



# Alaska Electrical Trust Funds

PENSION FUND – HEALTH AND WELFARE FUND – LEGAL FUND  
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December 14, 2007

To: All Participants of the Alaska Electrical Pension Plan

Re: IMPORTANT NOTICE OF PLAN CHANGES EFFECTIVE JANUARY 1, 2008

We are writing to let you know about important changes to the Alaska Electrical Pension Plan (the "Plan") that the Board of Trustees approved at its meeting on October 16, 2007.

Annual benefits under qualified pension plans are subject to a maximum limit as specified by federal law. This limit is generally referred to as the "415 limits." In effect, it caps the maximum benefit that an individual can accrue or that may be paid from the Plan. In April, 2007 the IRS issued new final regulations revising the manner in which this limitation is calculated. For most every participant in the Plan, this new regulation is not likely to affect the benefit payable under the Plan. For some, the new regulation may result in a reduction in the rate at which benefits are earned under the Plan beginning on January 1, 2008.

***This change does not apply to any participant's benefit earned as of December 31, 2007. Your accrued benefit as of December 31, 2007 cannot be reduced by this law change. The Administrative Office intends to advise you if the 415 limits affect your future benefit under the Plan.***

The remainder of this notice describes the change that will be effective January 1, 2008.

## **How do the "415 limits" work?**

The 415 limits work as a cap on the maximum amount that a participant can receive from a plan, or combination of plans provided by the contributions from his or her employer (certain plans must be aggregated). This limit applies to your benefit each year as it accrues and as it is paid from the Plan. To the extent that the age-based limit is lower than the benefit provided by the plan(s), only the lower amount is payable in the event the participant is in payment status.

In 2008, the 415 limit is \$15,416.67 per month for a benefit beginning at age 62 in the form of a life annuity (or a qualified joint and survivor annuity for you and your spouse). If you begin your benefit earlier than age 62, the limit is reduced; if you begin your benefit later, it is increased. (For example, at the Plan's normal retirement age of 58, the limit is \$11,388.) If you choose to receive your benefit in a form other than a single life annuity (or, if you are married, in a Spouse Option), the regulations provide a method to convert the form you elect into an actuarially equivalent single life annuity for the sake of comparison. Finally, the dollar limit increases over time based on a cost-of-living adjustment.

If your benefit exceeds the 415 limits, you will not accrue any additional benefit for a period of time. The Plan uses a feature in the IRS regulations that permits the 415 limits to increase over time, so you may resume accruing benefits as those limits rise.

## How did the IRS regulations change the 415 limits for the Plan?

Previously, the IRS regulations allowed the administrator to apply the 415 limits separately to the benefit you earned from each employer contributing to this Plan on your behalf. The new final regulations require that the 415 limits be applied to the benefit you earn under the Plan *in the aggregate*. This could restrict the benefit that certain participants are able to earn under the Plan in the future.

### EXAMPLE

As of December 31, 2007, Joe has accrued a \$12,000 per month benefit in this plan payable at his age 58 in the form of a Spouse Option benefit. This benefit was derived from the contributions of two employers, A and B. The benefit attributable to each employer is \$6,000, which is below the 415 limits that apply as of December 31, 2007, since the limit is calculated separately for the benefit from each employer. Because Joe did not earn a benefit from any one employer that exceeds the 2007 limits, his entire benefit as of December 31, 2007 is protected and is not reduced by the new law limits.

The 2008 limit is \$11,388 per month for retirement at age 58. If Joe continues to work during the next six months and then retires on July 1, 2008 at age 58, he will get \$12,000 per month which is the same amount he had earned as of December 31, 2007. Because Joe's aggregate benefit is over the 2008 dollar limit that applies at his retirement age, he does not earn any additional benefit for contributions made on his behalf in 2008.

## What factors might affect whether this change affects my benefit?

Certain factors in your work history may make it more likely that the change in the 415 limits will restrict the benefits that the Plan can provide to you. These include:

- Long service under the Plan through work for several employers at relatively high contribution rates.
- Your electing to take benefits before age 62.

## What happens if your benefit is limited by the 415 limits?

If testing indicates that your benefit under the Plan formula will exceed the 415 limits, you will not accrue any additional benefit under the Plan. For example, even though the plan formula would entitle you to an accrual of 2.0% of your employer's contributions for 2008, you would not accrue any additional benefit.

As noted above, if your benefit is limited by the 415 limits, it is the intent of the Administrative Office to advise you. **Currently, unless you have already been notified, it is not anticipated that your benefit will exceed the annual limits in 2008.**

## For More Information

Please refer to your Summary Plan Description for information about other Plan provisions. You and your spouse may also wish to consult a personal financial adviser to determine the specific impact on your retirement benefit. Meanwhile, if you have any questions about this notice, the Administrative Office will be happy to assist you.

Sincerely,



Gregory R. Stokes  
Administrator