

ALASKA LABORERS TRUSTS

Alaska Laborers-Employers Retirement Fund

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Administered by
Labor Trust Services, Inc.

TO: All Active, Vested Terminated, Disabled and Retired Participants, Beneficiaries, Alternate Payees, representatives of the Alaska State District Council of Laborers and its affiliated locals, and Employers who contribute to the Alaska Laborers – Employers Retirement Fund

FROM: The Board of Trustees for the Alaska Laborers – Employers Retirement Fund

DATE: June 15, 2016

RE: Amendment to the Alaska Laborers – Employers Retirement Fund

INTRODUCTION

This Notice provides information regarding reductions made to some participants' benefits *earned in future years* under the Retirement Fund (the "Fund"). Benefits earned through June 30, 2016 are not being reduced.

These changes are a result of the Fund being certified as in endangered status in recent years. A certification of endangered status requires specific action from the plan trustees to comply with Federal Law.

BACKGROUND

Since the significant decline of the financial markets beginning in 2008, the Trustees have implemented changes to ensure the stability of the Retirement Fund to meet the current and future needs of the Participants.

The Trustees adopted a Funding Improvement Plan in April 2014, and have subsequently worked with the bargaining parties to modify and implement the Funding Improvement Plan to best meet the needs of Participants while complying with legal funding requirements. The Funding Improvement Plan is comprised of three "schedules" made up of benefit adjustments and/or contribution increases intended to return the Fund to financial health over the Funding Improvement Period:

- Preferred Schedule – Most bargaining parties have elected this schedule. Under this schedule, early retirement benefits for service after June 30, 2016 are further reduced for participants with under 30,000 hours at retirement. In addition, contribution rates to the Fund are increased, but no additional benefits earned.
- Contribution Only Schedule – Contribution rates to the Fund are increased (by more than the Preferred Schedule), but no additional benefits earned.
- Default Schedule – Contribution rates to the Fund do not change, but future benefit accruals are reduced from a 1.2% benefit accrual factor to a 0.1% benefit accrual factor.

Bargaining parties must adopt one of the three schedules. The schedule adopted by your employer and union representatives determine your future contributions and benefits. Once a schedule is elected, that election cannot be changed. The schedules are reviewed on an annual basis by the Board of Trustees to evaluate and implement necessary changes.

Except for the changes outlined in this Notice, all Retirement Fund provisions remain the same. Please refer to your Summary Plan Description or the Alaska Laborers – Employers Retirement Fund Plan Document for more information about the rules regarding participation in the Retirement Fund, benefits available from the Retirement Fund and the claims and appeals procedures. Please keep this Notice with your Summary Plan Description, which is the booklet that describes the rules and procedures for the Retirement Fund.

The Board of Trustees of the Alaska Laborers – Employers Retirement Fund has adopted the following plan changes effective July 1, 2016.

CHANGES TO RETIREMENT FUND BENEFITS

Current Retirees and Beneficiaries

- If you are a retiree or beneficiary currently receiving a benefit from the Fund as of July 1, 2016, your retirement benefit **is not affected** by these plan changes.
- If you return to work, your retirement benefit will be affected by these plan changes.

All other Fund Participants

Benefits earned prior to July 1, 2016

- The accrued retirement benefit you have earned through June 30, 2016 **is not affected** by these plan changes. The current Fund provisions will control the eligibility and the amount of the June 30, 2016 retirement benefit that will be paid to you at retirement, even if your retirement occurs after June 30, 2016.

Benefits earned after June 30, 2016

- Your benefits earned after June 30, 2016 depend upon the Schedule adopted by your employer and union representatives.

The hourly contribution made by your employer is determined under a collective bargaining agreement. Beginning July 1, 2014, as explained in a previous notice, 65% of total Employer Contributions are eligible and used to determine your benefit accrual. Depending upon the Schedule adopted, your employer will be required to make a larger contribution to fund the same amount of benefit accrual. The amount of the increase depends upon the contribution rate in effect on September 26, 2013.

Preferred Schedule

If you work under a bargaining agreement that has adopted the Preferred Schedule:

- Your **benefit accrual factor** (also known as the benefit multiplier) **remains 1.2%** of eligible contributions made after June 30, 2016.
- For participants retiring with less than 30,000 hours of service, **lower early retirement factors** are applicable for benefits earned after the later of June 30, 2016 or the date the Preferred Schedule is timely adopted.
- There is an **increase to the employer hourly contribution rate**, but that does not impact your benefit accrual.

See the examples below for the complete table of old and new early retirement factors.

Contribution Only Schedule

If you work under a bargaining agreement that has adopted the Contribution Only Schedule:

- Your **benefit accrual factor remains 1.2%** of eligible contributions made after June 30, 2016.
- There is no change to early retirement factors.
- There is an **increase to the employer hourly contribution rate**, but that does not impact your benefit accrual. The amount of the increase is larger than under the Preferred Schedule to compensate for the lack of changes to early retirement benefits.

