ALASKA LABORERS TRUST FUNDS

Alaska Laborers-Employers Retirement Fund

375 W. 36th Avenue, Suite 200 • P.O. Box 93870 • Anchorage, Alaska 99509-3870
Phone (855) 815-2323 • Fax (907) 561-4802 • Website www.aklaborerstrust.com

Administered by
Labor Trust Services, Inc

October 22, 2020

PENSION PLAN UPDATE

And Notice of Employer Contribution Surcharge effective with December hours

From the Board of Trustees
Alaska Laborers – Employers
Retirement Fund

Putting the Plan on a better path

Enclosed is the latest Annual Funding Notice (as required by the Department of Labor). It shows the Plan is 75% funded. That's as of July 1, 2019 (the funding notice shows the funded percentage as of the *beginning* of the Plan Year that just ended). However, the investment return for the Fund was very low for the Plan Year ending June 30, 2020 and, as a result, the Plan's funded percentage has decreased. Our actuary estimated that as of July 1, 2020, the Plan is likely closer to 69% funded on a market value of assets basis.

You'll also find something new in this mailing: a Notice of Critical Status.

Why is the Plan in critical status?

Pension plans are assigned a status or zone depending on their funded level and how soon they are expected to return to being fully funded.

Our plan has been in endangered status, also called the "yellow zone," for the last several years and the trustees adopted a Funding Improvement Plan to help the Plan return to the green zone. But, based on recent investment results and a decline in covered hours, the Plan is not projected to get back to 100% funded quickly enough. The Plan is staying in the yellow zone in 2020 but is not making adequate funding progress.

The Plan is also projected to enter critical status, called the "red zone", within the next 5 years. In this situation, the Board can choose to enter red zone now rather than remain in yellow zone, and we did. It was not an easy choice, but because of the way the laws are written, red zone gives us more flexibility and more options to create a better path to recovery for the Plan.

See page 2 for more on how we got from yellow to critical.

Getting back on track

It's clear that we can't stick with the status quo and keep on doing what we have been doing. Taking action now means we can make changes that will have a much bigger impact, as opposed to waiting until the Plan is deeper in trouble. Because the Plan is considered in the red zone, the Board of Trustees needs to revise its strategy to restore the Plan's financial health. This is called a Rehabilitation Plan. The Board is working on this plan now and will share the details with you as soon as they are available.

The rehabilitation plan will likely include:

- Additional contributions to improve funding, and
- Changes to “adjustable” benefits — these are benefits that cost the Plan more than normal retirement benefits (such as early retirement subsidies) or are paid out more quickly than normal benefits (such as lump sum payments).

Contribution surcharge effective with December hours

Because the Plan is in critical status, a 5% surcharge on employer contributions is required by law until a rehabilitation plan is put in place. This surcharge will go into effect with hours worked in December 2020, and will increase to 10% beginning with hours worked in July 2021.

An employer’s surcharge will be removed as soon as the employer is signatory to a bargaining agreement that includes a rehabilitation plan schedule. The Board is working to develop the rehabilitation plan as soon as possible.

What does this mean for participants?

When we have the details of the rehabilitation plan, we will let everyone know what the changes are and how participants may be affected. In the meantime, here’s what we know:

- The normal retirement benefit participants have accrued is protected, and
- There will be no changes for participants who retired and started benefit payments before October 28, 2020.

In addition to the rehabilitation plan, the Board is looking at other ways to make the Plan more sustainable for the future.

How we got here

The health of the Plan is judged by more than just the funded percentage shown on the annual funding notice. The Plan’s actuaries also have to look at how the Plan is likely to perform over the next 5, 10, or 20 years. That’s where our Plan is falling short.

