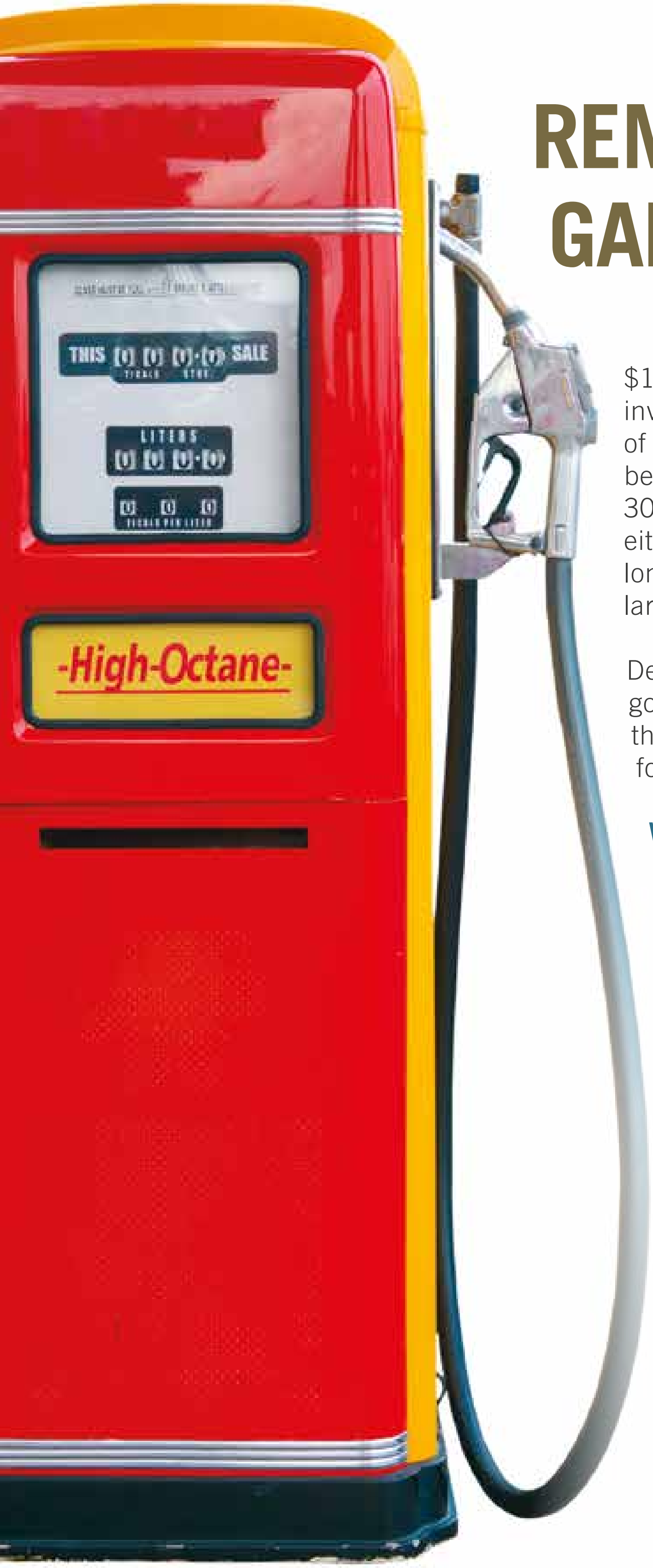
CHANGES TO THE SOUTHERN ALASKA CARPENTERS RETIREMENT PLAN



REMEMBER WHEN A GALLON OF GAS COST $1?

$1 won't buy as much today as it did back then. But, if you'd invested that $1, you likely would have enough to buy a gallon of gas today – maybe more. The current traditional pension benefit is a bit like keeping that dollar in your sock drawer for 30 years; that dollar is not going to shrink, but it won't grow either. And considering that people are, on average, living longer in retirement now, a "fixed income" has become an even larger concern.

Despite these shortcomings, pension plans have been providing good benefits for many years. The question is: can we make them better? Can we make changes that strengthen this benefit for the future?

WHY DOES THIS MATTER TO YOU?

