

Alaska Ironworkers Pension Plan Plan Update

Update on the Benefit Reduction

The proposed benefit reduction is being withdrawn, revised and resubmitted – **the reduction will be smaller**. The original proposed reduction was 34.5%. We don't yet know what the percentage will be, but it will be lower than that. And, the effective date of the reduction will be delayed.

No application has been approved on the first try – including ours. On October 16, we received word from the Department of Treasury that the only issue with the application was the assumption used for long-term future investment returns. But, that's a key assumption and was enough to indicate that the application would very likely be denied unless we revised it.

The 6.04% assumption used for the initial application is in line with what we use for the normal running of the plan, as well as the plan's investment policy, and rooted in really solid research. However, the Department of Treasury's figures point to a higher return assumption. So, we are changing the assumption. In addition we will be able to reflect the positive investment earnings that have occurred through September 30. The combination of these two factors will make the benefit reduction smaller than what we described last spring.

While we stand by our original application, the most important thing is to take action to save the plan and the revised reduction will go a long way toward that goal.

What's been going on with the plan?

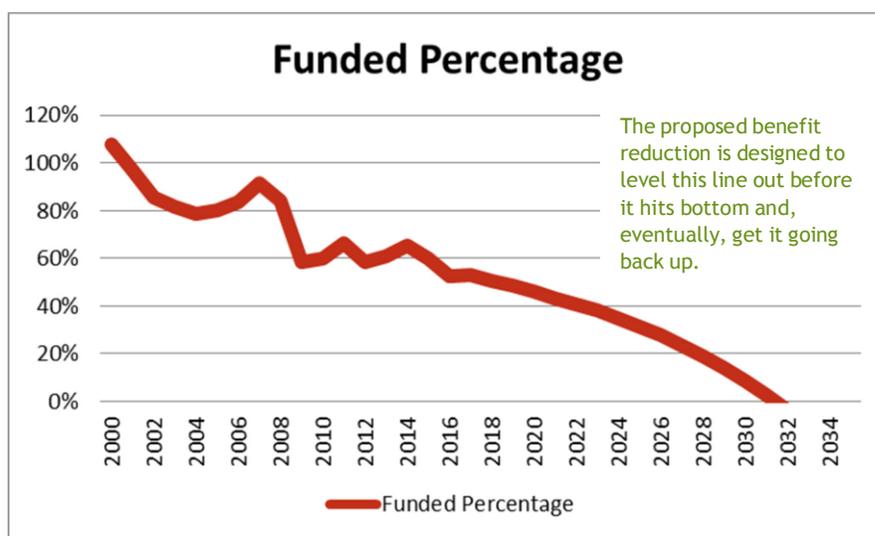
While all of this has been going on, the plan has been 'business as usual' – active members continue to accrue benefits, we're paying benefits each month, and the plan's assets continue to be invested.

In fact, the plan's investment return for the plan year ending June 30, 2017 was quite good – about 11.5%.

Unfortunately, that's not enough to change the path the plan is on. The funded percentage continues to decline. And the date the plan is expected to run out of money only moved out about 1 year – from 2030 to sometime in 2031. That's only 14 years from now.

The plan has about \$50 million in assets. But, we pay out about \$7 million a year in benefit payments

and contributions coming into the plan are only about \$2 million a year. Even a good return on the plan's investments doesn't get us as far as it used to because we have a shrinking pot of money to invest.



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

Benefit Reduction Recap

The idea behind the benefit reduction is to keep paying benefits, but at a lower level, so we can stabilize the plan. The revised application will have a smaller reduction, but it will still be a single decrease across the board. We believe this approach is the fairest in sharing the pain equally.

As required by law, there will still be protections for those who are older than 75 or receiving disability benefits.

Why try again?

Although we believe the investment return assumption in the revised application will be less robust than the original, it's much better than doing nothing. Our goal is to keep paying as much as we can in benefits and keep paying them for many years to come. 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.

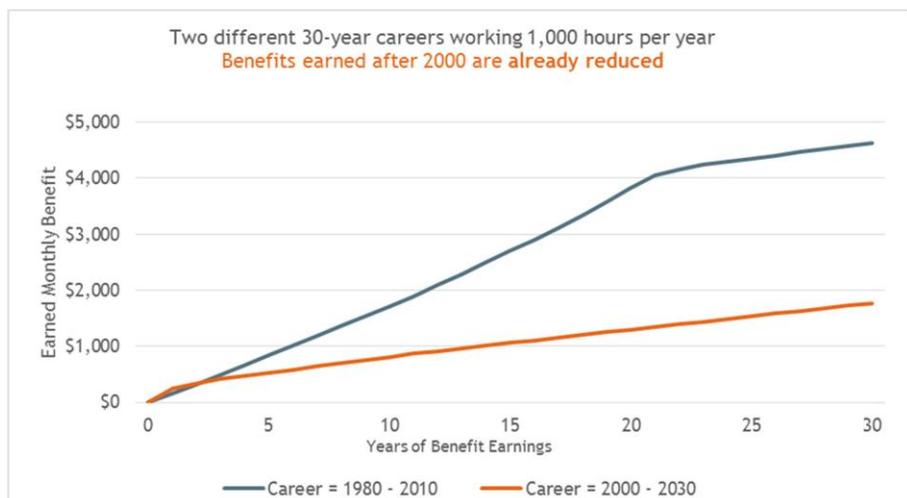
Reducing benefits by the same percentage spreads the burden fairly – if the plan fails, some will be hit a lot harder than others.

If the plan runs out of money and goes to the Pension Benefit Guaranty Corporation (PBGC) – the government agency that insures pension plans – not only would benefits be lower than under the proposed reduction, but the decrease would be permanent. And there's concern about the health of the PBGC itself, which 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.

If we reduce benefits ourselves, the people who are least able to bounce back, including disabled members and retirees over 80, are protected (by law). If the plan runs out of money, no population is protected from reductions.

If we reduce benefits ourselves, the reduction applies to benefits earned in the past, but benefits earned going forward won't be reduced any more than they already are. 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. In other words, the benefits being earned by current actives are already reduced.

We owe it to the active members 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. As shown in the graph below, if you look at two members – who both work the same number of hours 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. If future benefits were included in the benefit reduction those benefits would experience a large reduction, but the impact on the benefit reduction overall would be small – a rough estimate shows it would lower the cut to benefits already included in the reduction by less than 1.5% of the monthly benefit.



Timeline

We understand that when we re-submit the application it will be on a fast track for review. We're working with the PBGC and Treasury now to understand what that means. We hope to be able to give you an update of what that might mean when we send the new notice about the re-submitted application.

As of the date this newsletter was written, we expect to re-submit sometime in December. Right now, we don't know what that means for the date benefits would be reduced. We do know that it won't be January or February as we originally thought. We don't think it would be as long as a year later.

What's Next

We have officially withdrawn our application and plan to re-submit a revised version as soon as possible – most likely in December.

What does that mean for you?

- Once the application has been re-submitted, you will receive a new packet with a revised estimate of your benefit under the proposed reduction.
- There will be no change to benefit payments at this time. The timing of the reduction will be pushed back. We will update you with what we have learned from PBGC and Treasury about the timing when we send out the revised estimates.
- If the new application is approved by the government, you will have a chance to vote on the new benefit reduction proposal.

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