Default Schedule

If you work under a bargaining agreement that has not timely adopted either the Preferred Schedule or the Contribution Only Schedule, the Default Schedule will be imposed under the bargaining agreement. The time period during which a particular bargaining party must adopt a Schedule depends on the expiration date of the bargaining agreement in effect on September 25, 2013.

- The **benefit accrual factor is reduced to 0.1%** of contributions earned after the later of June 30, 2016 or the expiration of the applicable adoption period.
- There is no change to early retirement factors.
- There is no increase to the employer hourly contribution rate.

EXAMPLES OF CHANGES TO FUTURE BENEFIT ACCRUALS

Example 1) John works the following Covered Hours of Employment and earns the following benefit under the **Preferred or Contribution Only Schedule** from July 1, 2013 through June 30, 2019:

Plan Year Ending June 30	Eligible Employer Contributions	Benefit Accrued Prior to Plan Change	Benefit Accrued After Plan Change
2014	\$9,000	\$108.00	\$108.00
2015	\$9,000	\$108.00	\$108.00
2016	\$9,000	\$108.00	\$108.00
2017	\$9,000	\$108.00	\$108.00
2018	\$9,000	\$108.00	\$108.00
2019	\$9,000	\$108.00	\$108.00
Total Accrued Benefit:			\$648.00

Example 2) Terry works under a bargaining party that has the **Default Schedule** imposed as of July 1, 2016 and has the following contributions from July 1, 2013 through June 30, 2019:

Plan Year Ending June 30	Eligible Employer Contributions	Benefit Accrued Prior to Plan Change	Benefit Accrued After Plan Change
2014	\$9,000	\$108.00	\$108.00
2015	\$9,000	\$108.00	\$108.00
2016	\$9,000	\$108.00	\$108.00
2017	\$9,000	\$108.00	\$ 9.00
2018	\$9,000	\$108.00	\$ 9.00
2019	\$9,000	\$108.00	\$ 9.00
Total Accrued Benefit:			\$351.00

EXAMPLES OF CHANGES TO EARLY RETIREMENT BENEFITS

Participants who retire before age 65 may have the amount of their monthly benefit reduced by an “early retirement factor”. Early retirement factors provide lower benefits for earlier retirement to account for the larger number of expected lifetime payments. The changes to early retirement benefits discussed below **only affect participants covered under the Preferred Schedule.**

Preferred Schedule

Currently:

Benefits accrued through June 30, 2016: you may retire early on the first day of any month on or after age 50 if you have earned at least 5 years of Credited Service. Your early retirement benefit is equal to your earned benefit as of your early retirement date reduced for each month that your early retirement benefit commencement date is before age 65.

For benefits earned through June 30, 2003, your benefit is reduced 1/6 of one percent for each month your retirement precedes age 57.

For benefits earned after June 30, 2003 through June 30, 2011, the chart below summarizes the early retirement benefits as a percentage of the full benefit payable at age 57:

Age	Lifetime Hours of Covered Employment		
	< 10,000	10,000 to 20,000	> 20,000
50	58%	72%	86%
51	64	76	88
52	70	80	90
53	76	84	92
54	82	88	94
55	88	92	96
56	94	96	98
57	100	100	100

Your early retirement benefit earned from July 1, 2011 through June 30, 2016 may be reduced for each month your early retirement date precedes age 65 according to the chart below:

Age	Lifetime Hours of Covered Employment			
	< 10,000	10,000 to 20,000	20,000 to 30,000	> 30,000
50	34%	57%	61%	86%
51	37	64	68	88
52	40	71	75	90
53	44	78	82	92
54	48	85	89	94
55	52	92	96	96
56	57	96	98	98
57	62	100	100	100
58	68	100	100	100
59	75	100	100	100
60	82	100	100	100
61	91	100	100	100
62	100	100	100	100
63	100	100	100	100
64	100	100	100	100
65	100	100	100	100

Changes:

For benefits accrued after June 30, 2016, your early retirement benefit may be reduced for each month your early retirement date precedes age 65 according to the table below:

Age	Lifetime Hours of Covered Employment			
	Fewer than 10,000	At least 10,000, but fewer than 20,000	At least 20,000, but fewer than 30,000	At least 30,000
50	26%	39%	45%	86%
51	28	46	52	88
52	30	53	59	90
53	33	60	66	92
54	36	67	73	94
55	39	74	80	96
56	42	81	87	98
57	46	88	94	100
58	51	92	96	100
59	56	96	98	100
60	61	100	100	100
61	67	100	100	100
62	74	100	100	100
63	82	100	100	100
64	90	100	100	100
65	100	100	100	100

Contribution Only and Default Schedules

There is **no change to the Early Retirement Factors** applicable to benefits accrued **under either the Contribution Only Schedule or the Default Schedule**. The reduction for Early Retirement will continue to be determined as outlined above.