- Pension plans build assets to pay benefits in three ways – through contributory hours, negotiated contribution rates and investment earnings. When investment earnings don’t do well, the Plan’s contribution requirement goes up. The recent investment environment has been very challenging.
- The Plan requires a certain contribution level each year. You can think of this as a “bill” for the cost of benefits earned in a year plus a payment towards any underfunding that exists.
- The Plan’s “bill” changes each year based on the Plan’s funding and benefit levels. However, contributions take a long time to change because they are based on many collective bargaining agreements.
- In years where contributions are more than the required contribution, the Plan builds up a “credit balance.” It’s like when you pay extra on your cell phone bill — the next month you can pay less because you have a credit, or you can pay your usual amount and roll that credit forward to use when you need it. In years where contributions are less than the required amount, the credit balance can be used to offset the contribution requirement.
- Right now, and for the next several years, we’re “paying off” the underfunding that developed due to investments falling short of expectations for much of the 2000s. The required payment towards the underfunding is generally intended to eliminate the existing underfunding over a 15-year period. However, current contribution levels are not anticipated to meet this requirement, which means that our credit balance is projected to drop significantly in the next several years, leaving the Plan without a cushion.
- Finally, it’s harder to get ahead than it used to be. As pension plans become larger over time, it takes more money to make up for lower than expected investment returns. In addition, more “mature” plans often pay out more in retiree benefits than they receive in contributions.

The bottom line is that critical status does **not** mean the Plan is expected to run out of money. However, the Plan is not paying off its underfunding as quickly as required. Because of this, the law requires changes so that the Plan is expected to meet its contribution requirements in the future.

Questions

If you have any questions, please contact the Administration Office:

Labor Trust Services, Inc.
PO Box 93870
Anchorage, AK 99509-3870
Phone: 1-907-561-5119, Toll-free: 1-855-815-2323

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October 22, 2020

NOTICE OF CRITICAL STATUS

FOR THE ALASKA LABORERS – EMPLOYERS RETIREMENT FUND

This is to inform you that the Alaska Laborers – Employers Retirement Fund entered critical status for the Plan Year beginning July 1, 2020. Federal law requires that you receive this notice.

Included with this notice is a separate notice regarding the funded status of the Plan for the 2019 - 2020 Plan Year. The Plan was not in critical status during the 2019 - 2020 Plan Year. Also included with this notice is an explanation of what changed between the 2019-2020 and 2020-2021 Plan Years.

Critical Status

The plan is considered to be in critical status because it has funding problems or liquidity problems, or both. More specifically, the Plan is projected to enter critical status in the five years following the current plan year due to a projected accumulated funding deficiency in the next nine years, and the Board of Trustees for the Alaska Laborers – Employers Retirement Fund elected to enter critical status effective July 1, 2020 under the Multiemployer Pension Reform Act of 2014.

Rehabilitation Plan and Possibility of Reduction in Benefits

Federal law requires pension plans in critical status to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan. To the extent that the Board of Trustees determines that benefit reductions are necessary, you will receive a separate notice identifying and explaining the effect of those reductions. Any reduction of adjustable benefits will not reduce the level of a participant's basic benefit payable at normal retirement. *In addition, the reductions may only apply to participants and beneficiaries whose benefit commencement date is on or after October 28, 2020.* But you should know that whether or not the plan reduces adjustable benefits in the future, effective as of the date of this notice, the plan is not permitted to pay lump sum benefits (or any other payment in excess of the monthly amount payable under a single life annuity) while in critical status.

Adjustable Benefits

The plan offers the following adjustable benefits which may be reduced or eliminated as part of the rehabilitation plan:

- Early retirement benefits or early retirement type subsidies (if not yet in pay status);
- 60-month payment guarantees;
- Disability benefits (if not yet in pay status);
- Death benefits other than a qualified pre-retirement death benefit (QPSA);
- Benefit payment options other than a non-subsidized qualified joint-and-survivor annuity (QJSA).

Employer Surcharge

The law requires that all contributing employers pay to the Plan a surcharge to help correct the Plan's financial health. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the Plan under the collective bargaining agreement. During the first year that a plan is in critical status, the percentage is 5% of required contributions. In subsequent plan years, it is 10% of required contributions. This surcharge does not apply to employers once a collective bargaining agreement that incorporates a rehabilitation plan schedule is adopted. Employers will receive 30-days advance notice before the surcharge goes into effect.

Where to Get More Information

You have a right to receive of copy of the rehabilitation plan adopted by the Board of Trustees free of charge. For more information about this Notice, you may contact Alaska Laborers – Employers Retirement Fund c/o Labor Trust Services, Inc. PO Box 93870 Anchorage, AK 99509-3870, Phone: 1-907-561-5119, Toll-free: 1-855-815-2323.

