



**SOUTHERN NEW ENGLAND  
CARPENTERS ANNUITY FUND**  
**Connecticut**  
**Rhode Island**  
**New York**

**10 Broadway  
Hamden, CT 06518  
Phone (203) 281-5511  
Fax (203) 230-2457**

**14 Jefferson Park Road  
Warwick RI 02888  
Phone (401) 467-6813  
Fax (401) 467-6816**

**270 Motor Parkway  
Hauppauge, NY 11788-5150  
Phone (631) 952-9700, Option 5  
Fax (631) 952-9813**

## **IMPORTANT NOTICE**

**December 2019**

**To: All Impacted Participants and Beneficiaries, including Alternate Payees, of the Southern New England Carpenters Annuity Fund and Northeast Carpenters Annuity Fund**

This notice is intended to discuss important terms and conditions regarding an asset and liability transfer which will be taking place on January 1, 2020. Specifically, the Northeast Carpenters Annuity Fund (NCAF) will be transferring certain assets and liabilities to the Southern New England Carpenters Annuity Fund (SNECAF). Overall, the transferred assets and liabilities will relate to participants, and applicable beneficiaries, who were engaged in work in covered employment in New York under the NCAF before January 1, 2020, including members of New York Local Unions 276, 277, 279, 290 and 291, as well as members of Local Unions 1163 (Millwrights) and 52 (Shops) who have a New York home address. These participants and beneficiaries, and any new such participants and beneficiaries, will participate in the SNECAF on and after January 1, 2020.

The Trustees of both the NCAF and the SNECAF have been working diligently over the past few months so that the transition for former participants and beneficiaries of the NCAF will be as smooth as possible. To that end, the Trustees have worked with their professional advisors to assemble the following chart which will outline important topics and rules for former NCAF participants and beneficiaries who will now be in the SNECAF as of January 1, 2020, as well as general rules for all SNECAF participants and beneficiaries on a “going-forward” basis on and after January 1, 2020. *Please be aware that the following description is solely intended to be a summary of the most important provisions, and in all situations the specific terms of the actual Southern New England Carpenters Annuity Plan or “Plan” document will control:*

TOPIC	APPLICABLE RULES / INFORMATION
<p><b>Type of Plan; Distribution forms</b></p>	<p><i><u>Background.</u></i> Both the NCAF and SNECAF are currently “profit sharing” plans under formal IRS rules. This means that any employer contributions made to your Regular Account are “profit sharing” contributions. However, for long-term participants in either Fund, you may have “money purchase” contributions being held in such Fund.</p> <p><i><u>Why is this Important?</u></i> On and after January 1, 2020, the normal form of payment under the SNECAF with respect to profit sharing contributions, plus applicable investment results, will be a lump sum of the entire value of a participant’s account(s), and spousal consent (if you are married) will not be necessary. Under the law, the normal form of payment for money purchase contributions, plus applicable investment results, is a 50% joint and survivor annuity form of payment, which may be waived with appropriate spousal consent.</p> <p>The SNECAF will soon be updating its Application for Benefit form to reflect this change. But we wanted you to be aware of this distinction because in some instances you may be able to receive all or a portion of your SNECAF account without obtaining spousal consent (with respect to the profit sharing contributions and investment results), but if you are married, you will still be required to obtain spousal consent to the extent that the Fund holds any portion as money purchase contributions and investment results on your behalf.</p>

