

SOUTHERN CALIFORNIA PIPE TRADES DEFINED CONTRIBUTION FUND

SUPPLEMENT No. 1

To: All Participants

From: Board of Trustees

Date: May 2013

Re: 401(k) Contributions Permitted in \$0.25 Increments and
Roth After-tax 401(k) Contributions Now Accepted and
Change in Enrollment Process (Enrollment Card no Longer Used)

KEEP THIS NOTICE WITH THE SUMMARY PLAN DESCRIPTION

Plan Amendment

Effective July 1, 2013, the Southern California Pipe Trades Defined Contribution Plan has been amended to accept contributions in \$0.25 increments instead of \$0.50 increments. It has also been amended to accept Roth After-Tax 401(k) Contributions in addition to the Pre-Tax 401(k) Contributions that are currently accepted. The Plan will also no longer issue individual Enrollment Cards to participants.

Roth Contributions are After-Tax Contributions. Participants who elect to contribute a portion of their wages to the Defined Contribution Plan may designate all or a portion of their employee contributions as Roth Contributions. Unlike regular employee contributions that are made pre-tax, Roth Contributions are after-tax contributions. In other words, while regular, Pre-Tax Contributions and their earnings are subject to income tax at the time of distribution, Roth Contributions are subject to income tax at the time the contribution is made, not when distributed.

In addition, the earnings on Roth Contributions are also distributed tax-free as long as the distribution is “qualified.” A distribution is “qualified” if distributed after age 59½ or because of death or disability, and if made at least 5 years after the date of the participant’s first Roth Contribution. Eligible Roth Contributions and their earnings may be rolled over when Plan rules permit but only into a Roth Contribution account in another qualified plan or into a Roth IRA. **If a distribution of Roth Contributions is not qualified, the earnings will be subject to income tax plus a penalty.**

Contribution Limits. Regular, Pre-Tax 401(k) Contributions and Roth 401(k) Contributions are combined for purposes of limits on the annual maximum amount that may be contributed into a 401(k) plan. In 2013 this limit is \$17,500 (not including catch up contributions for participants age 50 or older).

No Annual Income Limit. Unlike Roth IRAs, a participant may make a Roth Contribution to the Plan regardless of the participant's annual income level.

Designation of Roth Contributions. It is the individual decision of each participant whether to designate none, all or a portion of the participant's elective employee contributions into the Plan as Roth 401(k) Contributions. In all cases it will be presumed that a contribution is a regular, Pre-Tax 401(k) Contribution unless the participant explicitly designates in writing, on a form provided by the Plan, that a contribution, or a portion thereof, should be made as a Roth 401(k) Contribution. A participant may change this designation at any time in writing. Once paid to the Plan however, a contribution, whether it be a Pre-Tax 401(k) Contribution or a Roth 401(k) Contribution, cannot be changed.

Permitted Contribution Rates. Previously, contributions were permitted only in \$0.50 per hour increments. Contributions are now permitted in \$0.25 per hour increments. In addition, contributions may be split between Pre-Tax 401(k) Contributions and After-Tax Roth 401(k) Contributions in \$0.25 per hour increments.

Choosing Roth or Pre-Tax Contributions. In deciding whether or not a contribution, or portion thereof, should or should not be a Pre-Tax 401(k) Contribution or a Roth 401(k) Contribution, one factor a participant may want to consider is the participant's expected income tax rate at the time the participant anticipates taking a taxable distribution from the Plan, compared with the participant's income tax rate at the time the contribution is made to the Plan. If the participant's tax rate is higher at the time of distribution than at the time of contribution, Roth 401(k) Contributions may be more advantageous.

Here is a brief comparison of the two types of employee contributions:

Regular Pre-Tax 401(k) Contributions

Roth After-Tax 401(k) Contributions

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| 1. Made pre-tax | Made after-tax |
| 2. Contributions and earnings are taxed when distributed | Roth Contributions and earnings distributed tax free if a "qualified" distribution |
| 3. Immediate 100% vesting | Immediate 100% vesting |
| 4. May be used for a hardship withdrawal | May be used for a hardship withdrawal |
| 5. May be rolled over into a qualified plan or IRA | May be rolled over only into a qualified plan that has a Roth account, or to a Roth IRA |

Change in Enrollment Process. Also effective July 1, 2013 the 401(k) enrollment cards previously sent from the Fund Office will no longer be sent. All Plan enrollments, contribution changes, etc. must be submitted to the employer on an Enrollment/Change Form, and the employer must promptly act on that form and forward it to the Fund Office.

Withdrawals. In case of a Hardship Withdrawal, funds will be distributed in the following order: first from any after-tax (non-Roth) contributions, second from any pre-tax Rollover contributions, third from any pre-tax contributions, fourth from any Rollover Roth Contributions, and fifth from any Roth Contributions. In case of a distribution to a Highly-Compensated Employee due to non-discrimination test failure, the employee may designate the extent to which the excess amount is composed of pre-tax elective deferrals and after-tax Roth Contributions deferrals, but only to the extent such types of deferrals were made for the year. If the highly

compensated employee does not designate the type in which the elective deferrals are to be distributed, the plan will distribute pre-tax elective deferrals first. In case of a distribution due to excess contributions (amounts exceeding \$17,500 in 2013, plus “catch-up” contributions if applicable), if the employee contributed both Pre-tax and After –tax Roth contributions, excess amounts will be withdrawn pro-rata in the same proportion as the original contributions made.

To obtain an Enrollment/Change Form to elect or change a contribution into the Plan, including electing a Roth 401(k) Contribution, contact the Fund Office at (800) 595-7473 or at www.scptac.org, or info@scptac.org.