

# Important Information About Your Pension Plan

October 28, 2009

To Participants, Beneficiaries, Employers and Unions:

The federal government requires qualified pension plans to provide an annual notice sharing financial information about the plan. Enclosed you will find this annual notice for the Alaska Teamster-Employer Pension Plan, which is in a new format this year. The figures and information are required by the U.S. Department of Labor. **No action is required** – the purpose of this cover letter is only to explain what is happening and what the information in the notice means.

## What is happening

It is not news that conditions have been very difficult for investors these days. Between July 1, 2007 and June 30, 2009, a two plan-year period for this fund, the Standard & Poor's 500-stock index fell from 1503.35 to 919.32, a return of approximately -39%. During that same period, our Pension Plan investments posted a cumulative investment return of approximately -28%. Overall, the Plan's assets declined by 38% during this two-year period, driven down by a combination of negative investment returns and satisfying benefit payment obligations to retirees.

As you would suspect, our Plan is not alone in being hit by the negative markets. Pension plans around the country are struggling as their investments have been hit hard by declining market trends. This means many plans were significantly underfunded on June 30, 2009.

Most pension plans have suffered significant setbacks. You will see the final, audited numbers that show the effects of the investment losses for the July 1, 2008 - June 30, 2009 period in next year's notice. We caution that it will take several additional years before we see the full impact of the market losses since 2007 due to the plan's methodology for smoothing assets.

## What is being done

In response to recent investment turbulence, the Pension Plan Trustees are continuing to do the things they have always aimed to do:

- Invest appropriately for the long term
- Act prudently using professional advice
- Work to anticipate and prevent problems, and respond appropriately when unexpected problems occur.

Market ups and downs are to be expected and we do not count on positive returns every year. Because pension plans pay out benefits over an extended period, the Pension Plan has a long-term strategy that can take advantage of the time needed to weather the rough periods.

## What does it mean to be less than 100% funded?

Every year, the government requires pension plans like ours to compare the benefits that have been earned by plan participants to date with the value of the plan's assets. Then we ask the question, "If all plan benefits that have been earned had to be paid out, would the plan have enough money in reserve today?" That ratio of assets and liabilities represents the percentage of plan benefits that are funded (called the funded percentage).

It's normal for a plan's funded percentage to change from year to year. In fact, it's the long-term trends that matter the most. Because pension benefits are not paid out all at once, there is time for future contributions and investment earnings to work in our favor.

However, if a pension plan's funding status drops below a certain level – as is currently happening to many plans due to extreme economic conditions – the plan is required to take certain corrective measures and notify participants. For the period July 1, 2008 - June 30, 2009, our plan was adequately funded and these steps were not

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needed. For the period which began July 1, 2009, we were able to take advantage of pension relief and did not need to take certain measures other than notify participants that such relief was being taken, as described more fully on the Special Notice enclosed at the end of this packet.

### **Understanding a few key terms**

As you read the enclosed notice, you may encounter some unfamiliar terms and concepts. The following explanations will help you better understand some of the complexities behind the calculations.

There are two basic ways to determine the level of plan assets; using **market values** or **actuarial values**. Asset values used in the notice (see chart on first page of the Annual Funding Notice) are actuarial values, not market values. Market values show the exact picture of a plan's funded status at a given point in time, but that point could be artificially low or inflated depending on the market conditions that day. Actuarial values smooth out these fluctuations to provide a better sense of the value over time.

In the attached Annual Funding Notice, the Plan's liabilities will be lower than in the past few years. That's because for the period July 1, 2008 - June 30, 2009, the notice is required to use a different interest rate than in previous years. The interest rate used to calculate the funded percentages in 2006 and 2007 used a government-mandated interest rate (which assumes plan assets are invested entirely in corporate bonds) to determine Plan liabilities. As of the July 1, 2008 actuarial valuation date, the funded percentage shown uses the Plan's actuarial interest rate assumption of 7.5% (which is based on the plan's actual asset allocation and long-term expectations for future investment returns) to determine liabilities. This change has the effect of lowering the reported liabilities and increasing the funded percentage when compared to previous notices.

### **How it affects you**

The Trustees continue to manage the Plan carefully for active participants still earning benefits under the Plan, former participants with vested benefits, and retirees already receiving monthly payments. Payments are being made as appropriate and money is being set aside for future payments. Despite the decline in the markets, the benefit amounts being paid to retirees have not changed.

