

Alaska Ironworkers Pension Plan Next Steps

No Good Options

As we reported in October's Annual Update, the plan's health has continued to worsen and has reached the 'critical and declining' stage.

And we've reached the point where we have no good options left. We either:

- **Let the plan go** – pay benefits as long as we can, then let it go to the Pension Benefit Guaranty Corporation (PBGC), which is itself in trouble, or
- **Try to save it** – keep paying benefits, but at a lower level, so we can stabilize the plan.

If we let the plan go, our best estimate is that it will run out of money in 2030. The Trustees have decided to try to save the plan. We have filed an application with the federal government for a 'benefit suspension.' (Under the law, this doesn't mean benefits stop but that they can be reduced.)

Keep reading to learn what this may mean for you, why we made this decision, and what happens next.



What You Need to Know

- **Nothing is happening to benefits yet.** The government requires a specific process we need to go through before benefits can be reduced. It could take close to a year and you'll get a chance to comment and vote.
- The proposal is to reduce benefits across the board by the same percentage for everyone. (Exceptions: those who are older than 75, or receiving disability benefits.)
- Your benefit under this proposal would be higher than what you'd get if the plan ran out of money and the PBGC paid reduced benefits. See the enclosed personal benefit estimate.
- Benefits **would not be reduced** for retirees 80 or older, and reductions would be less for those between 75 and 80. Disability benefits would not be reduced.
- There's nothing to be gained from retiring right away if you're an active participant. The reductions would apply to benefits earned through June 30, 2016 for all actives, retirees, and beneficiaries (except for those mentioned in the bullet above).

Important Information Enclosed

Please review all information in this packet:

- **This announcement** – overview of what's happening and why
- **Notice of proposed reduction of your pension benefits** – official notice of the plan's application for benefit suspension, including important information about your rights
- **Benefit estimate** – personalized statement showing your unreduced benefit, an estimate of your benefit if the reduction is approved, and an estimate of your benefit if it was paid by the PBGC

About the Benefit Reduction

The plan has applied to reduce benefits earned through June 30, 2016 by 34.5% across the board. We believe this approach is the fairest in sharing the pain equally. There are no special groups that will be treated differently except those required by law (those who are older than 75, or receiving disability benefits).

This reduction would apply to benefits earned through June 30, 2016:

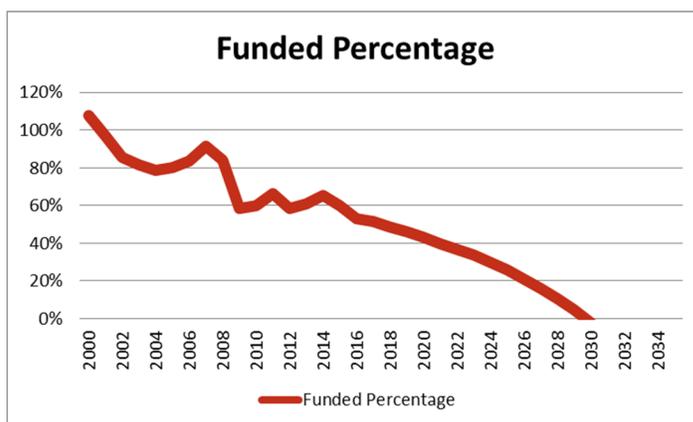
- For most **retirees and beneficiaries** receiving benefits, your monthly check would be reduced by 34.5%. If you're between 75 and 80 on February 28, 2018, your reduction will be smaller. If you're 80 or older on February 28, 2018, or receiving disability benefits, your monthly check will **not** change.
- For those **not active in the plan**, but not yet receiving benefits, your vested benefit would be reduced by 34.5%. When you retire, your benefit would be based on that amount.
- For **active participants**, the benefit you earned through June 30, 2016 would be reduced by 34.5%. You'll continue to accrue new benefits though – and this benefit reduction will **not** apply to benefits earned after June 30, 2016.

See the enclosed benefit estimate for your current benefit and how much it would be if reduced.