Examples

Example 3) George has 22 years of credited service and decides to take early retirement when he is age 52 on July 1, 2020. He has 22,000 hours of lifetime covered employment. As of July 1, 2020, his earned benefit is as follows:

- For work from July 1, 2003 through June 30, 2011: \$1,000.00
- For work from July 1, 2011 through June 30, 2016: \$500.00 and
- For work from July 1, 2016 through June 30, 2020: \$336.00.

Additionally, his benefits were earned under a bargaining agreement that adopted the **Preferred Schedule** as of July 1, 2016.

George's early retirement benefit as of July 1, 2020, before and after the plan change are shown below.

		Before Plan Change	After Plan Change
(a) Benefits earned prior to July 1, 2011	=	\$1,000.00	\$1,000.00
(b) Early Retirement Factor prior to July 1, 2011 (unreduced at age 57)	=	0.90	0.90
(c) Benefits earned from June 30, 2011 through June 30, 2016	=	\$500.00	\$500.00
(d) Early Retirement Factor from June 30, 2011 through June 30, 2016	=	0.75	0.75
(e) Benefits earned after June 30, 2016	=	\$336.00	\$336.00
(f) Early Retirement Factor after June 30, 2016	=	0.75	0.59
Total Early Retirement Benefit effective July 1, 2020 [(a) x (b) + (c) x (d) + (e) x (f)]	=	\$1,527.00	\$1,473.24

Prior to the change to early retirement benefits, George's early retirement benefit as of July 1, 2020, would have been \$1,527.00. After the plan change, his early retirement benefit is reduced to \$1,473.24. Either benefit would be payable as a Five-Year Certain and Life Annuity.

Example 4) Mike has 22 years of credited service and decides to take early retirement when he is age 52 on July 1, 2020. He has 22,000 hours of covered employment. As of July 1, 2020, his earned benefit is as follows:

- For work from July 1, 2003 through June 30, 2011: \$1,000.00
- For work from July 1, 2011 through June 30, 2016: \$500.00 and
- For work from July 1, 2016 through June 30, 2020: \$28.00.

Additionally, his benefits starting July 1, 2016 were earned under a bargaining agreement that had the **Default Schedule** imposed as of July 1, 2016. Note also that he worked the same Covered Hours of Employment as George in example 3, but his benefit after June 1, 2016 was accrued at a rate of 0.1% of Eligible Employer Contributions.

Mike's early retirement benefit as of July 1, 2020, before and after the plan change are shown below.

		Before Plan Change	After Plan Change
(a) Benefits earned prior to July 1, 2011	=	\$1,000.00	\$1,000.00
(b) Early Retirement Factor prior to July 1, 2011 (unreduced at age 57)	=	.90	.90
(c) Benefits earned from June 30, 2011 through June 30, 2016	=	\$500.00	\$500.00
(d) Early Retirement Factor from June 30, 2011 through June 30, 2016	=	.75	.75
(e) Benefits earned after June 30, 2016	=	\$336.00	\$28.00
(f) Early Retirement Factor after June 30, 2016	=	.75	.75
Total Early Retirement Benefit effective July 1, 2020 [(a) x (b) + (c) x (d)]	=	\$1,527.00	\$1,296.00

Prior to the change to early retirement benefits, Mike's early retirement benefit as of July 1, 2020, would have been \$1,527.00. After the plan change, his early retirement benefit is \$1,296.00 payable as a Five-Year Certain and Life Annuity. The reduction is due to the reduced benefit accrual factor applied under the **Default Schedule**.

ERISA REQUIRED NOTICE

This Notice is being provided in accordance with Sections 204(h) and 305(e) of the Employee Retirement Income Security Act (ERISA) and Sections 432(e)(8)(C) and 4980(F) of the Internal Revenue Code. This Notice constitutes a summary of material modifications to the Summary Plan Description and should be kept with a copy of your Summary Plan Description and other important Retirement Fund documents.

If you have questions about your Retirement Fund, you should contact the Plan Administrator whose name, address and telephone number are on the first page of this Notice and on the next page. If you have questions about your rights and remedies as a result of this Notice, you should contact the nearest office of the Employee Benefits Security Administration (EBSA), U.S. Department of Labor, listed in your telephone directory or at:

Division of Technical Assistance and Inquiry
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Avenue NW
Washington DC 20210

You may also find answer to your pension plan questions, your rights and responsibilities under ERISA and a list of EBSA field offices by contacting the EBSA at (866) 444-3272 or by visiting the website at www.dol.gov/ebsa.

INFORMATION ABOUT THE PLAN

Identifying information about the Retirement Fund is as follows:

PLAN NAME:	Alaska Laborers – Employers Retirement Fund
EMPLOYER ID #:	91-6028298
PLAN NUMBER:	001
PLAN SPONSOR:	Alaska Laborers – Employers Retirement Fund Board of Trustees

CONTACT INFORMATION CONCERNING THIS NOTICE

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