### **More about the PBGC**

While we cannot guarantee there will not be changes to the Plan in the future, your accrued pension benefit is protected by the Pension Benefit Guaranty Corporation (PBGC). This is a federal insurance agency (similar to the FDIC, which insures bank deposits). Like most qualified defined benefit pension plans, we pay premiums to the PBGC for insurance. The PBGC insures pension benefits up to certain limits. The enclosed notice includes information on the rules governing termination of plans and benefit payments guaranteed by the PBGC – **this is required language and not related to our Plan's current funding situation.**

## **Frequently Asked Questions**

**Q:** What is the PPA?

**A:** The Pension Protection Act of 2006 (the PPA) is a federal law that requires qualified "defined benefit" pension plans to maintain certain funding levels. Under the PPA, when a plan's funding level declines below acceptable levels, the plan must enact a funding improvement or rehabilitation plan to return the funding to an acceptable level.

**Q:** What is the WRERA?

**A:** The Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) is a federal law that permits pension plans to extend their safe zone status for one year or increase the funding improvement or rehabilitation plan corrective period by three years. The WRERA was passed in 2008 when the markets were in decline. Congress, hoping that the market downturn of 2007 and 2008 was temporary, passed WRERA as temporary relief for underfunded pension plans during a time of national economic crisis, but the financial markets actually continued to decline after the WRERA was passed. Because the national financial markets have had an even deeper decline than anticipated at the time of the WRERA, it is possible that Congress will pass further legislation to help pension plans best structure their recovery plans following the downturn.

- Q:** Why is pension funding being discussed so much in the news and in work groups?
- A:** Between 2007 and 2009, the worldwide financial markets declined dramatically – the largest decline since the great depression of the 1930s. Because pension funds are heavily invested in the stock market, the majority of pension plans in the United States went from acceptable funding levels (green) to either endangered (yellow / orange) or critical (red) levels.
- Q:** When is the funded level of a pension plan determined?
- A:** All plans are required to determine their funding level annually. The plan's actuaries determine the funding level by completing a comprehensive study of the plan, its participants and its assets. From this study, they determine the ratio of the value of assets to the liabilities (the total accumulation of accrued or earned benefits for participants plus the retirement benefits for retirees).
- Q:** When is a plan 100% funded?
- A:** Defined benefit pension plans are required to reserve assets adequate to fund retirement benefits over the lifetime of the pension plan. If a plan is 100% funded, it has enough money in reserve to pay all benefits already promised to retirees and all the benefits earned by active and inactive members. 100% funded means the fund has enough money in reserve to pay all benefits earned to date, even if contributions to the plan were to stop.
- Q:** What does the PPA require or permit a plan to do if it is not adequately funded and is required to put a rehabilitation plan in place?
- A:** The PPA requires the Trustees to provide to the bargaining parties various schedules of contribution increases and benefit reductions that would allow the plan to return to adequate funding levels. The additional contributions do not factor into the participant's benefit amount; they go to improve funding. The PPA also permits plans to reduce or eliminate early retirement subsidies and other plan features. The law requires the fund to charge employers a surcharge of 5% of current contributions, escalating to 10% until the bargaining parties adopt one of the schedules. These surcharges do not factor into the participant's benefit amount.
- Q:** Is a rehabilitation plan permanent?
- A:** No, a rehabilitation plan would be in place until the funding levels return to acceptable levels. When a plan is adequately funded, the Trustees may then make improvements such as eliminating some or all of the employer contribution increases and restoring some or all of the early retirement subsidies and other plan features.
- Q:** Will the Alaska Teamster Plan put a rehabilitation plan in place?
- A:** As of July 1, 2009, the Plan was in critical status. However, under the WRERA which was passed after the PPA, the Plan was permitted to extend the safe zone status from July 1, 2008. The Trustees may have to put an improvement (rehabilitation) plan in place to increase funding levels in the future; however, they will not have enough information until after June 30, 2010 to make this determination.
- Q:** What's next?
- A:** The Trustees of the Alaska Teamster Pension Plan have elected to carry over the plan's green zone (safe) status for the period July 1, 2009 to June 30, 2010 and will review the plan's funding status after the fiscal year ends. Also, there is a possibility that Congress will permit more time for plans to improve their funding levels or provide more flexibility to plans recovering from the market downturn. With gains in the Pension Plan's assets since June 30, 2009, and the possible Congressional relief, the Pension Plan may have more funding improvement options for the period July 1, 2010 - June 30, 2011 than they had for the previous period.
- Q:** On the funding notice, it shows that 97.6% of the fund is in common/collective funds. Is that one fund?
- A:** No. The pension funds are invested in six separate common/collective funds, also called commingled funds, including stocks, bonds and real estate. Each of these separate funds is invested with several professional investment managers. For example, the Russell Equity I Fund, one of the Pension Plan's six collective funds, has ten separate investment firms managing approximately \$4.4 billion commingled pension fund monies, including approximately \$120 million invested on behalf of this fund. The Pension Plan also has an independent investment consultant firm that regularly evaluates the performance of those collective investment funds.
- Q:** Now that I have read the Q&As, I have more questions. Who do I call?
- A:** Contact Rose Kalamarides at 907-565-8310 or 800-478-4450. Also, meetings will be scheduled in late spring featuring the Actuary and Investment Advisor who will be available to answer your questions.

