Introducing Your New
Sustainable Income Plan Benefit

As announced earlier this year, we have adopted a rehabilitation plan to address the underfunding of benefits that have already been earned. However, rehabilitation plans are designed only to get the Plan's funding back on track (based on certain expectations about the future) — they don't do anything to protect the Plan from running into trouble again down the road.

We proactively made changes to address underfunding in 2011; but, due to continued market underperformance, we were required to do more in 2016 and now again in 2021 to deal with underfunding of past benefits.

We can't continue to do things the same way and expect different results. To avoid benefits earned in the future from becoming underfunded like past benefits did, we need benefits that are designed to stand up to future challenges.

Beginning with hours worked July 1, 2021, you will earn pension benefits under a new sustainable income plan formula. Read this guide for more information about what's changing.

What's Happening

Effective July 1, 2021, the Alaska Laborers-Employers Retirement Fund (Pension Plan) benefit formula is changing.

You'll keep the benefits you earn through June 30, 2021 under the current traditional formula; the only changes being those required by the rehabilitation plan. We still need to take care of our unfunded liability associated with benefits earned in the past and get that part of the plan back on track.

For hours worked on and after July 1, 2021, your pension benefits will be earned under the new "sustainable income plan (SIP)" benefit formula. The SIP is still a defined benefit pension that provides lifetime income. You'll receive both benefits when you retire.

This guide describes important details about the new sustainable income benefit.

> You'll keep the benefits you earn through June 30, 2021

What's Changing

- For hours worked beginning July 1, 2021, benefits will be earned under the new SIP formula.
- During your working years, your SIP benefit grows in two ways: with your annual accrual and, on top of that, with good returns on the Plan's investments.
- When the Plan earns more than 5%, your benefit will automatically increase. Generally, it's assumed that on average, over time, a well-balanced portfolio will earn more than 5%. That means your benefit is expected to increase through the years.
- Once you are retired, your benefit will continue to change with the Plan's investment returns.

What's Not Changing

- You keep the traditional benefit you have earned through June 30, 2021.
- You can still receive an unreduced benefit as early as age 57 if you meet the recency requirement and have at least 30,000 hours.
- You don't have to start over when it comes to vesting – all of your vesting service counts for both the traditional benefit and the sustainable income benefit.
- The Plan's investments continue to be professionally managed (so you are not responsible for investment decisions).
- Like the traditional benefit, the SIP benefit provides lifelong income.
- It's still one plan. You'll make one election at retirement and receive one check that includes your traditional benefit earned through June 30, 2021 + your SIP benefit earned July 1, 2021 and later.

Changing to the sustainable income plan benefit formula puts the Plan on a more sustainable path.

Turn to the Glossary of Terms on page 15 for definitions of unfamiliar terms in bold orange or blue throughout this guide.

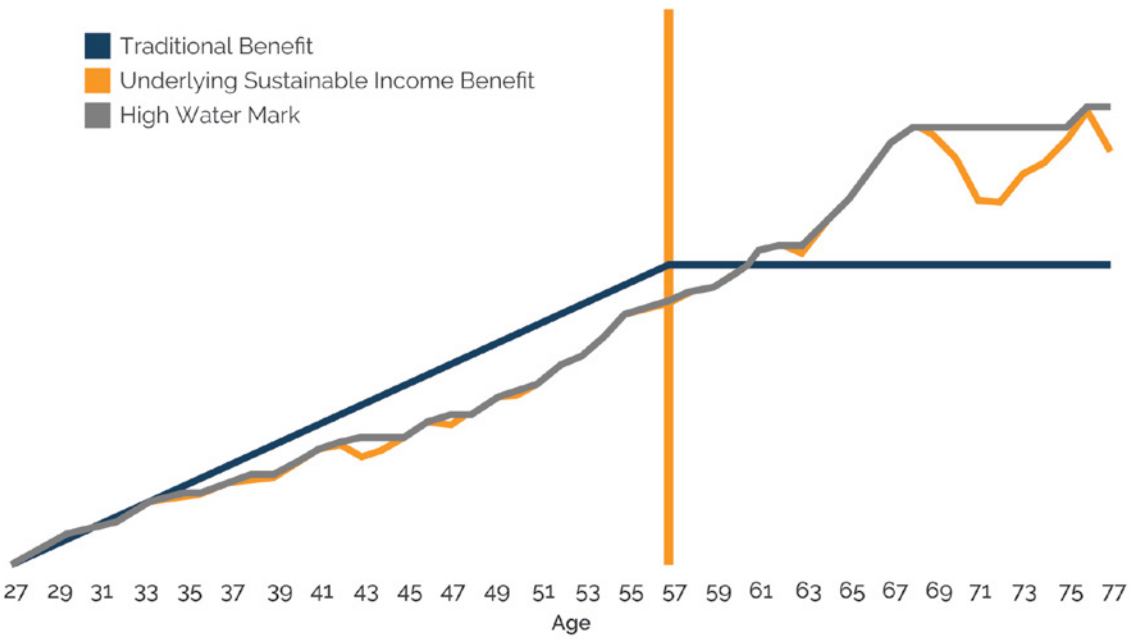
The New Benefit Is Intended to **Grow Over Time**

