re-deposit that distribution to the Plan as a rollover contribution. If you have any questions about this waiver, contact Zenith at 201.592.6800.

## **Temporary Changes to Notarization Procedures Due to COVID-19**

*35. In view of stay at home orders currently in effect, must I venture out of my home to arrange for notarization of my application documents?*

No. In view of the need to limit social contact, the Fund is temporarily suspending the requirement that you obtain notarization of application documents. Until further notice, Zenith can witness participants' and spouses' signatures instead of notarization. An employee of Zenith will conduct an audio/video conference with the participant that allows you and your spouse to see and be seen by the Zenith employee. You and your spouse will need your driver's license or another photo ID and will hold it up to the camera close enough so that the Zenith employee can clearly see it. The Zenith employee will take screen shots to establish your and your spouse's identity, as well as of the election form. You and your spouse will need to acknowledge that you have read and understand the form and sign the form in full view. A copy of the document must be received by Zenith by the end of the day via fax or email, and you must mail in the original form to the Fund Office for processing. Loans and SFNs based on unemployment or disability (maximum \$1,000 per week) can be processed based on the faxed or email application. To contact Zenith for purposes of having signatures witnessed, please call 551.245.6932.