# Notice of Special Election for the ALASKA TEAMSTER-EMPLOYER PENSION TRUST

This Notice includes important information about the Alaska Teamster-Employer Pension Trust (the "Plan"), Plan No. 024, and Plan Sponsor EIN 92-6003463. This Notice relates to the Plan Year beginning July 1, 2009 and ending June 30, 2010. Under the Pension Protection Act of 2006 ("PPA"), the Plan's actuary annually certifies the Plan's funding status. The PPA created "zones" based on a multiemployer pension plan's funding status. Depending on a pension plan's funding status, it may be in critical status ("red" zone), in seriously endangered status ("orange" zone), or endangered status ("yellow" zone), or outside of these categories ("green" zone).

## Special Election

In accordance with the Worker, Retiree and Employer Recovery Act of 2008 ("WRERA"), the Plan's Trustees made a special election to retain the Plan's funding status for the Plan Year beginning July 1, 2008 and ending June 30, 2009 as its funding status for the Plan Year beginning July 1, 2009 and ending June 30, 2010. For the Plan Year beginning July 1, 2008 and ending June 30, 2009, the Plan was certified as being in the "green" zone. Therefore, for the Plan Year beginning July 1, 2009 and ending June 30, 2010, the Plan will be treated as though it is in the "green" zone and will not be subject to the funding improvement requirements discussed below for that Plan Year. Without the special election, the Plan would be in critical/"red" status for that Plan Year.

After careful consideration, the Plan's Trustees determined that it is in the best interest of the Plan's Participants to make the special election at this time. In making this decision, the Plan's Trustees extensively reviewed with the Plan's professional advisors the funding requirements under federal law, including the effect of making the special election and the effect of not making the election.

This special election is available only for the Plan Year beginning July 1, 2009 and ending June 30, 2010. Notice will be provided in 2010 if the Plan is certified to be in critical/"red," seriously endangered/"orange," or endangered/"yellow" status for the Plan Year beginning July 1, 2010 and ending June 30, 2011.

## Funding Improvement Requirements

If the Plan is certified to be in anything other than the "green" zone for the Plan Year beginning July 1, 2010 and ending June 30, 2011, the law requires that the Trustees notify you of the Plan's status for that Plan Year and that steps be taken to improve the Plan's funding. Such steps may include increases in employer contributions and/or reductions in future benefit accruals.

If the Plan is certified to be in critical/"red" status for the Plan Year beginning July 1, 2010 and ending June 30, 2011, the Trustees would be required to adopt a rehabilitation plan, which might include suspension of lump sum benefit payments and plan amendments to reduce, or even eliminate, certain benefits called "adjustable benefits." "Adjustable benefits" include, among others, postretirement death benefits, early retirement benefits or retirement-type subsidies, and benefit payment options other than a qualified joint and survivor annuity ("QJSA"). These benefit modifications would apply only to individuals who commence receiving benefits after the notice of the Plan's critical status is provided. A rehabilitation plan must also include annual benchmarks to measure the Plan's progress in improving the Plan's funded status over time.