Sustainable income plan benefits stay fully funded because the Plan will "buy" benefits that it can afford based on the Plan's actual results (as opposed to promising benefits based on an educated guess about future investment returns – and then putting actives on the hook for making up the difference when investment returns don't meet the assumption).

If you compare both types of benefits starting at hire date and earned over a 30-year career, you can see that the SIP benefit starts out lower. However, it's expected to increase over time with good investment returns (even in retirement) and ultimately outpace today's benefit.

This illustration shows how the SIP benefit could have grown compared to today's benefit, if they had started at the same time, using hypothetical investment returns that average approximately 6.5% over the period.

> Sustainable income plan benefits are based on the Plan's actual results



Building a More Secure Foundation

Changing the benefit formula doesn't fix the underlying issues overnight. The portion of the contributions that is funding benefits earned in the past will continue. But going forward, the contributions that accrue benefits will be building new benefits that, by design, will not become underfunded.

Making this change gives us a way to:

- Eventually eliminate the need to use current contributions and/or increase contributions to fund benefits earned in the past.
- Provide some protection from the negative effects of inflation on buying power.
- Make the plan more secure and stable for the future; which is beneficial for current retirees as well as actives.

However, it's important to point out that changing to the sustainable income formula going forward in no way changes the traditional benefits. If we had another market crash next year, the sustainable income plan benefits would stay fully funded – but, for many years, they will be a relatively small part of the total Plan. Until sustainable income benefits make up a large part of the Plan, the rehabilitation plan is the way we're addressing the problem.

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Changing the benefit formula doesn't fix the underlying issues overnight

Traditional pension benefits are vulnerable to underfunding. And when reality doesn't live up to assumptions or investments suffer a downturn, active members often face higher contributions and lower benefits. In effect, active participants bear the burden of insuring traditional benefits against poor investment performance for all participants. The sustainable income plan benefit is designed to get active members out of the insurance business.

Before:
How Benefits Are Calculated Under the Traditional Benefit Formula

As a reminder, under the traditional benefit formula the accrual rate is currently 1.2%. You accrue a benefit each year you're eligible and work at least 250 hours.

Accruing Pension Contributions (portion of contribution rate that earns benefits X hours)	X	Accrual rate (1.2%)	=	Annual accrual

Example:

For example, if you work 1,800 hours during the year and your contribution rate (not including "funding only" contributions) is $5.81, the benefit that you would currently earn for that year of service would be:

1,800 hours X $5.81 = $10,458	X	Accrual rate 0.012	=	$125.50

The amount you accrue each year through June 30, 2021 is added to all of your other years' accruals for your total traditional benefit.

This is the calculation for your normal retirement benefit. Under the traditional benefit, if you are an active participant with five or more years of service (or have reached your fifth anniversary), normal retirement age is 57 for benefits earned through June 30, 2011 and age 65 for benefits earned July 1, 2011 and later. Unreduced benefits are available as early as age 57 for members who meet the hours requirements and retire from active service. The benefit formula produces your benefit paid in the "Five Year Certain and Life Thereafter" form – in other words, monthly payments for your lifetime with a minimum of 60 payments. Your benefit amount may be adjusted if you retire early or choose another form of payment such as a spouse option.

> Unreduced benefits are available as early as age 57

After:
How Benefits Are Calculated Under the Sustainable Income Plan Benefit Formula

Like the traditional benefit, you accrue a benefit under the SIP benefit formula each year you're eligible and work at least 250 hours. Normally, the accrual rate will be 0.8% under the preferred rehabilitation plan schedule. However, to smooth the transition, the trustees were able to keep the accrual rate at 1.2% for hours worked July 1, 2021 – June 30, 2024.