<p><b>Normal Retirement Age</b></p>	<p>On and after January 1, 2020, participants in the SNECAF will be eligible to retire on a “Normal Retirement” basis if they:</p> <p>(1) have attained at least age 55, <u>and</u></p> <p>(2) provide appropriate evidence to the appropriate Fund Office that they have permanently ceased work in covered employment.</p> <p>Of course, a properly completed Application for Benefits must be filed in all situations.</p>
<p><b>“Break in Service” Distributions</b></p>	<p>On and after January 1, 2020, participants in the SNECAF will be eligible for a “Break in Service” (i.e., no work in covered employment or in the carpentry trade in any capacity, including non-union work, and no reciprocal contributions) distribution as follows:</p> <p>(1) 50% of the account balance after a 6-month Break in Service, <u>or</u></p> <p>(2) 100% of the account balance after a 12-month Break in Service.</p> <p>While this rule is unchanged for Connecticut and Rhode Island participants in the SNECAF, it represents a more liberal distribution rule for those participants who were formerly in the NCAF.</p>
<p><b>New “In-Service” Distribution Option</b></p>	<p>On and after January 1, 2020, participants in the SNECAF can potentially take an In-Service Distribution or “ISD” if they meet certain eligibility rules. Specifically, if a participant has:</p> <p>(1) attained at least age 59-½, <u>and</u></p> <p>(2) at least twenty (20) consecutive years of participation in the Plan (counting time in the SNECAF, the NCAF, the former Empire State Carpenters Annuity Fund, the former Rhode Island Carpenters Annuity, and the former Connecticut Carpenters Annuity Fund),</p> <p>then he or she may receive a full or partial lump sum distribution of his or her profit sharing contributions, along with any applicable net investment results on those contributions. A properly completed In-Service Application must be filed, and such ISDs are limited to once per calendar year.</p>

<p><b>Voluntary Contributions</b></p>	<p>On and after January 1, 2020, participants in the SNECAF can continue to make voluntary “after-tax” contributions to the Fund on their own behalf, provided that:</p> <p>(1) they cannot be a “Highly Compensated Employee,” <u>and</u></p> <p>(2) such contributions cannot exceed 10% of their “Compensation” (as the terms in quotes are defined by technical Internal Revenue Code rules).</p> <p>While the ability to make these voluntary contributions is unchanged for Connecticut and Rhode Island participants in the SNECAF, <i>this represents a new option for those participants who were formerly in the NCAF.</i> This new voluntary contribution option will become available to former participants of the NCAF who are eligible under SNECAF as soon as administratively possible, and the specific details will be provided via a separate notice in the future.</p>
<p><b>Account Valuation Process</b></p>	<p>Here is how the valuation process will work:</p> <p><u><i>The SNECAF account valuation process:</i></u> Under current SNECAF procedures, each account is valued on an annual basis, as of each December 31<sup>st</sup>. As it takes time to determine the actual fair market value of each of the SNECAF’s investments as of the valuation date, SNECAF statements are normally sent out during the time frame of May to June following the applicable valuation date. Please keep in mind that all SNECAF administrative expenses are normally paid from the overall investment return (so there is no current monthly or quarterly fees assessed against accounts), and the SNECAF’s net investment return is allocated among all accounts, on a time-weighted basis, based on account balances in existence on the valuation date.</p> <p>Another important point to remember with the SNECAF is that <u>you must have an account in existence on the valuation date to receive any net investment results (whether positive or negative) for that applicable plan year.</u> For example, if you are eligible for and receive a full distribution from the SNECAF as of July 1, 2020, your distribution would include net investment results through the end of the 2019 Plan Year (December 31, 2019), plus any contributions made on your behalf during that portion of 2020. You <u>would not</u>, however, receive any net investment results for the period January through June 2020.</p> <p><u><i>Addressing the asset and liability transfer with the NCAF:</i></u> Here is what will happen with the asset and liability transfer for</p>

	<p>accounts of former NCAF participants and beneficiaries coming into the SNECAF as of January 1, 2020 (<i>excluding</i> with MassMutual accounts, as described in the next section, which are generally valued on a daily basis):</p> <ul style="list-style-type: none"> <li>✓ On or about January 1, 2020, the SNECAF will receive your prior NCAF account, which will consist of your NCAF account balance as of January 1, 2019, along with any contributions made on your behalf, less any distributions and/or administrative fees during 2019.</li> <li>✓ The NCAF will determine the net investment results of your prior NCAF account for 2019 in accordance with their normal procedures during 2020. After this process is completed, you will be provided with a copy of your final 2019 account valuation in 2020.</li> </ul> <p>After the transition outlined above is completed for prior NCAF participants and beneficiaries during 2020, the SNECAF will then apply its standard valuation rules (as described above) to <u>all participants and beneficiaries, meaning that valuations would be made based on the value of account balances in existence on December 31<sup>st</sup> of each year.</u> The SNECAF expects this valuation process will commence for everyone as of the end of the 2020 plan year.</p> <p>One final note on fees: The SNECAF understands that prior NCAF participants and beneficiaries were subject to a \$10 per month administrative fee on their Trustee-directed account(s). While this monthly fee won't show up on your account statements on and after January 1, 2020, the SNECAF's administrative costs will be assessed in a different way (i.e., such costs would be part of each December 31<sup>st</sup> SNECAF valuation as described above).</p>
<p><b>Other Plan and Operational Matters</b></p> <ul style="list-style-type: none"> <li>✓ <i>Grandfathered "Self-Directed" Accounts of former participants and beneficiaries in the NCAF</i></li> </ul>	<p>Some, but not all, former participants and beneficiaries in the NCAF have an account with the Massachusetts Mutual Life Insurance Company (MassMutual) which is "self-directed" (a "SD account"). We note that this is a "grandfathered" option, and that <u>no new employer and/or voluntary contributions can flow to MassMutual.</u></p> <p>With the asset and liability transfer, those former participants and beneficiaries in the NCAF that have a SD account will keep it, and they will continue to be able to direct that SD account</p>