In addition, if the Plan is certified to be in critical/"red" status in 2010, the law would require that all contributing employers pay a surcharge to help correct the Plan's financial situation. The amount of the surcharge would be equal to a percentage of the amount an employer would otherwise be required to contribute to the Plan under the applicable collective bargaining agreement. With some exceptions, a 5% surcharge would apply in the initial critical/"red" year and a 10% surcharge would apply in each succeeding plan year of critical/"red" status. The surcharge terminates once the collective bargaining agreement is renegotiated to incorporate the rehabilitation plan.

## Where to Get More Information

For more information about the special election described in this Notice, you may contact: Alaska Teamster-Employer Pension Trust, 520 E. 34th Avenue, Ste. 107, Anchorage, AK 99503-4116. Telephone: (800) 478-4450.

*This notice is intended to meet the notification requirements of section 204(c)(2)(A) of WRERA and IRS Notice 2009-31.*

# ANNUAL FUNDING NOTICE

## For

### Alaska Teamster-Employer Pension Plan

#### Introduction

This notice includes important funding information about the Alaska Teamster-Employer Pension Plan (“the Plan”). This notice also provides a summary of federal rules governing multi-employer plans in reorganization, insolvent plans, and benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning July 1, 2008 and ending June 30, 2009 (referred to hereafter as “Plan Year”).

#### Funded Percentage

The funded percentage of a plan is a measure of how well that plan is funded. This percentage is obtained by dividing the Plan’s assets by its liabilities on the valuation date for the plan year. In general, the higher the percentage, the better funded the plan. The Plan’s funded percentage for the Plan Year and 2 preceding plan years is set forth in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

	2008	2007	2006
Valuation Date	July 1, 2008	July 1, 2007	July 1, 2006
Funded Percentage	83.0%	Not Applicable	Not Applicable
Value of Assets	\$790,823,715	Not Applicable	Not Applicable
Value of Liabilities	\$952,387,501	Not Applicable	Not Applicable

#### Transition Data

For a brief transition period, the Plan is not required by law to report certain funding related information because such information may not exist for plan years before 2008. The Plan has entered “not applicable” in the chart above to identify the information it does not have. In lieu of that information, however, the Plan is providing you with comparable information that reflects the funding status of the Plan under the law then in effect. For 2007, the Plan’s “funded current liability percentage” was 64.5%, the Plan’s assets were \$767,433,485, and Plan liabilities were \$1,188,972,944. For 2006, the Plan’s “funded current liability percentage” was 68.3%, the Plan’s assets were \$730,816,641, and Plan liabilities were \$1,070,655,311.

#### Fair Market Value of Assets

Asset values in the chart above are actuarial values, not market values. Market values tend to show a clearer picture of a plan’s funded status as of a given point in time. However, because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes. While actuarial values fluctuate less than market values, they are estimates. As of June 30, 2009, the fair market value of the Plan’s assets was \$522,418,204. As of June 30, 2008, the fair market value of the Plan’s assets was \$748,044,874. As of June 30, 2007, the fair market value of the Plan’s assets was \$843,783,515.

#### Participant Information

The total number of participants in the plan as of the Plan’s valuation date was 8,440. Of this number, 3,535 were active participants, 3,951 were retired or separated from service and receiving benefits, and 954 were retired or separated from service and entitled to future benefits.

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## Funding & Investment Policies

The law requires that every pension plan have a procedure for establishing a funding policy to carry out the plan objectives. A funding policy relates to the level of contributions needed to pay for benefits promised under the plan currently and over the years. The funding policy of the Plan is to confirm that the minimum funding requirements of ERISA are being satisfied and to determine that anticipated employer contributions will not exceed the amounts deductible under the Internal Revenue Code. Each employer makes contributions monthly pursuant to collective bargaining agreements.

Once money is contributed to the Plan, the money is invested by plan officials called fiduciaries. Specific investments are made in accordance with the Plan's investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries with guidelines or general instructions concerning various types or categories of investment management decisions. The investment policy of the Plan is to maximize the total return on assets available for the provision of benefit while operating in accordance with applicable regulatory restrictions and within prudent parameters of risk. It also includes protecting the trust from severe depreciation in asset value during adverse market conditions by broadly diversifying assets and conducting prudent review of risks. The Plan also aims to outperform the policy portfolio return over the long term as measured over a market-cycle of four to six years.