Accruing Pension Contributions (portion of contribution rate that earns benefits X hours)	X	Accrual rate (1.2% for hours worked 7/1/2021 – 6/30/2024) (0.8% for hours worked 7/1/2024 and later)	=	Annual accrual

While the 0.8% SIP benefit accrual rate is lower, it has the same cost as the current traditional benefit formula. That's because the SIP benefit is based on a more reachable 5% investment return and is designed to automatically share investment returns above that in the form of benefit increases.

Example:

For example, if you work 1,800 hours during the year, contributions remain at the current level, and your contribution rate (not including "funding only" contributions) is $5.81, the benefit that you would earn for that year of service would be calculated as shown below.

During the transition period (July 1, 2021 – June 30, 2024):

1,800 hours X $5.81 = $10,458	X	Accrual rate 0.012	=	$125.50

Or, after the transition period:

1,800 hours X $5.81 = $10,458	X	Accrual rate 0.008	=	$83.66

Plus, unlike the traditional benefit formula, sustainable income plan benefits are expected to grow over time with the Plan's investment returns. The resulting benefit can be paid unreduced starting as early as age 57 as a lifetime annuity with a minimum of 60 payments (if you meet the hours requirements). It will be adjusted if you retire earlier, don't meet the hours or recency requirements, and/or choose another form of payment such as a spouse option.

What Happens to One Year's Worth of Benefits

Each year that you work enough hours, you earn a portion of your pension benefit and that additional piece is added to all of the other years' benefits to get your total. Let's look at an example of just one year's worth of benefits to see how the traditional and new benefits compare.

Example

Traditional

One year of traditional benefit:

Accruing Pension Contributions	Accrual Rate	Annual Accrual
1,800 hours X $5.81 = $10,458	0.012	$125.50

The $125.50 stays the same, no matter what the Plan's investments earn, how much inflation increases prices, etc.

One Year's Accrual

$125.50 → 20 Years → $125.50

That $125.50 is still $125.50 when it's part of the total benefit you're receiving 20 years later.

If the plan got 7.5% or 5% returns, you would still get $125.50.

Sustainable income plan

One year of SIP benefit:

Accruing Pension Contributions	Accrual Rate	Annual Accrual
1,800 hours X $5.81 = $10,458	0.008	$83.66

The $83.66 is adjusted each year with the Plan's investment returns. To keep this example simple, we'll assume 6.5% investment returns each year over 20 years.

One Year's Accrual

$83.66 → 20 Years → $111.10

With 6.5% returns every year, the $83.66 SIP benefit would be $111.10 when it's part of the total benefit you're spending 20 years later.

A 7.5% return every year would give you $133.94, and a 5% return every year would give you $83.66.

And, each year the benefit amount that you earn is adjusted the same way. The longer those benefits are in the Plan, the longer they have to grow – including throughout your retirement.

The fact that it takes some time for the sustainable income plan benefit to grow with good investment returns is the reason for the transition benefit. Those who are very close to retirement don't have much time for the benefit to grow before they start collecting their check (although the SIP portion will continue to adjust after they retire).

This extra benefit is being funded through additional contributions specifically for this purpose. And, everyone will receive this rate through June 30, 2024 (not just those near retirement).

Remember, when you retire you will receive both your traditional benefit and your SIP benefit. The traditional benefit will stay fixed in retirement, while the SIP benefit will continue to change with investment returns throughout your life.

How Sustainable Income Plan Benefit Adjusts

Annual Adjustment Based on Investment Returns

The way the sustainable income plan benefits stay funded is that the underlying benefits adjust with the Plan's investment returns – both up and down. The SIP benefit has a hurdle rate of 5%. Each year the underlying benefit goes up, down or stays the same based on whether investment returns are greater than, less than or equal to the hurdle rate.

> The underlying benefits adjust with the Plan's investment returns

$$\text{underlying benefit} \times \frac{(1 + \text{investment return})}{(1 + \text{hurdle rate})} = \text{new underlying benefit}$$

If the Plan earns more than 5%, underlying benefits go up. If investments earn less than 5%, the underlying benefit goes down – but, your benefit can be protected by the stabilization reserve (see below).

It's the total amount of your SIP benefit that is adjusted. Say your benefit accrual each year is about $85, but after a few years the SIP piece of your benefit has climbed to $500 – it's the $500 that is adjusted the next year.

Benefit increases are capped at a maximum of 8% per year. When returns are greater than 13.4% (1.134/1.05 – 1 = 8%), the new benefit increase will be 8% and the returns in excess of 13.4%, plus some contributions, will be used to build reserves for the future.

Of course, investment returns are good some years and not so good other years.