✓ *Hardship Withdrawals*

in the various investment options offered through MassMutual as they have in the past. Also, under the rules of the SNECAF on and after January 1, 2020, *an individual with such a SD account will be permitted to make a one-time irrevocable election to make an inter-plan transfer of monies in his or her SD account into the Trustee-directed portion of the SNECAF.* Former NCAF participants and beneficiaries with a SD account who are interested in this inter-plan transfer option should contact their applicable Fund Office.

Hardship withdrawals will continue to be available to Connecticut and Rhode Island participants, and will remain available to former NCAF participants. Please be aware that the minimum amount of a hardship withdrawal is \$1,000, and the maximum amount any participant can receive under the SNECAF's hardship withdrawal rules in his or her lifetime is \$70,000. For former NCAF participants, please note that only hardship withdrawals processed on and after January 1, 2020 will count toward the \$70,000 lifetime limit.

In summary form, a hardship distribution must be for one or more of the following reasons:

- uninsured expenses for medical care for you, your spouse or a dependent (including for up to 18 months of COBRA payments or 12 months of self-pay payments under the Northeast Carpenters Health Fund, the New England Carpenters Health Benefits Fund or other health insurance)
- college tuition and room and board expenses for you, your spouse or a dependent
- to prevent eviction or foreclosure on your principal residence (eviction is limited to *once* in a lifetime and foreclosure is limited to *twice* in a lifetime)
- to purchase your principal residence (cannot be used for mortgage payments)
- burial or funeral expenses for your spouse, child, brother, sister, parent, spouse's parent or dependent
- overdue state or federal income taxes, plus interest and penalties (*once* in a lifetime)
- military service outside of North America - withdrawals to cover outstanding debts and anticipated reasonable living expenses for immediate family remaining at home.

✓ *Plan loans*

A properly completed Hardship Application must be filed, along with applicable documentation and proof for the relevant hardship(s).

✓ *Other grandfather rules for former participants and beneficiaries who were in the NCAF*

The SNECAF currently offers a loan option to eligible participants who are located in Connecticut and Rhode Island. Loans are offered in specific factual circumstances (e.g., uninsured expenses for medical care, college tuition and room and board expenses, to prevent eviction or foreclosure on your principal residence, purchase of a principal residence and a few others), and they generally must be repaid in five (5) years or less *except* in situations of a purchase of a principal residence (which can be for thirty (30) years). The Board of Trustees of the SNECAF fully intends to offer this loan option to former participants of the NCAF who are eligible under SNECAF rules as well, but they want to ensure that all administrative, accounting and investment issues associated with the asset and liability transfer are completed *before* this new loan option is made available. This new loan option will become available to former participants of the NCAF who are eligible under SNECAF rules as soon as administratively possible, and the specific details of this loan program will be provided via a separate notice in the future.

The SNECAF and NCAF want to be very clear that benefit forms and/or distribution options available to NCAF participants and beneficiaries that applied with respect to pre-January 1, 2020 NCAF account balances will be “grandfathered” - meaning that former participants and beneficiaries of the NCAF can still elect these forms and/or options if they are otherwise eligible for them.

An example of such a grandfathered rule would be the NCAF’s prior “60-month” distribution option, which provided that profit sharing contributions received prior to January 1, 2018, and applicable earnings, could be distributed on an “in-service” basis after sixty (60) months of participation in the NCAF. Former NCAF participants that qualify for this 60-month rule are subject to various limitations (such as timing of such distributions), and spousal consent is required.

