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To: All Participants of the NYCDCC Annuity Fund

From: Board of Trustees

Date: July 7, 2020¹

Re: Special Annuity Fund Coronavirus-Related Distributions and Loans Provisions

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. The CARES Act includes special rules for certain types of retirement plans, such as the New York City District Council of Carpenters Annuity Fund (the “Annuity Fund” or the “Fund”). These provisions (1) permit the Trustees to provide eligible participants with increased access to their account balances through December 21, 2020, (2) extend the due date for repayment of loans in certain circumstances, and (3) allow 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. The following “Frequently Asked Questions” describe these changes.

Coronavirus-Related Distributions

1. What is a Coronavirus-Related Distribution?

The Fund allows certain types of distributions, such as Hardship Withdrawals, Once-in-a-Lifetime Withdrawals after 60 months of Participation, and Distributions after you stop working in Covered Employment.

The CARES Act adds a new distribution – called a “***Coronavirus-Related Distribution***” – which is available through **December 21, 2020**. It differs in important ways from the other types of distributions available under the Fund.

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

\$100,000 in total, regardless of the number of Coronavirus-Related Distributions you take. However, if you have been permanently prohibited from taking a Hardship Withdrawal due to your prior submission of documentation in support of a Hardship Withdrawal which has been determined by the Trustees, or their designee, in their sole discretion, to likely be

¹ These FAQs have been updated to reflect guidance issued by the Internal Revenue Service on June 19, 2020.

fraudulent, incorrect, inaccurate, or misleading in any way, your eligibility for a Coronavirus-Related Distribution shall be limited to \$10,000 per distribution, subject to a total of \$100,000 total for all Coronavirus-Related Distributions.

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

You must apply for a Coronavirus-Related Distribution **by no later than 4:00pm EST on December 21, 2020.**

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

No. Although you may not take more than \$100,000 in total withdrawals for Coronavirus-Related Distributions, you may take as many Coronavirus-Related Distributions as you choose. Because this is a time of uncertainty, 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 through December 21, 2020, 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.

5. *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,
 - 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,
 - iv. having a reduction in pay (or self-employment income) due to COVID-19 or having a job offer rescinded or start date for a job delayed due to COVID-19,

- v. your spouse or a member of your household (defined as someone who shares your principal residence) being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19, being unable to work due to lack of childcare due to COVID-19, having a reduction in pay (or self-employment income) due to COVID-19, or having a job offer rescinded or start date for a job delayed due to COVID-19, or
- vi. closing or reducing hours of a business owned or operated by your spouse or a member of your household (defined as someone who shares your principal residence) due to COVID-19.

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

Contact Prudential at 1-877-778-2100 to obtain an application for a Coronavirus-Related Distribution. Although the CARES Act allows the Fund to rely on your certification that you satisfy 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. The provision of false information is a basis for denial of an application as well as for recovery of benefit payments made in reliance on such false information. If you have been permanently prohibited from taking a Hardship Withdrawal due to your prior submission of documentation in support of a Hardship Withdrawal which has been determined by the Trustees, or their designee, in their sole discretion, to likely be fraudulent, incorrect, inaccurate, or misleading in any way, your application for a Coronavirus-Related Distribution must be accompanied by documentation which shows that you satisfy the eligibility requirements for a Coronavirus-Related Distribution. Your application and documentation will be subject to review by the Fund's Chief Compliance Officer.

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

No.

8. *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.

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

Yes. The amount of taxes you owe will be based on your income. 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.

For example, if you withdraw \$50,000 and you are in the 22% tax bracket, your income tax liability due will be approximately \$11,000. 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, but you may spread it over three taxable years.

Section 4 of IRS Notice 2020-50 (available at <https://www.irs.gov/pub/irs-drop/n-20-50.pdf>) provides guidance for individuals who have taken Coronavirus-Related Distributions, including (a) guidance on the two methods for including the taxable portion of Coronavirus-Related Distributions in income (i.e., (1) including the taxable portion of the Coronavirus-Related Distribution in income ratably over a 3-year period that begins in the year of distribution, or (2) electing out of this 3-year income inclusion period and instead including the entire amount of the taxable portion of the Coronavirus-Related Distribution in 2020), and (b) guidance on repayment of Coronavirus-Related Distributions. For more information, contact your tax advisor.

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

No.

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

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

See Section 4 of IRS Notice 2020-50 or contact your tax advisor for more information.