The reduction would take effect the first of the month following 30 days from the end of the voting period; no earlier than 9 months from the date the application was filed and no later than February 1, 2018. We don't know exactly when the vote will take place because it depends on how long the government takes to review the application.

Why We Applied for a Benefit Reduction

- The plan is currently projected to run out of assets in 2030 (based on the best current estimates, which include investment returns below 6%). That's only 13 years from now.
- This projection, which is based on several assumptions, will change every year based on actual investment returns, plan contributions, and other experience. So the actual date could be sooner or later than 2030.
- As described in previous updates, the law allows a 'critical and declining' plan to reduce benefits that have already been earned, including for retirees and beneficiaries, to save it from running out of money.
- We're taking action now because:
 - The longer we wait the more difficult it becomes to save the plan.
 - The benefit reductions required to do so would be larger.



Even moving as quickly as possible, the reduction can't happen for close to a year because of the process required. If we fail this time, it may be too late to try again.

We believe the plan can be saved with this reduction. If we thought it was hopeless, we wouldn't be going through all this. Our goal is to keep paying as much as we can in benefits and keep paying them for many years to come.

The bottom line: if we do nothing, the plan will run out of money and benefits will be even lower than what we've proposed. Reducing benefits now means we have a chance to save the plan for retirees, current active participants, and future generations of ironworkers.

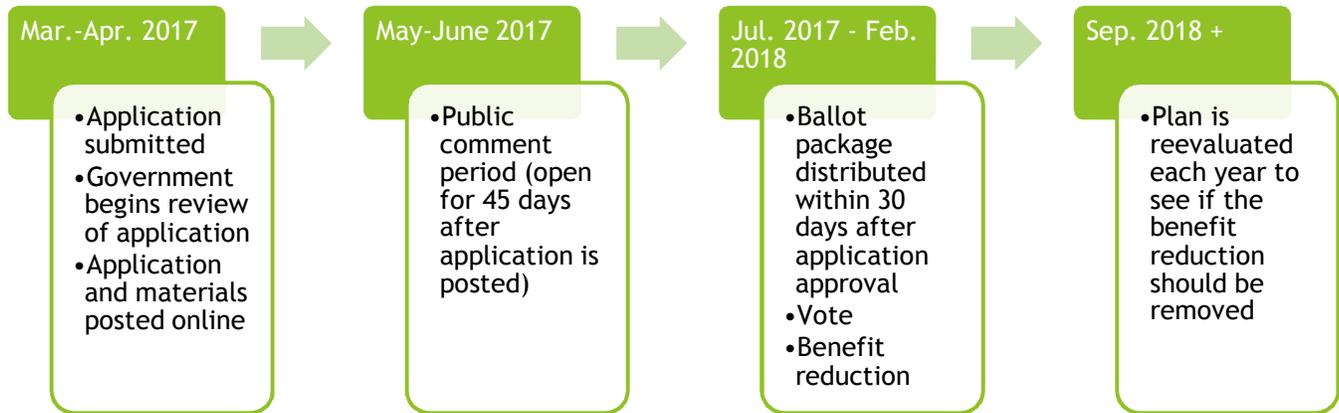
Some Benefits Are Better Than None

As we weighed our options, we looked carefully at the pros and cons for each. In the end (because we believe we still have a real shot to save the plan), we felt it was better to do all we can to continue benefits for as many people as possible, for as long as possible – even if that means benefits are lower. The chart below shows why we want to save the plan and not let it run out of money.