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October 22, 2020

ANNUAL FUNDING NOTICE
for

ALASKA LABORERS – EMPLOYERS RETIREMENT FUND

Introduction

This notice includes important information about the funding status of your multiemployer pension plan (the "Plan"). It also includes general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation ("PBGC"), a federal insurance agency. All traditional pension plans (called "defined benefit pension plans") must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is required by federal law. This notice is for the plan year beginning July 1, 2019 and ending June 30, 2020.

Funded Percentage

The law requires the administrator of the Plan to tell you how well the Plan is funded, using a measure called the "funded percentage." The Plan divides its assets by its liabilities on the Valuation Date for the plan year to get this percentage. In general, the higher the percentage, the better funded the plan. The Plan's funded percentage for the Plan Year and each of the two preceding plan years is shown in the chart below. The chart also states the value of the Plan's assets and liabilities for the same period.

	2019-2020	2018-2019	2017-2018
Valuation Date	July 1, 2019	July 1, 2018	July 1, 2017
Funded Percentage	75%	74%	75%
Value of Assets	$526,793,085	$528,507,205	$533,714,833
Value of Liabilities	$702,255,765	$709,904,113	$708,888,240

Year-End Fair Market Value of Assets

The asset values in the chart above are measured as of the Valuation Date. They also are "actuarial values." Actuarial values differ from market values in that they do not fluctuate daily based on changes in the stock or other markets. Actuarial values smooth out those fluctuations and can allow for more predictable levels of future contributions. Despite the fluctuations, market values tend to show a clearer picture of a plan's funded status at a given point in time. The asset values in the chart below are market values and are measured on the last day of the Plan Year. The chart also includes the year-end market value of the Plan's assets for each of the two preceding plan years.

	June 30, 2020	June 30, 2019	June 30, 2018
Fair Market Value of Assets	$485,600,000	$524,870,703	$522,142,046

The June 30, 2020 fair market value of the Plan's assets is an estimate until the audit of the Plan has been completed by a certified public accounting firm.

Endangered, Critical, or Critical and Declining Status

Under federal pension law, a plan generally is in "endangered" status if its funded percentage is less than 80 percent. A plan is in "critical" status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in "critical and declining" status if it is in critical status and is projected to become insolvent (run out of money to pay benefits) within 15 years (or within 20 years if a special rule applies). If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status or critical and declining status, the trustees of the plan are required to adopt a rehabilitation plan. Funding improvement and rehabilitation plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time. The plan sponsor of a plan in critical and declining status may apply for approval to amend the plan to reduce current and future payment obligations to participants and beneficiaries.

The Plan was in endangered status in the Plan Year ending June 30, 2020 because the Plan's funded percentage was less than 80% on July 1, 2019 at the time of the Actuarial Certification. In an effort to improve the Plan's funding situation, the trustees are maintaining a funding improvement plan that is intended to improve the Plan's funded percentage over the fifteen-year period beginning on July 1, 2016. The funding improvement plan consists of contribution increases and Plan changes. You may obtain a copy of the Plan's funding improvement plan and the actuarial and financial data that demonstrate any action taken by the Plan toward fiscal improvement by contacting the plan administrator.

Participant Information

The total number of participants and beneficiaries covered by the Plan on the valuation date was 5,795. Of this number, 1,618 were current employees, 2,992 were retired and receiving benefits, and 1,185 were retired or no longer working for the employer and have a right to future benefits.

Funding & Investment Policies

Every pension plan must have a procedure to establish a funding policy for plan objectives. A funding policy relates to how much money is needed to pay promised benefits. The funding policy of the Plan is to maintain a balance such that plan resources will fund plan obligations. Plan resources include accumulated plan assets plus expected future contributions and investment income. Plan obligations are benefit payments to current and future retirees and beneficiaries, including benefits earned to date as well as benefits expected to be earned in the future. Plan obligations also include expected expenses paid from plan assets. In implementing this funding policy, the plan Trustees will work with professional advisors to adopt a prudent investment policy and to determine the actuarial value of plan obligations. Over time, the Trustees may adjust plan benefits in response to investment returns and other plan experience or seek additional contributions from the bargaining units.