The fact that benefits adjust with the Plan's investment returns is what makes this formula sustainable. Instead of promising benefits that depend on an educated guess about what kind of return the Plan's investments will get in the future, the benefits are based on the return that the Plan actually gets. No surprises and no burden on future generations to fund benefits earned in the past. And, benefits automatically increase when the Plan's investments do well.

Reserve Adds Protection Against Poor Investment Returns

To reduce the impact of investment downturns, the Plan will build a stabilization reserve that can be used to prevent your sustainable income plan benefit payments from dropping whenever the underlying benefit is below the high water mark.

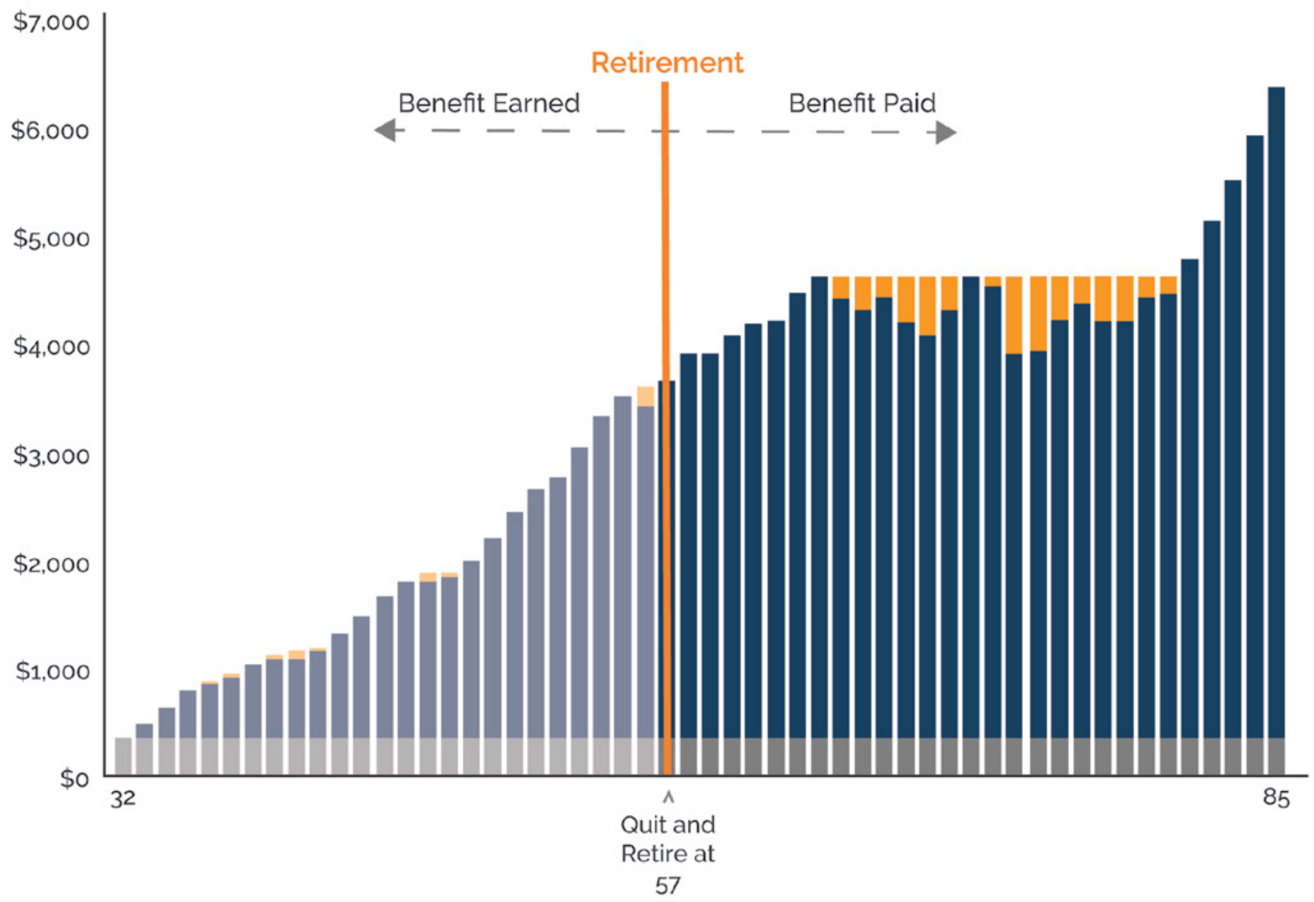
In other words, when poor returns reduce benefits the idea is that your pension check won't change. You'll continue to receive your fully funded underlying benefit, plus the stabilization reserve can be used to make up the difference between what you were receiving before and the adjusted amount.