Beginning January 1, 2015, your Southern Alaska Carpenters Retirement Plan benefits will be earned under a new pension formula. **You'll keep the benefits you've earned so far**, then going forward benefits you earn will be under a new variable annuity pension benefit formula. The new formula allows you to build up pension benefits each year, much like the current formula. But, **the new benefit has the potential to grow** not only throughout your career but during your retirement as well.

WHAT'S INSIDE

AUGUST 2014

WHY ARE WE MAKING A CHANGE?

The 2008 market downturn hurt all pension plans. However, the Southern Alaska Carpenters Retirement Plan is still in decent shape. You've likely heard in the news that a lot of pension plans are in serious trouble. About 40% of all multi-employer plans are operating under legally-required rehabilitation or funding improvement plans. Some of these plans are projected to go broke.

"WHY NOW? OUR PLAN IS HEALTHY NOW AND WE WANT IT TO STAY THAT WAY."

We've watched these other plans struggle and want to take action and avoid difficulties in the future. In fact, the Trustees have been investigating this new plan design since 2007. Why now? Our plan is healthy now and we want it to stay that way. We can't wait for another downturn to take action.

Today, we are taking specific steps to strengthen the plan for the long term.

The new variable annuity benefit:

- Stays funded at all times
- Allows the benefit to grow and combat inflation
- Provides a method to protect benefits against market downside risk
- Creates a more predictable wage package by having predictable pension costs over time.

We still have the challenge of fully funding the traditional plan benefits, but all new accruals will be fully funded regardless of future markets.

IT JUST MAKES SENSE.

ADVANTAGES

We believe this change has several advantages for you and the plan:

- The new benefit gives you the security of lifelong income like the traditional pension plan.
- Unlike the traditional pension, the new benefit has the potential to grow; maintaining your buying power and reducing the risk that inflation will eat away at your benefit.
- You keep the traditional pension benefit you earn through December 31, 2014.
- You don't have to start over when it comes to vesting in the new benefit.
- The new benefit is designed to provide the same value of benefits over time as the traditional pension formula.

- Employers will be making at least the same level of contributions for the new benefit, which is designed to provide the same value of benefits over time (but the funding will be more predictable).
- It puts the plan on a more sustainable path, for a stronger future.
- The variable annuity pension plan benefits are always fully funded, so over time as more of the benefits are under the variable annuity formula, the plan's funding will improve and stay strong. This will eventually eliminate the need for using current contributions to fund benefits earned in the past.

VARIABLE ANNUITY PENSIONS – BALANCING FLEXIBILITY AND SECURITY

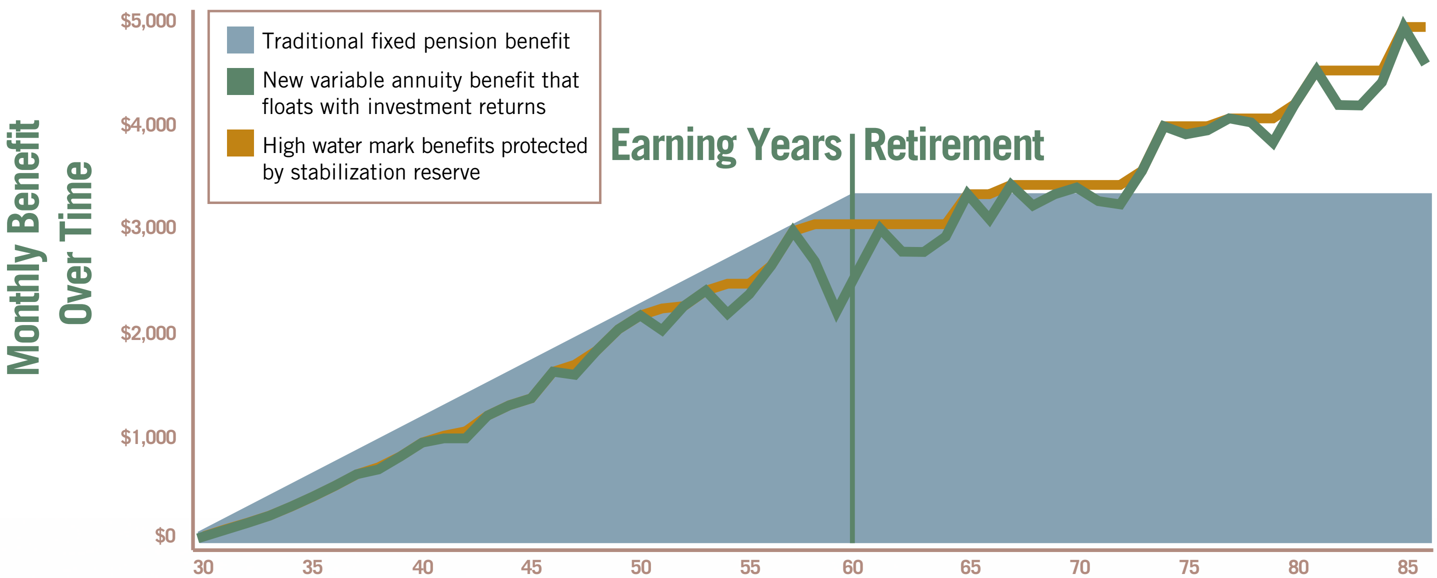
Variable annuity pensions, such as your new pension benefit, combine lifelong income with the flexibility to move with the market. If the plan's investments do even modestly well, your benefit will grow over time – making it possible for your purchasing power to keep pace with (or even outpace) inflation.