Pension plans also have investment policies. These generally are written guidelines or general instructions for making investment management decisions. The investment policy of the Plan states that the Trust, based on its purpose of providing pension benefits to current and future participants, has a long-term investment horizon. Accordingly, the Trust will have a balanced overall structure. The target allocation balances need to satisfy the long-term return objective and to minimize total investment risk. The target allocation is based on long-term capital market assumptions (expected returns, risk, and correlations) of the underlying investment strategies and asset classes within the established portfolio, and over time should provide an expected return equal to or greater than the actuarial assumption, while avoiding undue risk concentrations in any single role or strategy; thus, reducing risk at the total portfolio level.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

Asset Allocations	**Percentage**
Stocks	59.5%
Investment Grade Debt Instruments	13.9%
High-Yield Debt Instruments	4.8%
Real Estate	7.4%
Infrastructure	5.3%
Hedge Funds and Liquid Alternatives	2.4%
Private Equity	3.0%
Cash Equivalents	0.5%
Other	3.2%

Right to Request a Copy of the Annual Report

Pension plans must file annual reports with the US Department of Labor. The report is called the "Form 5500." These reports contain financial and other information. You may obtain an electronic copy of your Plan's annual report by going to www.efast.dol.gov and using the search tool. Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N1515, Washington, DC 20210, or by calling 202.693.8673. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Annual reports do not contain personal information, such as the amount of your accrued benefit. You may contact your plan administrator if you want information about your accrued benefits. Your plan administrator is identified below under "Where To Get More Information."

Summary of Rules Governing Insolvent Plans

Federal law has a number of special rules that apply to financially troubled multiemployer plans that become insolvent, either as ongoing plans or plans terminated by mass withdrawal.

The plan administrator is required by law to include a summary of these rules in the annual funding notice. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for that plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available resources. If such resources are not enough to pay benefits at the level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC will loan the plan the amount necessary to pay benefits at the guaranteed level. Reduced benefits may be restored if the plan's financial condition improves.

A plan that becomes insolvent must provide prompt notice of its status to participants and beneficiaries, contributing employers, labor unions representing participants, and PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected, including loss of a lump sum option.

Benefit Payments Guaranteed by the PBGC

The maximum benefit that the PBGC guarantees is set by law. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. There are separate insurance programs with different benefit guarantees and other provisions for single-employer plans and multiemployer plans. Your Plan is covered by PBGC's multiemployer program. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first $11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next $33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is $35.75 per month times a participant's years of credited service.

Example 1: If a participant with 10 years of credited service has an accrued monthly benefit of $500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ($500/10), which equals $50. The guaranteed amount for a $50 monthly accrual rate is equal to the sum of $11 plus $24.75 (.75 x $33), or $35.75. Thus, the participant's guaranteed monthly benefit is $357.50 ($35.75 x 10).

Example 2: If the participant in Example 1 has an accrued monthly benefit of $200, the accrual rate for purposes of determining the guarantee would be $20 (or $200/10). The guaranteed amount for a $20 monthly accrual rate is equal to the sum of $11 plus $6.75 (.75 x $9), or $17.75. Thus, the participant's guaranteed monthly benefit would be $177.50 ($17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In addition, the PBGC guarantees qualified preretirement survivor benefits (which are preretirement death benefits payable to the surviving spouse of a participant who dies before starting to receive benefit payments). In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under a plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

For additional information about the PBGC and the pension insurance program guarantees, go to the Multiemployer Page on PBGC's website at www.pbgc.gov/multiemployer. Please contact your employer or plan administrator for specific information about your pension plan or pension benefit. PBGC does not have that information. See "Where to Get More Information," below.

Where to Get More Information

For more information about this notice, you may contact:

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Phone: 1-907-561-5119, Toll-free: 1-855-815-2323

For identification purposes, the official plan number is 001 and the plan sponsor's name and the plan sponsor's employer identification number or "EIN" is Trustees, Alaska Laborers – Employers Retirement Fund and 91-6028298. For more information about the PBGC, go to PBGC's website, www.pbgc.gov.

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