

**Elevator Constructors Union Local No. 1 Annuity & 401(k) Fund**  
**140 Sylvan Avenue, Suite 303, Englewood Cliffs, NJ 07632**  
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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 payment available to Participants who are eligible to receive a distribution of their Local No. 1 Individual Annuity and 401(k) Accounts. 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 Account**

**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 (“Annuity Account”) is a Lifetime Monthly Annuity (see payment method 5 below). You may reject the Lifetime Monthly Annuity and choose any one of the other payment methods described below. This election can be made **ONLY** during the 180 days before you receive or begin to receive your Annuity Account.
- If you are **married**, the normal method of distribution is a Qualified Joint and Survivor Annuity (see payment method 5 below). However, you may reject the Qualified Joint and Survivor Annuity and choose any one of the other payment methods described below, provided you do so in writing and your spouse consents in writing before a notary to your election. This election can be made **ONLY** during the 180 days before you receive or begin to receive your Annuity Account.

**Optional Forms of Benefit**

1. **Lump Sum:** Under this option, you will receive your Annuity Account in one single payment. 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 402(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. When you request an application for a distribution, you will receive a notice, *Your Rollover*

*Options and Special Tax Notice*, which describes more fully the tax consequences of receiving a payment or making a rollover.

2. **10% Annual Installments Plus Investment Yield:** Under this option, each year for 10 years, you will receive 10% of the value of your Annuity Account, as of the beginning of the calendar year before the year in which the payment will be made, less the amount of any outstanding loan balances, withdrawals or distributions, plus the investment yield less administrative expenses for the calendar year before the year in which the payment is made. (In the first year of the payments, you will also receive any Employer contributions made to your Annuity Account, which were received by the Fund after the beginning of the year before the year in which the first payment is made).

You may elect the amount to be withheld from each annual payment for federal income taxes. If you do not make a withholding election, the Fund will withhold federal income taxes from each annual payment by assuming that you are married, with three withholding exemptions.

You may elect to “close out your Account” and receive the balance of your Annuity Account in a lump sum payment at any time after you begin receiving your 10 annual payments. If you choose to do this, you will have the option of rolling over the lump sum to a traditional IRA or an eligible plan (in which case no taxes will be withheld from the lump sum payment), or receiving the lump sum directly (subject to mandatory 20% federal Income tax withholding), or rolling over part of the lump sum and receiving directly 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.

3. **Lump Sum and 10% Annual Installments Plus Investment Yield:** Under this method, you will initially receive a lump sum payment of part of your Annuity Account and subsequently receive the remainder of your benefit in 10% annual payments as 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 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 directly 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. The remainder of your Annuity Account, after the lump sum payment, will be paid over a 10 year period – each year, you will receive 10% of the value of your Annuity Account, as of the beginning of the calendar year before the year in which the 1<sup>st</sup> payment will be made less the amount of the lump sum, less any outstanding loan balances, withdrawals or distributions, plus investment yield minus administrative expenses. (In the first year of the payments, you will also receive any Employer contributions made to your Annuity Account, which were received by the Fund after the beginning of the year before the year in which the first payment is made.) You may elect the amount to be withheld from each annual payment for federal income taxes. If you do not make a withholding election, the Fund will withhold federal income taxes from each annual payment by assuming that you are married, with three withholding exemptions.

You may “close out your Account” and receive the balance of your Annuity Account in a lump sum payment at any time after you begin receiving your 10 annual payments. If you choose to do this, you have the option of rolling over the lump sum to a traditional IRA or an eligible plan (in which case no taxes will be withheld from the lump sum payment), or receiving the lump sum

directly (subject to mandatory 20% federal income tax withholding), or rolling over part of the lump sum and receiving directly 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.

4. **Investment Yield Only:** Under this option, you will receive a payment each year equal to the prior year's investment yield, less administrative expenses. (If in any year the investment yield less administrative expenses is negative, there will be no payment for that year.) The amount of the payment is subject to a mandatory 20% federal income tax withholding. If you wish to take this option, your paperwork must be received by December 1<sup>st</sup> of the current year. Otherwise, you will need to wait until June when the new yield is determined.

If in any plan year the investment yield for the immediately preceding year is less than 2%, you may elect to receive a special distribution of up to 10% of the value of your Annuity Account as of the end of the prior year. If you wish to take this special distribution in an applicable year, your election must be received no later than July 1st of the current year.

You can "suspend" annual yield payments at any time and still keep your Annuity Account in the Fund. If you do this, the yield will simply be added to or "reinvested in" your Annuity Account each year. In any later year, you can re-institute annual yield payments. If you want to suspend or re-institute annual yield payments, you must notify the Fund Office in writing.

In addition, you can stop the annual yield payments at any time and switch to one of the other available payments options. For example, you could take a lump sum payment and "close out your Account" entirely. If you close out your Annuity Account by taking a lump sum payment, you have the option of directly rolling over the lump sum to a traditional IRA or an eligible plan (no taxes withheld from the lump sum payment), or receiving the lump sum directly (subject to mandatory 20% federal income tax withholding), or rolling over part of the lump sum and directly receiving 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.

You cannot continue receiving Investment Yield Only payments after you reach age 70½. When you reach age 70½, you will have to change to one of the other available methods of payments. (This does not apply if you continue to work for a contributing employer after you reach age 70½.)

5. **Lifetime Monthly Annuity With or Without Guarantee Certain:** Under this method, the amount in your 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.

If you are married, the annuity must be a Qualified Joint and Survivor Annuity ("50% Qualified Joint and Survivor Annuity"), unless you reject the Qualified Joint and Survivor Annuity with your spouse's written consent. A Qualified Joint and Survivor Annuity provides an actuarially reduced monthly payment, payable only for as long as you live. After your death, monthly payments continue to 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 Annuity Account and your age, or your and your spouse's ages. 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.

6. **5% Distribution for Retired Participants who have not reached age 70½.** If you have not received or elected to receive your Annuity Account under any other distribution method, and you have not reached age 70½ 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 Annuity Account balance provided the election is received in the Fund Office by July 1<sup>st</sup>. 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 70½, 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.
7. **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 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 70½. If you continue to work after age 70½ 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 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 federal income tax withholding.
8. **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 and your age, or your and your spouse's ages.

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. **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 70½. If you continue to work after age 70½ 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.**