Alaska Ironworkers Pension Plan
Benefit Reduction FAQs for Participants

1. **What's happening to the pension plan?**
   Because our plan has reached 'critical and declining' funding status, we have just two options:

   - *Let the plan go*. In that case, your benefits would be paid by the Pension Benefit Guaranty Corporation (PBGC), which is in trouble itself and may have to pay benefits at an even lower level in the future.

   - *Try to save the plan*. If we keep paying benefits, but at a lower level, we have a chance to stabilize the plan.

   Reducing benefits – fairly, across the board – means:

   - You receive higher benefits than with PBGC benefits.
   - Benefits accrued on or after July 1, 2016 are not affected by the reduction. This option is not available under the PBGC.
   - The reduction can be lifted once the plan is no longer projected to run out of money only if we keep it going ourselves – not under the PBGC.

2. **What do the Trustees say?**
   The Trustees have decided to try to save the plan. The Multiemployer Pension Reform Act (MPRA) allows what it calls 'benefit suspension' in cases like this; the term doesn't mean benefits stop, though – only that they can be reduced to help a troubled plan.

3. **What is the current situation with the plan?**
   Our Alaska Ironworkers Pension Plan has reached what's termed 'critical and declining' and is projected to run out of assets in 2030. We're contributing more for plan funding than ever and participants are earning smaller benefits, yet our plan is not in a sustainable position. This is why the Trustees have filed an application with the federal government to reduce benefits, rather than let it go to the Pension Benefit Guaranty Corporation (PBGC).

4. **What are other plans doing?**
   From what we can tell, there are over 100 multiemployer plans that are projected to run out of money at some point in the future. As of the end of 2016, 10 plans submitted applications to reduce benefits. Of those 10, 2 were still in review, 3 have been withdrawn, 4 have been denied and 1 has been accepted. The denials have largely been due to the assumptions they used. We believe we have used realistic assumptions that give the Plan the best chance of success. It is worth noting that an application can only be submitted if the proposed benefit reduction has a reasonable chance of saving the plan. There are plans that cannot submit an application because no allowable benefit reduction would keep them from running out of money.

5. **What got us to this point?**
   Our plan moved from the ‘critical’ stage in 2015 to ‘critical and declining’ in 2016. Negative investment returns and fewer hours worked by active participants to support plan contributions are the significant factors behind the plan’s funding problem.

6. **The plan’s investment returns were almost 10% less than what was projected. How are the plan assumptions decided?**
   A 6.25% return has been our best projection for the long term, but now needs to be re-evaluated. It was based on market assumptions, historical performance, and expected trends. Investment experts are currently expecting lower returns than in the past. We are committed to being realistic about expected future investment returns.

7. **What is the process our Trustees are considering to help save the plan?**
   The government mandates a specific process we must follow, which includes comments and a vote by plan participants. A timeline follows:

   - March 2017 – Trustees submit application to the Treasury Department for review (the government has 225 days to review the application)
   - May-June 2017 – 45-day comment period
   - July 2017-January 2018 – voting period happens during this time depending when and if the application is approved
   - February 1, 2018 – latest date benefit reduction would take effect. If approved, the effective date will be the first of the month following 30 days from the end of the voting period, but no later than February 1, 2018. We don’t know exactly when the vote will take place because it depends on how long the government takes to review the application. But for example, if the voting period ended on October 15, 2017, 30 days later is November 14 and the first of the month after that is December 1, 2017.

8. **What input do Alaska Ironworkers Pension Plan participants have into the proposed benefit reduction?**
   The process includes asking for comments as well as a participant vote. The reduction will go into effect unless a majority of all plan participants, regardless of how many vote, reject it.

9. **Who’s affected by the Trustees’ proposed action?**
   If approved, the proposed benefit reduction would lower benefits by a flat 34.5 percent across the board for all participants and beneficiaries, except:

   - No reduction for those 80 or older
   - Less reduction for those between 75 and 80
   - No reduction for those receiving disability benefits
   - No reduction below 110% of the PBGC guarantee

   These exceptions are required by law.

10. **If I turn 75 years old after the benefit reduction, does my benefit amount increase?**
    Benefit reductions are smaller for those who are between 75 and 80. But, the amount your benefit is reduced is based on your age at the time of the reduction. There is no adjustment after the fact as you get older.

11. **If I turn 80 years old after the benefit reduction, does my benefit amount go back to what I had before?**
    Benefits will not be reduced for retirees age 80 and older. However, the amount your benefit is reduced is based on your age at the time of the reduction. There is no adjustment after the fact as you get older.

12. **Why is Alaska Ironworkers doing this now?**
    Since we are projected to run out of assets in 2030, the pension plan has reached the 'critical and declining' stage, so the Trustees have considered all options available; saving the plan is the best way to keep paying benefits. The longer we wait to take action, the more difficult it becomes to save the plan. The Trustees recommend an across the board reduction of benefits as the fairest solution.

13. **Isn't our Alaska Ironworkers Pension Plan covered by insurance?**
    Yes, it is protected by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. The plan pays premiums to the PBGC insurance program to protect benefits, up to limits set by law. When a plan runs out of assets and becomes insolvent, benefits are paid by the PBGC, which would not pay out full benefits of our plan and could itself become insolvent – meaning benefits could be significantly lower than the current PBGC guaranteed amounts. Benefits paid by the PBGC would be significantly lower than the benefits paid under the proposed benefit reduction. Our plan Trustees believe trying to save the plan by reducing benefits is a more advantageous solution for you.

14. **If the benefit reduction is approved, what will be the percent decrease?**
    Under the proposal, benefits would be reduced by a flat 34.5 percent for all participants and beneficiaries except those 80 or older and those receiving disability. Also, benefit reductions would be less for those between 75 and 80.

15. **Is there an alternative to the recommendation for reduced benefits?**
    Our Trustees propose the reduction to prevent the plan from running out of money. For plans that run out of assets and become insolvent, benefits are paid by the Pension Benefit Guaranty Corporation (PBGC) – at a permanently reduced level. In contrast, the proposed benefit reduction could be temporary until the plan is no longer projected to run out of money and it will pay higher benefits than the PBGC.

16. **What is the advantage of voting for a reduction in benefits?**
    The goal of the benefit reduction is to avoid insolvency. In fact, the benefit reduction could be temporary, until the plan is no longer projected to run out of money. Not taking action risks further decline into insolvency, in which case the Pension Benefit Guaranty Corporation (PBGC) would take over and pay out permanently reduced benefits.

17. **What happens if it's determined that more cuts are needed?**
    The plan will be reviewed each year to determine whether the reduction is working and whether or not the reduction continues to be necessary. If it's determined that more cuts would be needed to prevent insolvency, nothing would happen automatically or quickly. The plan would need to go through this entire process, including the vote, again to make further reductions.

18. **What happens if it's determined that the cuts are no longer needed?**
    The plan will be reviewed each year to determine whether the reduction is working and whether or not it continues to be necessary. If it's determined that the plan is no longer projected to run out of money, the suspension will be removed and going forward benefits would go back to what they were before the reduction.

19. **Is there any possibility of a government bailout?**
    We have not seen any indication that a bailout is being considered and it seems unlikely.

20. **What does this reduction in benefits mean to us now and in the future?**
    Currently the reduction in benefits is needed to avoid insolvency. For the future, the Trustees hope this action will enable the plan to move from 'critical and declining' to a more healthy funded state. The benefit reduction could be temporary, unlike the permanent reduction and lower benefits if we let the plan go to the Pension Benefit Guaranty Corporation (PBGC), which itself is in trouble.