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

Any withdrawal from your Annuity Fund account prior to retirement will negatively affect your ability to adequately prepare for retirement. This is especially true at times of market volatility. If you are thinking about taking a Coronavirus-Related Distribution, consider taking advantage of the investment education tools provided by Prudential Retirement and investment advice services provided by Morningstar® Retirement ManagerSM. Log in to

<http://www.prudential.com/online/retirement> for additional information. You may also wish to consult with a financial advisor to discuss whether there are better alternatives for you than a Coronavirus-Related Distribution.

13. I have decided to apply for a Coronavirus-Related Distribution. Who should I contact?

Contact Prudential at **1-877-778-2100**.

Coronavirus-Related Distributions & Eligibility for Unemployment Insurance

1. Is it possible that I may be ineligible for Unemployment Insurance if I receive a Coronavirus-Related Distribution?

On April 28, 2020, the United States Department of Labor (“USDOL”) issued “COVID-19 FAQs for Participants and Beneficiaries.” These FAQs are available at <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebbsa/our-activities/resource-center/faqs/covid-19.pdf> and are also posted on the Benefit Funds’ website at <https://nycbf.com/departments-of-labor-dol-issues-covid-19-faqs-for-employee-benefit-plan-participants-and-beneficiaries/>. The USDOL’s FAQs discussed several downsides to receiving a Coronavirus-Related Distribution, including the potential impact of receiving a Coronavirus-Related Distribution on eligibility to receive unemployment insurance. The USDOL FAQ stated: “Because a pre-retirement distribution may be considered ‘income,’ it could 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.”

2. What information is available on the New York State website regarding retirement plan distributions and Unemployment Insurance?

Please visit New York State’s website at <https://labor.ny.gov/ui/claimantinfo/dismissal-severance-pensions-faq.shtm#0> for information on pensions and unemployment. The information on New York State’s website as of the date of this updated FAQ states that your unemployment benefit rate could be reduced if you receive a lump sum payment from an annuity fund. However, we have heard that the New York State Department of Labor (“NYSDOL”) has responded to some inquiries on this topic by advising that annuity withdrawals on account of hardship will not affect a claimant’s eligibility for unemployment insurance. We cannot make any predictions regarding how the NYSDOL will ultimately treat this issue in the absence of formal guidance from the NYSDOL.

3. *Where can I get information on New Jersey's rules regarding retirement plan distributions and Unemployment Insurance?*

Please visit New Jersey's website at <https://myunemployment.nj.gov/help/faqs/reducebenefits.shtml> for information on pensions and unemployment.

Coronavirus-Related Loans

1. *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 through **September 22, 2020**. It differs in important ways from the loans currently available under the Fund.

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

\$100,000 or, if lower, the amount of your account balance. (The maximum amount allowed for other loans under the Fund is the lower of (a) \$50,000 or (b) one-half of your account balance.)

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

September 22, 2020.

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

No. Although you may not take more than \$100,000 in total Coronavirus-Related Loans, you may take as many Coronavirus-Related Loans as you choose.

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

In order to be eligible for a Coronavirus-Related Loan, you must satisfy one of the requirements listed in Question 5 (pages 2-3) under the heading “Coronavirus-Related Distributions.”

6. *I already have three outstanding loans. Am I eligible for a Coronavirus-Related Loan?*

Yes.

7. *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.

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

Contact Prudential at 1-877-778-2100 to obtain an application for a Coronavirus-Related Loan.

9. *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 on loans (available at https://nyccbf.com/wp-content/uploads/2017/10/NYCDCC-Annuity-Fund-SPD-Bargained-Design-Final_-October-2017.pdf).

10. *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, you will not have any tax consequences due to a loan. In addition, loans are repaid over five years 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. As an example, a \$50,000 loan taken over 5 years at 4.25% interest will result in a quarterly loan payment of approximately \$2,800 per quarter for the life of the loan.

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

Contact Prudential at 1-877-778-2100.

Extension of Loan Repayments

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

Yes. If you are an eligible participant with an outstanding loan on or after March 27, 2020 and you have a due date for a loan repayment between March 27, 2020 and December 31, 2020, the due date shall be delayed for one year.

2. *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.

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

In order to be eligible for an extension of your loan, you must satisfy one of the requirements listed in Question 5 (pages 2-3) under the heading “Coronavirus-Related Distributions.”

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

Contact Prudential at 1-877-778-2100.

Temporary Waiver of Required Minimum Distribution Rules

1. *Based on my age, I am required by law to receive a Minimum Required Distribution from my account. I do not want to withdraw any 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 as well as any 2019 Required Minimum Distributions that were required to be made by April 1, 2020. If you have any questions about this waiver, contact Prudential at 1-877-778-2100.