An Illustration

The following graph shows how the benefit adjustment and shore up would work for an individual based on historical investment returns from 1935-1988, and assuming the individual earned the traditional benefit until age 32 and the new sustainable income benefit going forward.

The grey bars show the traditional benefit. Layered on top of that is the underlying SIP benefit (blue bars). On the very top are the shore up (orange bars) that maintain the high-water mark. You can see how the stabilization reserve is used to shore up the benefit and keep it from dropping when investment returns are below 5%.

Although it is unlikely, if the stabilization reserve is not sufficient, the underlying benefit would still be paid (the total of the grey and blue bars for that year, but not the orange bar).



The new sustainable income plan benefit gives you the security of lifelong income like the traditional benefit, but has the potential to maintain your buying power and reduce the risk that inflation will eat away at your standard of living – protection the traditional benefit doesn't have.

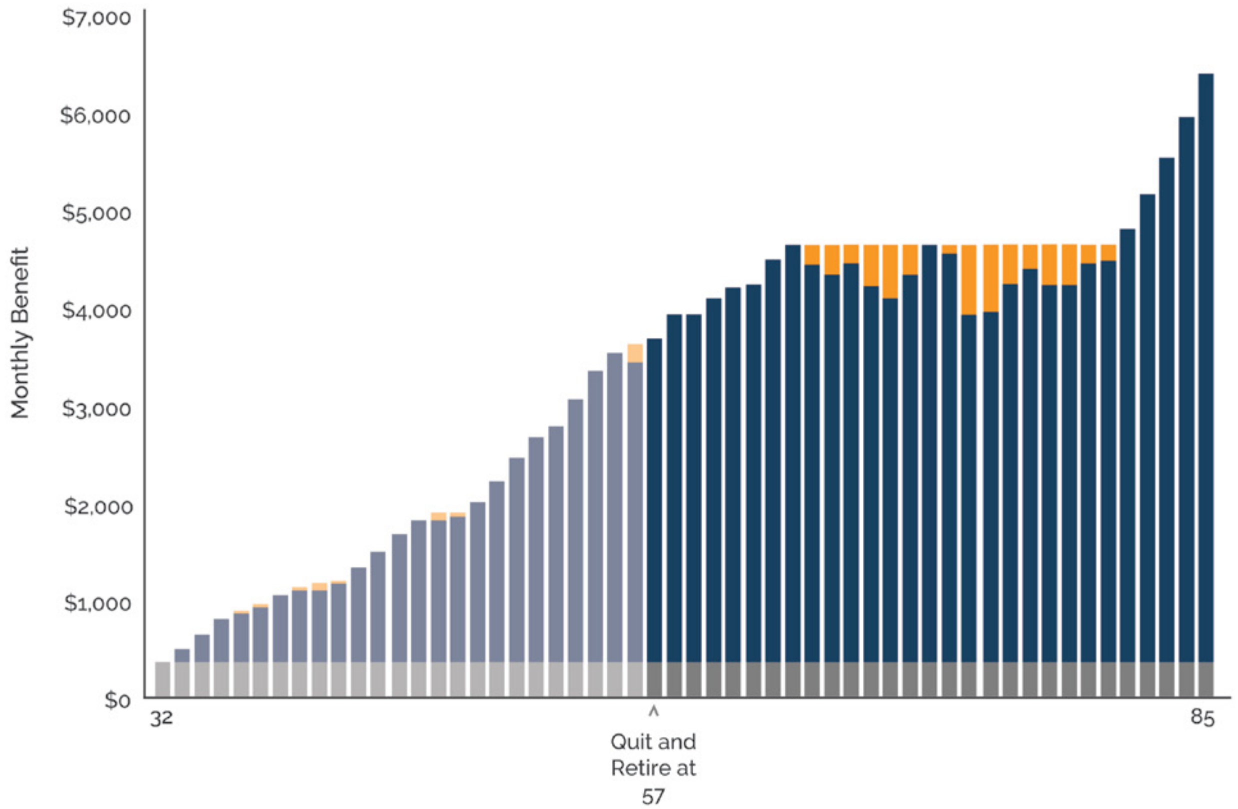
Making the Transition

Example 1

Taylor is 32 and has participated in the plan for 3 years when the formula changes. He has accrued a traditional monthly benefit of $360. He accrues three years of SIP benefits under the transition accrual rate and the remainder under the normal accrual rate. He works 1,800 hours per year for 25 years in the plan and retires at age 57.