Try to save the plan	Let it run out of money
<p>Reducing everyone’s benefit by the same percentage spreads the burden fairly.</p>	<p>If we let the plan run out of money, those receiving benefits now would get their full amount – but only for a little while. Everyone else would get lower benefits, or maybe nothing.</p> <p>That hurts the actives the most, and they are already earning far lower benefits – and paying much higher contributions – than members did in the past.</p>
<p>The most prudent course of action is to do everything we can to keep the plan from running out of money and keep paying benefits from this plan – even if that means paying them at a lower level.</p>	<p>There’s concern about the health of the Pension Benefit Guaranty Corporation (PBGC) – the government agency that insures pension plans. The PBGC itself may very well run out of money. In that case, it’s likely that only a fraction of the PBGC’s “guaranteed” benefits would be paid to plans that run out of money.</p>
<p>If we keep the plan going, we have a better chance of maintaining a strong contribution base – increasing our odds of being able to pay benefits for the long haul – and active participants have a better chance of earning meaningful benefits in the future.</p>	<p>If the plan runs out of money and goes to the PBGC, active participants may continue to earn benefits, but they wouldn’t mean much – the most they could hope to receive would be the PBGC guaranteed level of benefits.</p>
<p>We still have assets at this time. If we lower benefits now, we don’t run out of investments to earn money. The investment earnings pay for more benefits, and give us a fighting chance to restore the fund.</p>	<p>Right now we have almost \$50 million of investments. Those investments have a good chance of earning \$2 million to \$3 million per year. If we do nothing, the amount of money we have to invest will go down, we will get fewer dollars of investment earnings, and ultimately, the plan will run out of money. When the plan runs out of money, we will get no investment earnings, and we will have no chance of being helped by any strong investment markets.</p>
<p>Under this proposal, the reduction applies to benefits earned through June 30, 2016, but any benefits earned after that won’t be affected by this benefit reduction.</p> <p>The current level of benefits being earned is already very low (and the contributions are very high) compared to the benefits and contributions of the past. The benefits being earned by current actives are already reduced. We owe it to them to do everything we can to make sure some of the money they are paying into the fund is left to pay their benefits in the future.</p>	<p>If the plan runs out of money, perhaps the hardest hit group would be current active participants, who have already made significant sacrifices.</p> <p>If you look at two members – who both work for 30 years – a member who started in 1980 and retired in 2010 will have a benefit over 2½ times as large as a member hired in 2000 and retiring in 2030 can expect to earn. This is true even with the higher contribution rates during the second member’s working years.</p>
<p>Benefits under the proposed reduction are higher than what you would receive from the PBGC. See the enclosed benefit estimate for a comparison.</p>	<p>PBGC benefits would be lower than benefits under this proposed reduction. And if the PBGC runs out of money, it’s likely benefits would be even smaller.</p>
<p>The proposed reduction would likely be in place for a number of years but would be lifted once the plan is no longer projected to run out of money.</p>	<p>If the plan goes to the PBGC, not only would benefits be lower than under the proposed reduction, but the decrease would be permanent.</p>
<p>Under the proposed reduction, the people who are least able to bounce back, including disabled members and retirees over 80, are protected (by law).</p>	<p>If the plan runs out of money, benefits are cut across the board. No population is protected from reductions.</p>

See the enclosed notice for more about what we considered when deciding how to reduce benefits.

Timeline



How long will the reduction last?

The enclosed benefit estimate says the reduction is permanent because we don't know exactly how long it will last. (Our options for the application were to say it's permanent or give the specific date benefits would go back to normal.)

The fact is that we expect reduced benefits to be in place for a very long time. For some, that means a reduced benefit for the rest of their retirement. For others, there's at least a possibility that their benefit would come back up to the unreduced amount at some point in the future.

In other words, though the benefit reduction would be in effect only until the plan is no longer projected to run out of money, we can't say for certain when that would happen.

We *can* say that if the plan runs out of money and was turned over to the PBGC, the reduction would be permanent.

What's Next

Now we wait. The government has 225 days from the date we submitted our application to approve or reject it. That's about 7½ months. So far, they've taken between 4½ months and the full 7½ months to decide on other applications. So we don't really know how long it will be. However, when the government does decide, ballots must be distributed within 30 days if the application is approved.

In the meantime:

- Watch for a meeting invitation where you can ask questions and get answers.
- Once the application is posted in April, you can go to www.treasury.gov/mpira to review it and provide your comments.
- If the application is approved, you'll receive a voting ballot from the Treasury Department.

Alaska Ironworkers Trust Funds

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