In sum, these grandfathered options are only available to former participants and beneficiaries of the NCAF, and the SNECAF is required to provide them to satisfy IRS rules.

## Additional Information

- **Information for Alternate Payees; SNECAF Fee for the Processing of certain State Court Orders.** If you are currently an “alternate payee” under a Qualified Domestic Relations Order (QDRO) in the NCAF and your assigned account is transferred to the SNECAF, you will continue to maintain your assigned account under the SNECAF. Nothing will be changing other than the applicable Fund’s legal name, and you will still be submitting your Application for Benefits, when eligible, to the applicable Fund Office in New York.

Also, in specific situations, usually involving the divorce of a Participant, there can be a state court order prepared which will assign all, or some portion, of a Participant’s account balance to a former spouse or a child (again, an “alternate payee”). Such an order is known as a domestic relations order, and if the SNECAF determines that the order meets the requirements of federal law, then the order will be a QDRO. The SNECAF has formal procedures governing QDROs, including a pre-approved sample “Form QDRO.” You or your spouse may obtain a copy of those procedures, without charge, by contacting your appropriate Fund Office.

We want all Participants, including those formerly in the NCAF, to know that the SNECAF charges a flat fee to help defray some of the expenses associated with determining whether such an order is qualified. So, on and after January 1, 2020, when a domestic relations order is submitted to the SNECAF, a flat fee of \$150 (if the SNECAF’s standard Form QDRO is used) or \$250 (if the standard Form QDRO is *not* used) will be charged directly to the Participant’s account in the SNECAF unless the court order specifically provides for a different allocation. The applicable fee will apply even if the SNECAF ultimately determines that the domestic relations order is not a QDRO under federal law. This type of fee is expressly permitted under United States Department of Labor guidance.

- **Please be sure that your Fund Beneficiary designation is up to date and that all Beneficiary contact information is correct.** During joyous times, like getting married or difficult times, like going through a divorce or losing a spouse to an illness, the last thing a participant will probably think about is a Fund beneficiary designation he or she made many years ago. But a key point to remember is that unless you inform the appropriate Fund Office in writing of your updated status, *we will simply have no way of knowing about the relevant change.*

Be aware that the basic rule for our Fund is that we honor the most recent completed beneficiary designation form on file prior to your death (even if made under the Rhode Island Carpenters Annuity Fund and/or Northeast Carpenters Annuity Fund), except where that designation is overridden by the legal requirement to pay Fund death benefits to a surviving spouse that the Fund is aware of, unless such spouse has consented to your naming another beneficiary. Also, even if your beneficiary designation still reflects your intentions, please be sure your applicable Fund Office has up to date contact information (address, cell / telephone number, and email) for both you and your designated beneficiary.

If you need a new beneficiary designation form, please contact your applicable Fund Office.

- **Administrative Matters.** Our primary objective throughout this process will be to continue to service our members in a professional and timely manner, with as little disruption as possible. To that end, all of the SNECAF's workflows for participants and beneficiaries (whether in Connecticut, Rhode Island or New York) will remain the same. This means that you should continue to contact the relevant Fund Office that you have in the past.

However, if you have specific questions dealing with the asset and liability transfer involving the NCAF, or specific Plan rules that apply on and after January 1, 2020, please contact us using the following telephone numbers:

<b>Connecticut Fund Office:</b>	<b>203-281-5511</b> <i>or</i> <b>800-922-6026 (toll free in CT)</b>
<b>Rhode Island Fund Office:</b>	<b>401-467-6813</b>
<b>New York (Long Island) Fund Office:</b>	<b>877-372-3236</b>

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This Notice constitutes a Summary of Material Modifications of the Southern New England Carpenters Annuity Fund or SNECAF, and we are furnishing it to you in accordance with U.S. Department of Labor regulation §2520.104b-3. Please keep this Notice with your most recent Annuity Fund Summary Plan Description. As a reminder, all SNECAF benefits and formal plan provisions are subject to amendment and/or termination as the Board of Trustees may determine to be in the best interests of the SNECAF's participants and beneficiaries.

**For the SNECAF Board of Trustees**

Richard S. Monarca  
Executive Director