If the plan experienced the investment returns from 1935 – 1988 again starting in 2021, Taylor's benefit at age 57 would be $3,662 per month.

At age 80, Taylor's pension check would be $4,627 per month including the shore up from the stabilization reserve (the orange portion of the bar), despite two substantial market drops.



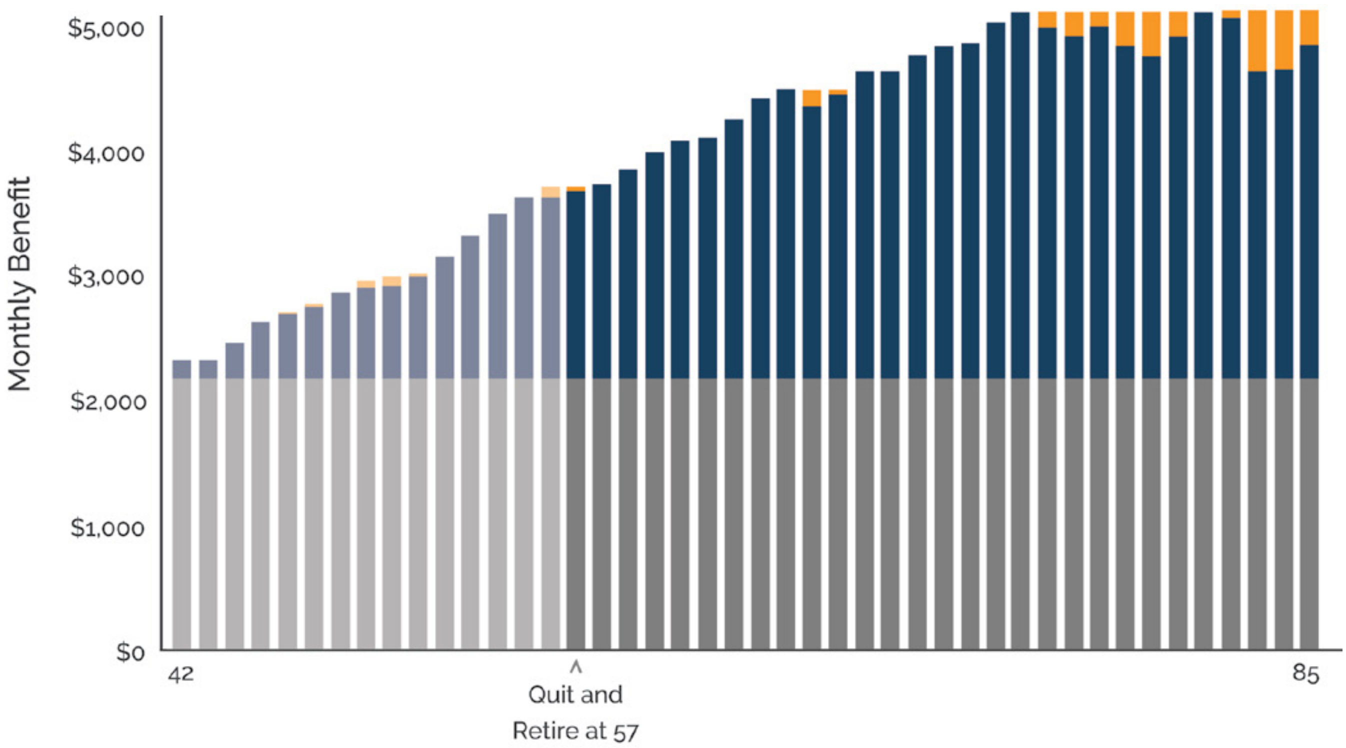
This example shows the benefit as an unreduced lifetime annuity with a minimum of 60 payments. The amount would be adjusted if he retired earlier, didn't meet the recency requirements, and/or chose another form of payment such as a spouse option. The example shows the benefit based on historical investment returns. In reality, the benefit will depend on actual investment returns.

Example 2

Barbara is 42 and has participated in the plan for 17 years when the formula changes. She has accrued a traditional monthly benefit of $2,200. She accrues three years of SIP benefits under the transition accrual rate and the remainder under the normal accrual rate. She works 1,800 hours per year for 15 years in the plan and retires at age 57.

If the plan experienced the investment returns from 1935 – 1978 again starting in 2021, Barbara's benefit at age 57 would be $3,731 per month.

At age 80, Barbara's pension check would be $5,138 per month including the shore up from the stabilization reserve (the orange portion of the bar), despite challenging investment results.