"COMBINE LIFELONG INCOME WITH THE FLEXIBILITY TO MOVE WITH THE MARKET."

STRENGTH IN FLEXIBILITY

See the chart below. The value of the underlying pension benefit you earn under the new formula will float with investment returns (green line), but the high water mark (gold line) will be protected by a stabilization reserve. Plus, you continue to add on to your benefit each year that you work.

While the variable annuity benefit (gold line) starts out lower than the fixed traditional pension benefit (blue shading), it soon catches up and grows even higher. In the example below, we've shown one of the worst 2-year market drops occurring right when this person retires. You can see, even in that situation, their benefit is protected.



This example compares retirement benefits assuming a whole career spent in a traditional pension vs. a whole career spent in the new variable annuity benefit. The variable annuity benefit starts out lower than the traditional pension but continues to grow throughout retirement, while the traditional pension stays flat.

HOW THE "VARIABLE" IN VARIABLE PENSION BENEFIT WORKS

The new pension benefit has what is called a hurdle rate, which is 4%. Underlying benefits go up and down each year by the difference between the plan's investment return and the hurdle rate.

If investments earn more than 4%, benefits go up. If investments earn less than 4%, underlying benefits go down but the benefit you are paid is expected to remain flat. Your benefit is shored up with a stabilization reserve.

PROTECTION WHEN IT COUNTS

The stabilization reserve is funded with a portion of the investment returns in years when returns are particularly high. In the unlikely event that the stabilization reserve is exhausted, benefits would be reduced to the underlying benefit (the green line in the chart).

OLD AND NEW BENEFITS

When you retire, you will receive the traditional benefit you have earned through December 31, 2014. Plus, you will receive the new variable annuity benefit you earn starting January 1, 2015.

EXAMPLE

Joe is a retiree with a new pension benefit of $1,000 per month. If investments earn 10.2% for the year, Joe's benefit will increase to $1,060 per month next year:

$1,060 = $1,000 x (1.102 / 1.04)

Each year, the benefit Joe has earned changes with investment returns. That means Joe's benefit has the potential to grow throughout his lifetime.

Plus, Joe will receive the traditional benefit he earned through December 31, 2014. The traditional portion of his benefit does not change.

"IF INVESTMENTS EARN MORE THAN 4% BENEFITS GO UP."

