June 14, 2019

Notice to Participants

GETTING THE PENSION PLAN BACK ON TRACK

As we announced in April, poor investment returns in 2018 combined with ongoing low industry hours in Alaska have put the Southern Alaska Carpenters Retirement Plan in a situation where the law requires the Trustees to improve the Plan's funding. This improvement strategy is called a "rehabilitation plan."

This notice describes the key features of the rehabilitation plan's preferred schedule that the Board of Trustees adopted on May 15, 2019. The preferred schedule has been adopted by the Pacific Northwest Regional Council of Carpenters (PNWRCC) and the Association of General Contractors of Alaska (AGC of AK) for all active members. The Trustees selected the preferred schedule for inactive participants.

The goal of the rehabilitation plan is to get the Plan on track to reach 100% funded much faster. Remember, sustainable income pension (SIP) benefits will stay 100% funded, so changes made with the rehabilitation plan are designed to improve the funding of the benefits earned before January 1, 2015. Right now we only have four years of SIP liability and many years of traditional liability. As the SIP gets to be a bigger part of the Plan, it will help stabilize funding more and more. The traditional portion of the Plan gets smaller over time, but it still needs to be funded for the Plan as a whole to be healthy.

Why do we need a rehabilitation plan?
For funding, we assume the Plan will get a 6.75% return on investments each year; but, in 2018 we got a negative 5% return. All else being equal, that means the Plan's funding is off by 11.75%. On top of that, extremely low hours in recent years have meant fewer contributions coming in to help improve funding. Currently the Plan is 77% funded using an investment return assumption of 6.75%. That percentage is expected to improve over time, but it will not reach 100% in the next 20 years.

For more about how the Plan got to critical status, please read the letter sent with the annual funding notice in April.

As a reminder, here's what is NOT changing:

- There is **no change** to your accrued benefit payable at age 65
- There are **no changes** for participants who retired and started benefit payments before June 1, 2019 or who had filed their retirement application before April 30, 2019.
- There are **no changes** to how your sustainable income pension benefits are earned or how they work (these are benefits earned since January 1, 2015).

WHAT'S CHANGING

Over the years, we have consistently increased contributions — increasing benefits and helping the funding. We also transitioned to the SIP benefit in 2015. These past actions have made the Plan's current funding problem much easier to deal with than it would have otherwise been. The following are the changes under the "Preferred Schedule" of the rehabilitation plan which the Trustees anticipate will apply to all participants.

Early Retirement Changes

Benefits are reduced for those who retire early. This is not a penalty. Benefits are calculated assuming that they start at normal retirement. When people start their benefit before 65, it costs the Plan money because it has to account for paying that benefit for a longer time. In fact, our Plan's current early retirement factors are quite generous. We can no longer afford to subsidize early retirement as we have in the past.

The changes are two-fold:

- The "recency test" now applies to traditional benefits
- Some early retirement factors are being reduced.

Recency Test for Traditional Benefit

The SIP benefit already has a recency test. That same recency test will now apply to the traditional benefit (earned before January 1, 2015) as well. The recency test requires that you work at least 435 hours in at least two of the three most recent years before your retirement date. The year in which you retire is included as one of the three years if you work at least 435 hours; if you fall short of 435 hours, you would use the previous three full years.

You Meet the Recency Test

- Unreduced benefit available as early as age 60 (both traditional and SIP)
- Lower subsidy for the traditional portion of benefits that start before age 60

You DO NOT Meet the Recency Test

- Benefits that start before age 65 are reduced
- Substantial reduction in early retirement factors for the traditional portion of benefits that start before age 65

Change to Early Retirement Factors for Traditional Benefit

There are no changes to the factors that apply to the SIP portion of your benefit. And if you meet the recency test, there's no change to your unreduced benefit at 60. The shaded areas in the tables below highlight the factors that are changing.

You Meet the Recency Test

Age	Traditional Benefit	SIP Benefit
53	72.5%	66.0%
54	76.0%	70.0%
55	79.5%	74.0%
56	83.0%	78.0%
57	86.5%	82.0%
58	91.0%	88.0%
59	95.5%	94.0%
60	100.0%	100.0%
61	100.0%	100.0%
62	100.0%	100.0%
63	100.0%	100.0%
64	100.0%	100.0%
65	100.0%	100.0%

You DO NOT Meet the Recency Test

Age	Traditional Benefit	SIP Benefit
53	40.0%	46.0%
54	43.0%	49.0%
55	46.0%	52.0%
56	49.0%	55.0%
57	53.0%	58.0%
58	57.0%	62.0%
59	62.0%	66.0%
60	67.0%	70.0%
61	72.0%	76.0%
62	78.0%	82.0%
63	85.0%	88.0%
64	92.0%	94.0%
65	100.0%	100.0%

Should I retire now? — The accrued benefit payable at age 65 is protected and the rehabilitation plan changes apply to anyone who starts their retirement benefit on or after June 1, 2019 or who files their retirement application on or after April 30, 2019. So, there is no advantage to retiring now.

Contribution Increase

In addition to the early retirement changes described above, $0.54 will be added to the contribution rate for funding only effective for hours worked beginning September 1, 2019. Trustees anticipate that this new rate will be added on all projects bid after September 1, 2019.

QUESTIONS?

If you have questions, contact the Administrative Office at 907-561-7575 or toll-free at 800-478-4431.