

# NORTHERN CALIFORNIA PIPE TRADES TRUST FUNDS FOR UA LOCAL 342

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**TO: ALL PARTICIPANTS WITH SUPPLEMENTAL 401(k) RETIREMENT ACCOUNTS**

**RE: SUMMARY OF MATERIAL MODIFICATIONS TO THE  
NORTHERN CALIFORNIA PIPE TRADES SUPPLEMENTAL 401(k) RETIREMENT PLAN (“PLAN”)**

The Board of Trustees is pleased to provide you with the following updates and clarifications to the Plan:

**A. SUPPLEMENTAL 401(k) RETIREMENT PLAN – Plan Amendment**  
**Participant Directed Investments**  
**Section 4, Subsection 1 and Subsection 4**

**4.1 Eligibility to Exercise Individual Control of Investments.** Notwithstanding the powers and duties of the Board of Trustees to prudently invest the Plan assets, a Participant (including a Retiree) or Beneficiary (“Participant”) may elect to exercise independent control over the investment of assets in their individual account, provided:

- (1) The initial election is submitted to the Recordkeeper; and
- (2) Any Participant may participate in the Participant Directed Investment Program. Before a Participant may participate, they may attend a Supplemental 401(k) Retirement Plan Educational Workshop (“Education”), which is scheduled periodically throughout the year. A waiver of attending an Education is subject to the Participant’s receipt of the investment information and completion of a waiver form indicating that they fully understand the choice and waive attendance at the Education. The educational requirement is waived for allocation changes between the Balanced Pooled Fund and/or the Target Date Retirement Funds. If a Participant that has not met the educational requirement wishes to make changes, they are required to contact the Plan’s Investment Consultant.

**4.4 Available Investments.** Funds with specific characteristics are selected by the Trustees and vetted by the Plan’s Investment Consultants. These investment options are subject to change if the Board or the Plan’s Investment Consultants deem it to be a beneficial change to the Participants.

**B. SUPPLEMENTAL 401(k) RETIREMENT PLAN – Plan Amendment**  
**Entitlement to Benefits**  
**Section 6, Subsections 2**

**6.2(m) Terminally Ill Distributions.** A Distribution made to a Participant who is not working in Covered Employment who has been determined to be Terminally Ill (a physician certifies in writing that the illness or condition is expected to result in death within 84 months or less) who has terminated their Covered Employment is exempt from the additional IRS and state tax penalties, subject to government guidance.

**C. SUPPLEMENTAL 401(k) RETIREMENT PLAN – Plan Amendment**  
**Loans to Participants**  
**Section 9, Subsections 1, 2, 3, 5, and 6**

**9.1 Eligibility for Participant Loans.** A Participant (excluding Beneficiaries and Alternate Payees) who has an account balance in their Supplemental 401(k) Retirement Plan account may receive a loan from the Plan in accordance with the Plan and any rules adopted by the Trustees. Retired Participants and those separated from Covered Employment are also eligible for Participant loans. The Trustees have delegated responsibility for administering the loan program to John Hancock Retirement Plan Services. The Plan may change the loan processing agency (“Agency”) at any time without an amendment to the Plan.

Each loan shall be secured by the Participant’s account balance to the extent permitted by the Internal Revenue Code and applicable regulations.

**9.2 Loan Balance.** The outstanding balance of a Plan Loan shall be noted as a special category of the Participant's Individual Account balance in the Plan. The only interest which shall accrue on the portion of the account balance which is security for the loan is the interest which the Participant pays. As each payment is made, the portion of the account balance which is security for the loan is reduced, and the portion which is allocated a full share of interest and income of the Plan is increased accordingly. The Agency may charge a processing fee for each loan application and may assess a monthly loan maintenance fee. The fees can be changed without a formal amendment to the Plan.

**9.3 Amounts Borrowed – One-Half of Account Subject to \$50,000 Maximum.** The amount that can be borrowed by any Participant is the lesser of 50% of the account balance or \$50,000, reduced by the highest outstanding loan balance in the preceding 12 months. The minimum loan amount is \$1,000 and Participants are limited to two outstanding loans.

**9.5 General Requirements for Loans.** Loans granted shall (1) be adequately secured, (2) be made pursuant to a legally enforceable written agreement, (3) bear a reasonable rate of interest, (4) be offered to Participants on a reasonably equivalent basis and in accordance with the Plan and any loan rules adopted by the Board of Trustees.

