



Electrical Workers Administration and Claims Office

General Welfare, Vacation, Pension & Retirement Savings Funds



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Important Information About A New Retirement Savings Fund Benefit

December 1, 2011

Dear Participant:

The Board of Trustees is pleased to announce that a *new* **Participant Loan Program** has been added to the Retirement Savings Fund. As a participant in the Fund, you will be eligible to borrow from your individual account for any reason. Applications for the new **Participant Loan Program** will be accepted starting January 1, 2012.

As you know, your Retirement Savings Fund is a valuable benefit. Your employer contributes to the Fund on your behalf based on the hours you work and those contributions are placed in an “individual account” that is established for you. Throughout your career in the industry, your individual account balance can grow through contributions and investment earnings so that when it comes time to retire, you’ll have additional income available to you.

However, we understand that during tough economic times, like the ones we are in today, you may need a little extra help *before* you retire. That’s why we are launching the new Participant Loan Program – you will now be able to have a portion of your account available to you through a “loan,” if you need it, while you are still working.

Of course, since the goal of the Fund has always been to supplement your retirement income, it is important you understand that when you borrow from your individual account, you are responsible for repaying the loan—to yourself—in its entirety.

Here’s how the new Participant Loan Program works.

- The Program will go into effect on January 1, 2012 and is available to all active Fund participants.
- The maximum loan amount you may apply for is the lesser of \$50,000 or 50% of your account balance. The minimum loan amount will be \$1,000.
- You can apply for a loan by completing a Participant Loan Application through Prudential’s call center. A \$25.00 Application Fee will be deducted from your account when the loan is approved. If you are married, your spouse’s written, notarized consent must be part of the Application. Participant Loan Applications will be available from Prudential who will be administering the loan program.
- Your spouse will be required to provide *written* consent to the loan and your spouse’s signature must be witnessed by a Plan representative or notary public.
- If you default on a previous loan from the Fund, you will **not** be eligible for a subsequent loan from the Participant Loan Program.
- Since all participant loans must be adequately secured, your Accumulated Share will be used as security for your loan, provided the outstanding balance of your loan does not exceed 50% of your Accumulated Share.
- You will be required to pay interest on your loan. The interest rate will be based on the bank prime rate reported by the U.S. Federal Reserve, plus 1%. The interest rate for new loans is determined quarterly and the interest rate for existing loans is the rate in effect when the application is made.

- You may take out only one loan at a time and you cannot receive a second loan until 30 days after the first loan has been repaid in full.
- **Important:** You will not be able to apply for and receive a loan in any calendar year in which you receive an In-Service Distribution. Alternatively, you may not receive an In Service Distribution in any calendar year in which you either receive a participant loan or you default on a participant loan under the Participant Loan Program.
- If you do not make a specific request, once your loan is approved, the money will be taken equally from your investment funds. You may, however, request that the money be withdrawn from a specific investment fund or funds. Loan repayments will be invested according to your investment account allocation for current contributions.
- Repayments will begin no later than 45 days from the date of your loan approval, and your loan repayment must be completed within five years from the date you receive the loan from the Fund. Loans can be repaid early without penalty.
- Loan repayments may be suspended during certain unpaid leaves of absence and military leave, although interest will continue to accumulate during the repayment suspension period. Contact the Fund Office for more information on these provisions.
- Loan repayments must be made on a monthly basis. In the event loan repayments are not received on a timely basis, the loan will be considered in default unless payment is made within a grace period of 60 days after each due date.
- Loans will also be considered in default if you die, make a false or incomplete statement or representation in connection with the loan, or fail to comply with any terms of the loan.
- A loan default will be treated as an “immediate distribution” from the Fund and you will be responsible for federal and state taxes and, if under age 59½, an additional 10% penalty on the amount of your outstanding loan. Remember: If you default, you will never be eligible to take another loan from the Fund.

IMPORTANT: Please be aware that we are not tax professionals. As with all financial transactions, it is recommended that you contact a financial planner or tax advisor to discuss the advisability and appropriateness of taking a loan from your Fund account. If you do not pay your loan and the loan is defaulted, you will have to pay applicable federal and state taxes and, if you are younger than age 59½, the IRS will subject you to a 10% federal tax penalty. The taxes cannot be paid from your Fund account – you must pay the taxes and penalty from your own pocket!

Again, the Board of Trustees is pleased to be able to offer you this important new feature as part of your Retirement Savings Fund. For more information or if you have any questions, please contact the Fund Office at 630-393-1701. You will also be receiving information directly from Prudential before the program starts on January 1, 2012.

Sincerely,

The Board of Trustees

This announcement serves as a Summary of Material Modifications and contains only highlights of certain features of the Local 701 IBEW Retirement Savings Fund. Full details are contained in the Plan Documents that establish the Plan provisions. If there is a discrepancy between the wording here and the documents that establish the Plans, the Plan Documents language will govern. The Trustees reserve the right to amend, modify, or terminate the Plans at any time, in their sole discretion.

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