

When am I eligible to receive a Distribution from the Plan?

A member can receive a distribution from the Plan upon surrender of full shipping rights and upon completion and submission of appropriate Benefit Election Forms. A member surrenders shipping rights by signing a form called "Confirmation of Surrender of Seniority Shipping Rights." By signing this form, a member forevermore gives up all rights to work for any of the covered employers and the Sailors' Union of the Pacific.

If I surrender my shipping rights, am I required to take a distribution immediately?

No. You can defer distribution until April 1st of the year following the calendar year in which you attain age 70½. This date would be your Required Beginning Date.

What is a Required Beginning Date?

The Required Beginning Date (RBD) is a date set by the Internal Revenue Service (IRS) at which a member of a qualified plan is required to begin taking taxable distributions from the Plan. These distributions are called Required Minimum Distributions.

What is a Required Minimum Distribution?

A Required Minimum Distribution is a taxable distribution from the 401(k) Plan in an amount determined using a procedure defined by the IRS. The IRS requires individuals who participate in 401(k) Plans, or other types of employer-sponsored retirement plans, to begin taking distributions from those plans shortly after they attain age 70½. These distributions are called Required Minimum Distributions (RMDs), and the amount of each RMD is based on two factors:

- your account's fair market value at the close of the previous calendar year, and
- a "life expectancy factor" provided by the IRS (found in IRS Publication 590).
 - The uniform lifetime table is used to identify the life expectancy factor. The intent is to distribute all assets in the accounts over your expected lifetime.
 - Exception: If your sole primary beneficiary is your spouse and your spouse is more than 10 years younger than you are, you may use the joint life expectancy. This exception will allow for smaller RMDs and your account to be distributed over a longer period.

Important things to remember about Required Minimum Distributions:

- After you take your first distribution on your Required Beginning Date, you must take your second distribution by December 31st of that same year and subsequent distributions each year by December 31st.
- While there are Required Minimum Distributions, you always have the option to take a distribution of your entire account balance.
- Your Required Minimum Distribution is a taxable distribution not eligible for rollover. Any part of your distribution in excess of the RMD amount is eligible for rollover.

If I am age 70½ and continue to work for the covered employers and the Sailors Union of the Pacific, do I have to take the Required Minimum Distributions?

No. If you are still working, you will have the option each year to either elect to receive, or waive receipt of the RMD.

Once I become eligible to receive a distribution, how will my 401(k) benefits be paid to me?

Your benefits will be paid to you in the form of a Lump Sum Payment. You may receive your Lump Sum Payment as a taxable distribution, or you may roll it over into an IRA or another qualified plan, or you may take part as a taxable distribution and roll over the remainder. No other forms of benefit payments are available to you.

Important things to remember about Lump Sum Payments:

- **Taxable Lump Sum Payment** This form of benefit is a one-time payment of your entire account balance (or any percentage you choose) paid directly to you. This type of payment is subject to mandatory 20% Federal income tax withholding. State income tax withholding is based on your state of residency when you apply for a distribution. For example, in California, state income tax withholding is optional at the time of distribution. Note that mandatory withholding may not be sufficient to cover your total tax liability. We recommend you consult a tax advisor for advice. A Lump Sum Payment is eligible for rollover into an Individual Retirement Account or to another qualified plan if deposited within 60 days of the date of the check.
- **Lump Sum Payment as Direct Rollover** This form of benefit is a one-time payment of your entire account balance (or any percentage you choose) rolled over into an IRA or to another qualified plan, 403(b) plan or governmental 457 plan for your benefit. All amounts that are rolled over maintain their tax-deferred status. No Federal or State income tax withholding will be taken.
- The form in which you choose to receive your plan benefits has an effect on how these benefits are taxed. We recommend you consult a tax advisor to determine your tax liability under the available payment options *before* you decide on the one that is best for you.

Who Handles Distributions from the Plan?

Standard Retirement Services handles the distributions. They review distribution requests and prepare distribution paperwork required by law. They also consult with participants on issues related to their distribution, including distribution options, taxation, and timing. Finally, they are responsible for notifying the Plan's record keeper when to make a distribution from an account and for whom.

How do I apply for distribution of my account?

Contact the Standard Retirement Services team at 1-800-858-5420 and inform them of your decision to surrender full shipping rights under the Sailors Union of the Pacific. They will mail a distribution election packet to your address of record on file with the Plan. Please keep your address of record current. Alternatively, you may contact the SUP 401(k) Office at 1-415-778-5490.

How long should I expect the distribution process to take?

Standard Retirement Services will mail an election packet to you within 3 to 5 business days of receiving your request for distribution. Your distribution check should be issued within 10 business days after the receipt of your properly completed election forms.

What access do I have to the money in my account while I am still sailing?

None – You must surrender full shipping rights under the Sailors Union of the Pacific and thereby retire to be eligible for distribution of your account in the Plan. In addition:

Loans – Are not permitted.

Hardship Withdrawals – Are not permitted.

In-Service Withdrawals – Are not permitted.

What happens to my account if I am involved in a divorce?

The division of the pension benefit may become an important issue in a divorce settlement agreement. The retirement benefits payable to a member are sometimes classified as "marital property" or "community property" that can be divided in a divorce. The Plan can only reassign your interest in your benefits to another person if there is an acceptable Qualified Domestic Relations Order (QDRO) presented to the Plan. A QDRO is defined by the Internal Revenue Code and the Employee Retirement Income Security Act of 1974 (the federal laws governing pension plans). If you are going through a divorce, or if you are legally separated, you should contact Standard Retirement Services at 1-800-858-5420.

Who is entitled to my benefits if I die before my account is distributed to me?

Your designated beneficiary or beneficiaries as indicated on your Beneficiary Designation Form on file with the SUP 401(k) Office. If there is not a valid designation form on file with the SUP 401(k) Office at the time of your death and you are legally married, your spouse is automatically entitled to your account in the Plan. If you are not married at the time of your death, your living children are entitled to equal shares of your account. If you have no living children at the time of your death, your account would be distributed to your parents equally, or to the surviving parent if one is deceased.

When should I file a new Beneficiary Designation Form?

You should complete a new Beneficiary Designation Form whenever you have a significant change in your life, such as a marriage, divorce, or death. Be sure it remains accurate and reflects your intentions. You should also file a new designation whenever a beneficiary's address changes. Failure to do so may mean that the SUP 401(k) Office will not be able to locate your beneficiary and therefore would not be able to pay him or her. In order for the designation to be valid, the Beneficiary Designation Form must be on file with the SUP 401(k) Office prior to your death.

Must my spouse consent to my Beneficiary Designation?

Yes. If you are legally married and you designate someone other than your spouse to receive 100% of your benefits upon your death, your spouse must sign a consent form and her or his signature must be witnessed by a Notary Public.

Who should I contact to change or confirm my Beneficiary Designation?

If you have any questions about the Beneficiary Designation Form, please contact the SUP 401(k) Office directly at 1-415-778-5490.

***Please note:** This memorandum attempts to describe the Plan's distribution procedures in simple terms and is neither a Plan Document nor a Summary Plan Description. The Plan and Trust documents are complex legal documents, and all of their terms cannot be described in detail. If there appears to be any inconsistency between statements made in this memorandum and the Plan and Trust documents, the Plan and Trust documents will be the controlling legal documents. This document does not represent a contract between participants and the Sailors Union of the Pacific and the covered employers.*