**9.6. Specific Loan Rules.** In addition, the following loan conditions will apply:

A. Loan Application. To be eligible for a loan, the Participant is required to complete a loan application from the Agency and submit any additional required information/documents. Once the application is approved, the Participant will receive the requested loan terms and loan agreement.

B. Loan Term. The Agency has the sole and absolute discretion to determine the term of a loan. The current term for a primary residence loan is 30 years, which is consistent with the Internal Revenue Code requirements. Pursuant to federal guidelines, the maximum term for a non-real estate loan is five years.

C. Valuation Date. The value of the Individual Account shall be determined as of the most recent Valuation Statement prior to the submission of the loan application form. The value shall not include or anticipate any contributions received or which are receivable from and after said Valuation Date that immediately precedes the date the application is received by the Agency.

D. Loan Interest. The current interest rate is one point higher than the prime rate in effect on the date the loan documents are prepared. The interest rate may be changed without a formal Plan amendment. The Trustees shall not discriminate among Participants in the matter of interest rates; however, loans granted at different times may bear different rates as justified by a change in rate charges and/or changes in general economic conditions.

E. Adequate Security. The Trustees, or their designate, shall determine the proper security for each loan, including without limitation, the amount of the Participant's Individual Account permitted by applicable law.

F. Basis on Which Loans May Be Denied. A Participant who is eligible to request a loan from their account will have the option to make such a request. The Agency has the authority to deny an application for a loan for a Participant who has defaulted on a prior loan and has not repaid the defaulted loan, has reached the maximum number of outstanding loans, or those who fail to meet or comply with loan rules.

G. Payment Due Dates. All payments must be received by the monthly due date established by the Agency.

H. Delinquency Fees. The Trustees may authorize a delinquency fee at any time for each monthly payment that is not paid in full by the due date. There will be a fee for any Automated Clearing House ("ACH") payment that is returned for Insufficient Funds.

I. Changes. The Terms and Conditions of a Plan Participant's loan program as set forth herein may be changed by the Board of Trustees without a formal Plan amendment. Additionally, changes to a loan under the Agency will not be permitted, including refinancing.

J. Spousal Consent. Pursuant to federal law, if a Participant is married at the time a loan is requested, no loan may be secured by the Participant's Individual Account balance unless the Spouse has given consent in writing to use of the account balance as

security for the loan. The Spousal Consent shall only be considered valid if it is properly notarized and signed within 90 days of the date the loan is to be secured.

If a Participant is married at the time a distribution from the Plan is applied for, while there is an outstanding balance on a Plan loan, the loan may not be declared a distribution unless the Spouse has given consent in writing and the document has been properly notarized. The Trustees may establish rules and regulations for determining when a person is married or whether a Lawful Spouse cannot be located to provide consent.

K. Loan in Default. Per the Internal Revenue Service (“IRS”) guidelines, a loan is considered in default when payment(s) have not been received at the end of the quarter following the quarter in which the last payment was missed. The Trustees may charge the Participant’s Individual Account with the balance of the loan and any costs incurred relating to such loan default (including attorney fees) and any fee charged by the Agency administering the loan. Pursuant to the requirements of the Internal Revenue Code, the Plan or its Agency reports any such distribution based on a loan default to the IRS and state tax authorities (i.e., reported on Form 1099-R). When a loan is in default, taking into account the permitted cure period as determined by the IRS, the entire balance due is considered taxable, including accrued interest through the date of default. A loan that has gone into default will be considered a deemed distribution and the Participant will receive a Form 1099-R for the distributable amount.

L. Military Leave. Pursuant to the applicable IRS guidelines, loan payments for a Participant who is absent from Covered Employment due to certain Military Service (“Service”) may be suspended during the term of the Service. After the Participant returns from Service, the repayment period may be extended by the length of the period of the Service. To the extent required by applicable federal law and regulations, the interest rate during the term of the Participant’s Military leave shall not exceed the interest rate permitted by the Soldiers’ and Sailor’s Civil Relief Act Amendments of 1942. The intent of this section is to comply with the minimum requirements of federal law and regulations and to provide no additional rights or benefits under this section. The amount of interest charged will comply with federal law.

M. Prior Loan Defaults. Any prior loan that is considered outstanding and in default is required to be repaid before a new loan will be approved.

IN ACCORDANCE WITH THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THIS SMM SUPPLEMENTS THE SUMMARY PLAN DESCRIPTION THAT HAS BEEN SEPARATELY PROVIDED TO YOU. YOU SHOULD RETAIN THIS DOCUMENT WITH YOUR SUMMARY PLAN DESCRIPTION.

Respectfully submitted,

Fund Manager  
On Behalf of the Board of Trustees