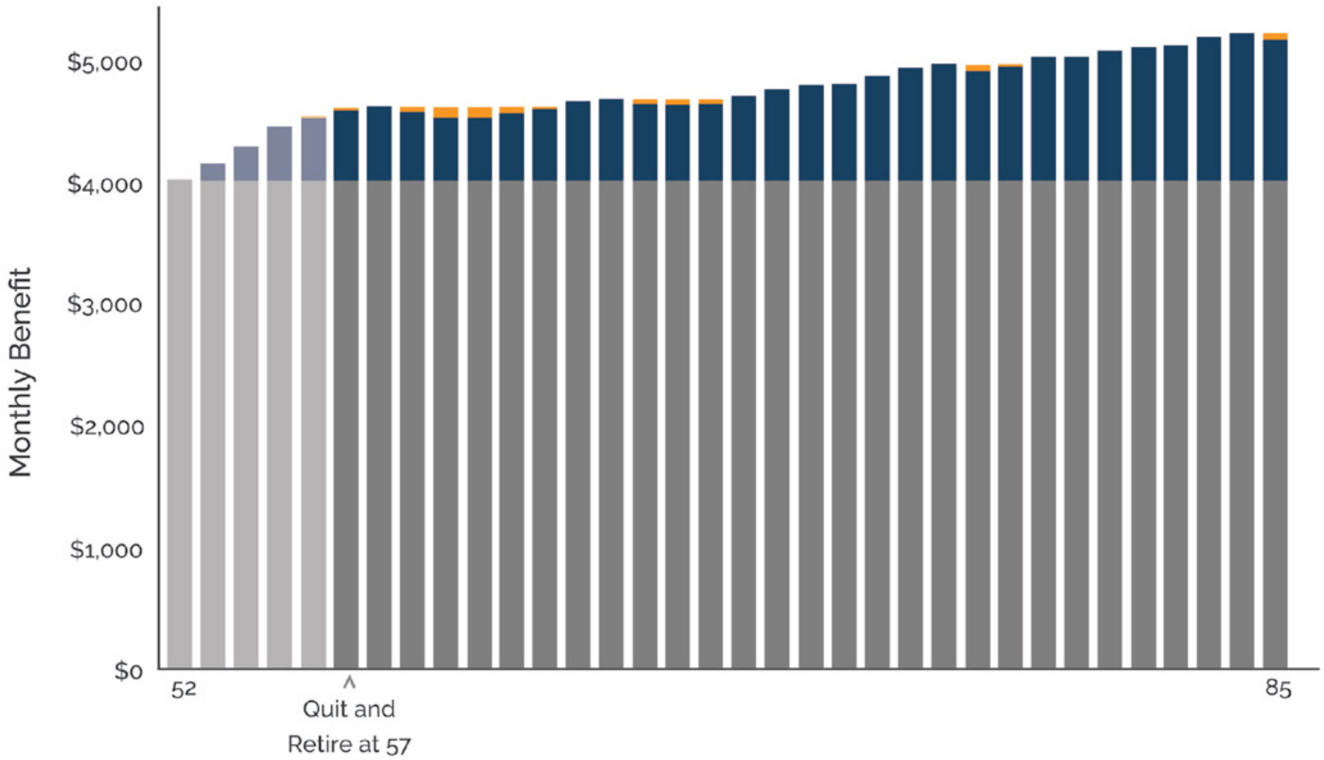
This example shows the benefit as an unreduced lifetime annuity with a minimum of 60 payments. The amount would be adjusted if she retired earlier, didn't meet the recency requirements, and/or chose another form of payment such as a spouse option. The example shows the benefit based on historical investment returns. In reality, the benefit will depend on actual investment returns.

Example 3

Victor is 52 and has participated in the plan for 32 years when the formula changes. He has accrued a traditional monthly benefit of $4,000. He accrues three years of SIP benefits under the transition accrual rate and the remainder under the normal accrual rate. He works 1,800 hours per year for 5 years in the plan and retires at age 57.

If the plan experienced the investment returns from 1935 – 1968 again starting in 2021, Victor's benefit at age 57 would be $4,593 per month.

At age 80, Victor's pension check would increase to $5,060 per month.



This example shows the benefit as an unreduced lifetime annuity with a minimum of 60 payments. The amount would be adjusted if he retired earlier, didn't meet the recency requirements, and/or chose another form of payment such as a spouse option. The example shows the benefit based on historical investment returns. In reality, the benefit will depend on actual investment returns.

