

# IBEW Local 38 Fringe Benefit Funds Inc.



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## **International Brotherhood of Electrical Workers Local No. 38 401(k) Retirement Plan**

### NEW Roth Contribution Feature

To all Members:

This Notice is to inform you of a recent change to the IBEW Local No. 38 401(k) Plan (the, “Plan”). Effective **January 1, 2026**, the Plan will make two (2) changes. First, all Participants will be eligible to contribute to the Plan on a Roth basis (i.e., after-tax). Second, and in accordance with federal law, “catch-up” contributions for certain “high income” individuals will be made on Roth basis (i.e., after-tax).

### Roth Contribution Feature

Effective January 1, 2026, the Plan will add a new Roth contribution feature that will permit Participants to make Roth (i.e., after-tax) elective deferrals to the Plan. Prior to this change, all elective deferrals that you made were done on a pre-tax basis. Now, you can choose to contribute on either a pre- or post-tax basis. You can also contribute both pre-tax and Roth contributions at the same time.

However, there are a few things to keep in mind, most of which depend on underlying IRS rules:

- Distributions from Roth accounts are subject to the “5-year rule.” That means the distribution will only be “qualified” (i.e., “tax-free”) if it is made after 5 years of participation and (1) on or after age 59 ½; (2) death; or (3) disability. There are special rules for alternative payees (e.g., divorce actions) and surviving spouses. Non-qualified distributions from Roth accounts are partially taxed.
- If your account has both pre-tax and Roth contributions, any future distributions will be a pro-rata mix of the two accounts. In other words, current IRS rules do not allow you to select a distribution from one of the accounts.
- The Plan will also allow you to convert your pre-existing balance to a Roth account.
- The Maximum IRS Contribution limit combines the two accounts. This means contributions to both accounts are combined to determine whether a Participant exceeded the annual max. The 2026 limit is \$24,500. The 2026 “catch up” contribution limit (i.e., an extra contribution for people age 50-to-59) is \$8,000.
- You may only change your deferral election once per month or upon each job referral. Your Participant Election Agreement must be returned to your Employer and a copy sent to the Fund Office. It will not be effective until the payroll period beginning after the appropriate documentation is returned.

### **New Catch-Up Contribution Rules**

Effective January 1, 2026, the Plan will require anyone with income above \$145,000 in the previous year to make any “catch up” contributions on a Roth basis (i.e., after-tax). This means that any “extra” contributions above the annual Maximum IRS Contribution limit will be made on an after-tax basis.

This change is required under federal law. Additionally, the \$145,000 limit will change each year and is based on prior year earnings with a single employer. In other words, the Plan does not combine compensation from multiple employers to review this restriction.

### **Conclusion**

As noted above, these changes are effective January 1, 2026. Further, the Plan may send additional information on the new Roth contribution feature in the near future. Included is the new IBEW Local 38 401k Retirement Plan Participant Election Agreement. Please contact the Fund Office if you have any questions on this Notice.

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