Bay Area Painters and Tapers
Pension and Annuity Trust Funds
Dublin, CA 94568-7756
Toll Free: (866) 894-3705 * Fax: (925) 833-7301
Email: Paintersinfo@hsba.com
Website: www.bayareapainterstrust.org

BAY AREA PAINTERS AND TAPERS ANNUITY PLAN

QUESTIONS AND ANSWERS ABOUT CONVERSION TO A PROFIT-SHARING PLAN

Effective January 1, 2019, the Bay Area Painters and Tapers Annuity Plan ("Annuity Plan") is converting to a profit-sharing plan under Internal Revenue Code 401(a)(27)(B). Below please find some questions and answers about how these changes to the Annuity Plan may affect you.

1. *What does it mean that the Plan is converting to a profit-sharing plan?*

The term profit-sharing plan is a technical term for Internal Revenue Code purposes only. It does not mean that contributions to the Annuity Plan depend on your employer's profits. Your employer will continue to contribute to the Annuity Plan on the basis of the terms of the applicable Collective Bargaining Agreement or Subscription Agreement.

2. *How will this change affect how the Annuity Plan is administered?*

As of January 1, 2019, your Individual Account will consist of two subaccounts, a "Profit-Sharing Account" and a "Money Purchase Account". Pre-2019 contributions, and earnings, losses and expenses attributable to those contributions will be allocated to your "Money Purchase Account". Post-2019 contributions, and earnings, losses and expenses attributable to those contributions will be allocated to your "Profit-Sharing Account".

In general, the Annuity Plan's conversion to a profit-sharing plan will have little impact on how the Annuity Plan is administered. You will continue to be able to direct the investment of your Individual Account. Your investment directions will apply equally to both your "Profit Sharing Account" and "Money Purchase Account". If you do not provide directions on how to invest your Individual Account, your subaccounts, and any future contributions, will be invested in the Annuity Plan's qualified default investment alternative. All investment income will be credited and payments, distributions and other charges will be allocated to all subaccounts in proportion to the balance in each subaccount at each Valuation Date.

As described below, the Annuity Plan's conversion to a profit-sharing plan will change how contributions are allocated to Individual Accounts in the case of delinquent payments by your employer.

3. *How will this change affect how contributions are allocated to my Individual Account in the case of delinquent payment by my employer?*

Before January 1, 2019, you received credit in your Individual Account for all hours worked, regardless of whether your employer actually paid for these contributions. Effective January 1, 2019, the Plan will only credit contributions to your Individual Account actually paid by your employer to the Annuity Plan. This means that you will not get credit for unpaid or delinquent contributions for your work. This change to the Plan rules does not apply to amounts credited to your Individual Account on or before December 31, 2018.

4. Why did the Board of Trustees decide to convert the Annuity Plan to a profit-sharing plan?

Before January 1, 2019, as a money purchase plan, the Annuity Plan was required to credit your account based on all hours worked regardless of whether your employer actually paid the contributions to the Annuity Plan. If there was an employer delinquency, the Plan would make up for these delinquent contributions, which must be credited to Individual Accounts, through plan expense charges, which are paid by all participants.

The Board of Trustees decided to convert the Annuity Plan to a profit sharing plan for three reasons. First, there was a concern that if there was a large employer delinquency, the Trust Fund would need to significantly increase the administrative charge, which is paid by all participants. Second, there was a concern that it was not fair to charge participants for the contributions of those participants whose employers were delinquent. Third, a profit-sharing plan allows the distribution of some or all of your Annuity Plan Account in the event of a heavy financial hardship, while a Money Purchase Plan does not allow such distributions.

5. What happens if my employer does not pay contributions to the Annuity Plan for the hours I work?

Effective January 1, 2019, you will not receive credit in your Individual Account for hours worked unless your employer actually pays the contributions to the Annuity Plan for those hours.
The Annuity Plan has delinquency procedures under which it pursues the collection of delinquent contributions from employers. Contributions will be allocated to your account if there is a recovery from your employer. If there is only a partial payment due to a delinquency, settlement, bankruptcy or similar circumstances, the contributions are allocated to your Individual Account in proportion to your hours worked with the Employer.

6. Will my distribution options change under the Annuity Plan?

No. The same eligibility rules for a distribution will apply to your subaccounts. When you are eligible to receive a distribution from your subaccounts, you will have the same distribution options for your “Money Purchase Account” and “Profit-Sharing Account”.

7. How will administrative expenses be charged on my Individual Account?

The monthly administrative charge will be applied to all of your subaccounts in proportion to the balance in each subaccount at each Valuation Date.

8. What is a hardship distribution and when can I take one?

Typically, the money in your Individual Account in your Annuity Plan can only be withdrawn in certain situations, such as if you retire or are disabled. If you suffer a serious financial hardship, however, you may be able to take a distribution of some or all of the balance in your Profit-Sharing Account.

A hardship distribution is only allowed to pay for the following expenses: medical expenses; the purchase of your principal residence; expenses to prevent eviction or foreclosure from your principal residence; repair for damage to your principal residence; tuition and expenses for post-secondary education; and burial or funeral expenses. You cannot receive a hardship distribution for other purposes. As the above is only a general description of the requirements, you should contact the Trust Fund Office for further information if you are interested in requesting a hardship distribution.

9. How do I obtain a hardship distribution?

To receive a hardship distribution, you will be required to complete an application that shows the following:

- You are requesting a hardship distribution for one of needs described in Question 8 above;
- The hardship distribution amount requested does not exceed the amount of your immediate and financial need;
- You have obtained all other distributions available to you from pension plans; and
- You have no other resources reasonably available to meet the need.

If you are married, you will need the notarized consent of your spouse to receive a hardship distribution.

The Board of Trustees will decide whether to approve your application. Please contact the Trust Fund Office at 4160 Dublin Blvd., Ste. 400, Dublin, CA 94568-7756 or by phone at (925) 833-7300 to obtain an application.

10. Can I receive a hardship distribution from my Money Purchase Account?

No, the Internal Revenue Service (IRS) does not permit hardship distributions from your Money Purchase Account, only your Profit-Sharing Account. This difference is one of the reasons the Board of Trustees decided to convert the Annuity Plan from a money purchase plan to a profit-sharing plan.

11. Will I be taxed on my hardship distribution?

Yes, you will need to pay federal and state taxes on the amount of your distribution. If you are under age 59 ½, you also may be subject to a 10% penalty by the IRS. The amount of the hardship distribution may include the amount of the expected taxes and penalties to be paid.