In accordance with 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. Note that this asset allocation is based on calculations of fair market values of Plan assets as of June 30, 2009. These allocations are percentages of total assets:

<b>Asset Allocations</b>	<b>Percentage</b>
Interest-bearing cash	<u>0.0%</u>
U.S. Government securities	<u>0.0%</u>
Corporate debt instruments (other than employer securities):	
Preferred	<u>0.0%</u>
All other	<u>0.0%</u>
Corporate stocks (other than employer securities):	
Preferred	<u>0.0%</u>
Common	<u>0.0%</u>
Partnership/joint venture interests	<u>0.0%</u>
Real estate (other than employer real property)	<u>0.0%</u>
Loans (other than to participants)	<u>0.0%</u>
Participant loans	<u>0.0%</u>
Value of interest in common/collective trusts	<u>97.6%</u>
Value of interest in pooled separate accounts	<u>0.0%</u>
Value of interest in master trust investment accounts	<u>0.0%</u>
Value of interest in 103-12 investment entities	<u>0.0%</u>
Value of interest in registered investment companies (e.g., mutual funds)	<u>0.0%</u>
Value of funds held in insurance co. general account (unallocated contracts)	<u>0.0%</u>
Employer-related investments:	
Employer Securities	<u>0.0%</u>
Employer real property	<u>0.0%</u>
Buildings and other property used in plan operation	<u>0.0%</u>
Other	<u>2.4%</u>

For information about the Plan's investment in any of the following types of investments as described in the chart above – common/collective trusts, pooled separate accounts, master trust investment accounts, or 103-12 investment entities – contact the Alaska Teamster-Employer Pension Trust by phone at (800) 478-4450 or by mail at 520 East 34th Avenue, Suite 107 Anchorage, Alaska 99503-4116.

### **Critical or Endangered Status**

Under federal pension law, a plan generally will be considered to be in “endangered” status if, at the beginning of the plan year, the funded percentage of the plan is less than 80 percent or in “critical” status if the percentage is less than 65 percent (other factors may also apply). 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, the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation and funding improvement plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time.

The Plan was not in endangered or critical status in the Plan Year.

### **Right to Request a Copy of the Annual Report**

A pension plan is required to file with the US Department of Labor an annual report (i.e., Form 5500) containing financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, 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.

### **Summary of Rules Governing Plans in Reorganization and Insolvent Plans**

Federal law has a number of special rules that apply to financially troubled multiemployer plans. Under so-called “plan reorganization rules,” a plan with adverse financial experience may need to increase required contributions and may, under certain circumstances, reduce benefits that are not eligible for the PBGC's guarantee (generally, benefits that have been in effect for less than 60 months). If a plan is in reorganization status, it must provide notification that the plan is in reorganization status and that, if contributions are not increased, accrued benefits under the plan may be reduced or an excise tax may be imposed (or both). The law requires the plan to furnish this notification to each contributing employer and the labor organization.

Despite the special plan reorganization rules, a plan in reorganization nevertheless could become insolvent. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. An insolvent plan must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. If such resources are not enough to pay benefits at a level specified by law (see Benefit Payments Guaranteed by the PBGC, below), the plan must apply to the PBGC for financial assistance. The PBGC, by law, 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 notification of the insolvency to participants and beneficiaries, contributing employers, labor unions representing participants, and the PBGC. In addition, participants and beneficiaries also must receive information regarding whether, and how, their benefits will be reduced or affected as a result of the insolvency, including loss of a lump sum option. This information will be provided for each year the plan is insolvent.

### **Payments Guaranteed by the PBGC**

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. 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  $\$24.75 (.75 \times \$33)$ , or \$35.75. Thus, the participant's guaranteed monthly benefit is  $\$357.50 (\$35.75 \times 10)$ .

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**ALASKA TEAMSTER-EMPLOYER  
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*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 calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the 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 pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, 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.

**Where to Get More Information**

For more information about this notice, you may contact Rosemarie Kalamarides of the Alaska Teamster-Employer Pension Trust by phone at (800) 478-4450 or by mail at 520 East 34th Avenue, Suite 107 Anchorage, Alaska 99503-4116. For identification purposes, the official plan number is 024 and the plan sponsor's employer identification number or "EIN" is 92-6003463. For more information about the PBGC and benefit guarantees, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll-free at 1-800-400-7242 (TTY/TDD users may call the Federal relay service toll free at 1-800-877-8339 and ask to be connected to 1-800-400-7242).