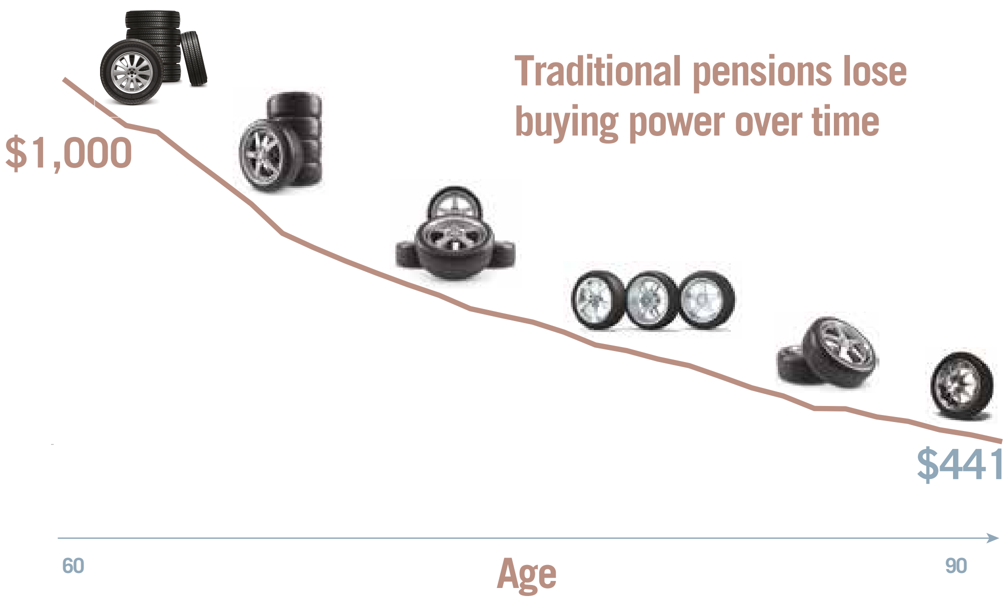
THE NEW BENEFIT DOES A BETTER JOB BALANCING RETIREMENT RISKS

TRADITIONAL PENSIONS – SHRINKING BUYING POWER OF FIXED BENEFITS

The current traditional pension benefit provides guaranteed, lifelong income. But, there's still a lot of uncertainty in that fixed benefit. The monthly check you receive may meet your needs when your retirement begins, but how much will it buy 10 years later? Inflation can drain your tank.

As people are expected to live longer and spend more years in retirement, the difficulty of living on a fixed income increases.

Over the 30 years from 1984-2013 the purchasing power of a $1,000 benefit was reduced to just $441 at an average annual inflation rate of just under 3%.



DEFINED CONTRIBUTION PLANS – HOW LONG DO YOU NEED TO MAKE YOUR MONEY LAST?

Defined contribution plans, such as a money purchase or 401(k) plan, are on the other end of the spectrum. The account balance goes up and down with investment returns. Your money can be just as powerful 10 years into retirement as it was at the beginning because as inflation chips away at it, it continues to grow through investment earnings. But, people are living longer these days and it's up to you to figure out how to make the money last. If you spend it too fast, that source of income will be gone for good.

NEW BENEFIT = THE BEST OF BOTH WORLDS

The new variable annuity pension benefit formula combines the **comfort of lifelong income** (like the current benefit) with the **potential for growth** (like a defined contribution plan). And (like the current benefit) the **investments are professionally managed** – so you don't have to be the expert.

The new benefit will increase with favorable investment returns (like a defined contribution plan). But, this new benefit features a stabilization reserve to protect you from most of the downside (protection a defined contribution plan does not have).

VARIABLE ANNUITY BENEFITS MAINTAIN BUYING POWER

The most common question we get from retirees is:

> **"WHEN WILL WE GET A 13TH CHECK OR BENEFIT INCREASE?"**

They are feeling the pinch of living on a fixed income. The new variable annuity benefit will address this problem for future retirees by increasing benefits over time.

