

SOUTHERN ALASKA CARPENTERS RETIREMENT PLAN

June 14, 2019

Notice to Retirees

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 (called a "rehabilitation plan") is designed to improve the funding of the Plan over time so that benefits remain secure for the future and make any future benefit decline less likely.

As a courtesy, we wanted to let you know what's happening and assure you that your benefits are not affected by these changes (unless you return to work). Benefits for current retirees and their beneficiaries will continue to be paid on the same basis as before.

NO CHANGE TO RETIREE BENEFITS

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.

WHAT'S CHANGING

Benefit Changes for Retirements on and After June 1, 2019

The rehabilitation plan's benefit changes are two-fold:

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

SIP benefits (earned on and after January 1, 2015) already have 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 participants work at least 435 hours in at least two of the three most recent years before their retirement date.

Those Who 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

Those Who 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

Contribution Increase

In addition to the early retirement changes described above, \$0.54 is being added to the contribution rate for funding only effective for hours worked beginning September 1, 2019.

QUESTIONS?

There is no change to your benefits as a result of the changes for active members (unless you return to work). However, if you have any questions, please contact the Administration Office at 907-561-7575 (toll-free 800-478-4431), option 2.

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.