Other Features

Benefit Adjustment Date

On July 1 every year, your accrued sustainable income plan benefit will be adjusted based on the Plan's investment return for the plan year before last (for example, your sustainable income benefit as of July 1, 2025 will be adjusted using the Plan's investment return for the plan year ending June 30, 2024. This is because the return for 2024/2025 will not be known until after July 1, 2025). This timing means retirees will be able to receive advance notice before their benefit changes on July 1 and active participants will see the adjustment on their annual statement.

Vesting

There is no change to the vesting requirement. Once you have five years of service, you will be vested in both the traditional and SIP portions of your benefit.

The vesting credit you've already earned counts for both parts of your benefit. So, if you're already vested in your traditional benefit, you will be immediately vested in any SIP benefit you earn.

Early Retirement Benefits

As a reminder, there were some changes to how early retirement works as part of the rehabilitation plan. These changes also apply to sustainable income benefits earned beginning July 1, 2021.

Under the preferred schedule of the rehabilitation plan, the most favorable early retirement adjustment factors are only available if you satisfy the recency test – in other words, if you work at least 3,500 hours in the five years before you start your benefit.

> There were some changes to how early retirement works as part of the rehabilitation plan

If you meet the hours and recency requirements

Age	For Benefits Earned Through June 30, 2011		For Benefits Earned July 1, 2011 and Later		
	Hours of Covered Employment				
	Less than 30,000	30,000 or more	Less than 20,000	20,000-29,999	30,000 or more
50	57%	86%	27%	55%	86%
51	62%	88%	29%	60%	88%
52	66%	90%	32%	65%	90%
53	72%	92%	35%	70%	92%
54	78%	94%	39%	75%	94%
55	86%	96%	42%	80%	96%
56	93%	98%	46%	85%	98%
57	100%	100%	50%	90%	100%
58	100%	100%	53%	92%	100%
59	100%	100%	57%	94%	100%
60	100%	100%	63%	96%	100%
61	100%	100%	69%	98%	100%
62	100%	100%	75%	100%	100%
63	100%	100%	83%	100%	100%
64	100%	100%	92%	100%	100%
65	100%	100%	100%	100%	100%

If you DO NOT meet the recency requirement:

Age	For Benefits Earned Through June 30, 2011	For Benefits Earned July 1, 2011 and Later
50	57%	27%
51	62%	29%
52	66%	32%
53	72%	35%
54	78%	39%
55	86%	42%
56	93%	46%
57	100%	50%
58	100%	53%
59	100%	57%
60	100%	63%
61	100%	69%
62	100%	75%
63	100%	83%
64	100%	92%
65	100%	100%

Glossary of Key Terms

This guide uses terms you might not be familiar with or do not use on a daily basis. The glossary will help you as you read through the document.

Accrual
The monthly benefit amount you earn each year you work in covered service see pages 5 and 6 for examples.

Accruing Pension Contribution
The portion of your contribution that is applied to the pension formula. This rate does not include any supplemental contributions or contributions required under the rehabilitation plan.

High water mark benefit
This is your highest sustainable income benefit amount to date.

Hurdle rate
The investment return threshold of 5% that must be reached to increase your underlying sustainable income benefit.

Accrual rate
Also known as the benefit factor, this is the factor multiplied by the portion of contributions that earn benefits made on your behalf during a calendar year to determine the accrual: hours x hourly contribution rate x accrual rate = annual accrual. Please see page 6 for an example.

Sustainable income benefit
The portion of your accrued benefit earned on and after July 1, 2021 (as opposed to your traditional benefit earned through June 30, 2021).

Stabilization reserve
The money the Plan holds in reserve that can be used to increase or shore up your sustainable income benefit and protect it from going down following years with investment returns of less than 5%.

Traditional benefit
The portion of your accrued benefit earned through June 30, 2021 (as opposed to your sustainable income benefit earned on and after July 1, 2021).

Underlying benefit
The sustainable income benefit without the shoring up provided by the stabilization reserve.

Vesting
Your right to receive earned benefits after a specified amount of credited service in the Plan.

Resources

Visit www.aklaborerstrust.com for a recording of a presentation about how the sustainable income plan benefit works.

If you have questions, contact the Administration office at (855) 815-2323 Option 3.

For more information on your plan benefits, please refer to the Summary Plan Description and the ERISA 204(h) notice regarding the rehabilitation plan which are both available at the Plan Booklet link on www.aklaborerstrust.com or by calling the Administration Office at (855) 815-2323 Option 3.