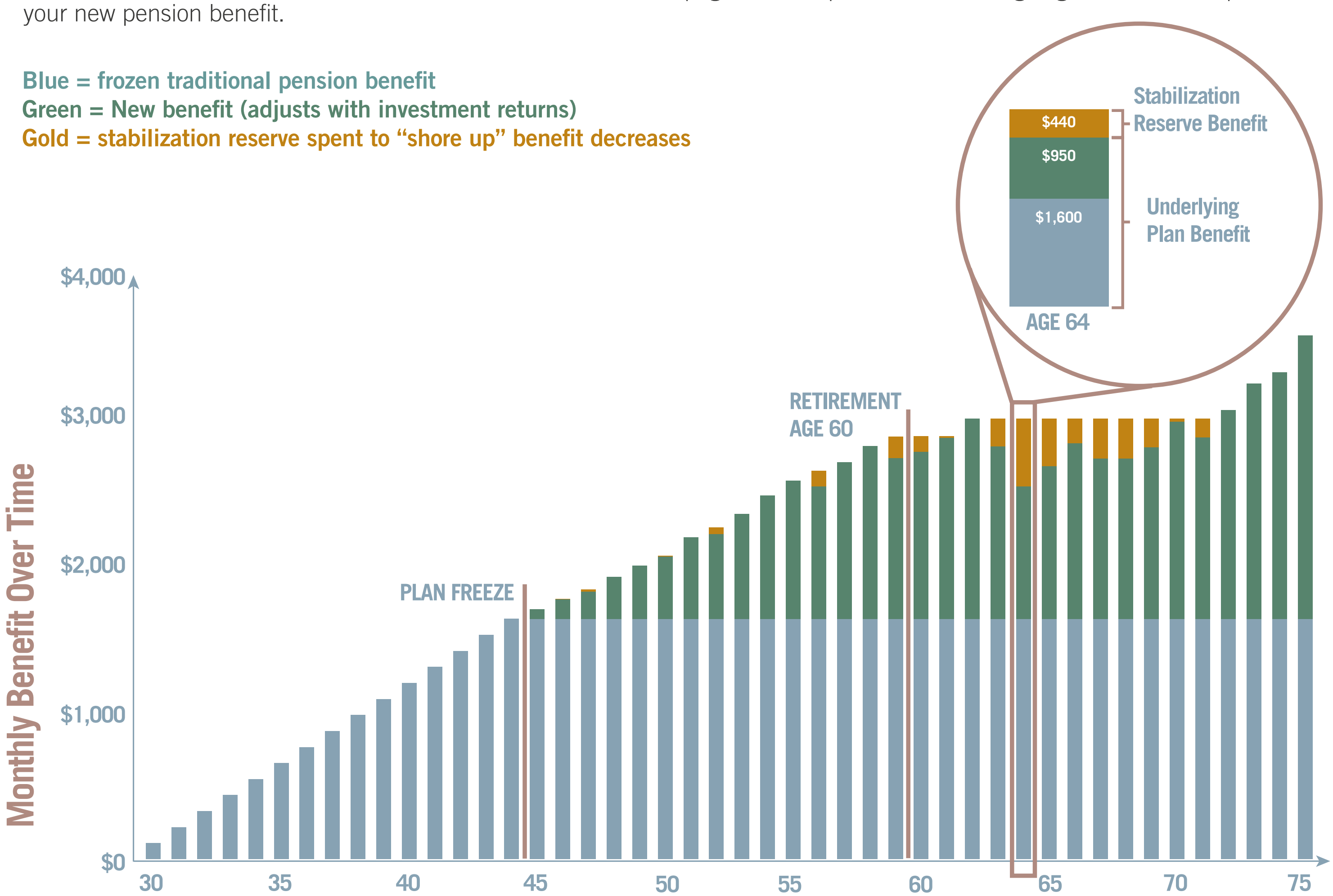
HOW THE OLD AND NEW BENEFITS WORK TOGETHER

The traditional pension benefit that you have earned as of December 31, 2014 is not going away, but it will no longer grow. Effective January 1, 2015, you will begin earning benefits under the new pension formula. When you retire, you will receive both your frozen traditional pension amount and your new pension benefit.

The chart below shows an example of a frozen traditional benefit with the projected variable annuity benefit. In this example, the person was 45 when the traditional pension benefit was frozen and 60 when he retired. The investment returns used for this example, are the actual returns for 1955 - 1985.

In this example, there were sufficient stabilization reserves (see page 4) to keep the benefit from going down over this period.

Blue = frozen traditional pension benefit
Green = New benefit (adjusts with investment returns)
Gold = stabilization reserve spent to "shore up" benefit decreases



MORE DETAILS TO COME

Watch a brief video about the changes posted at **www.nwcarpenters.org** and **www.alaskacarpenterstrusts.com.** We will provide much more information about this change in the weeks to come.

WATCH FOR:

Details about the plan changes and a personalized benefit projection	Mid-September
Participant meetings	This Fall