ARRC
PENSION PLAN

PLAN SUMMARY

ALASKA RAILROAD CORPORATION
HUMAN RESOURCES DEPARTMENT

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This revision includes changes to the Alaska Railroad Corporation Pension Plan through January 1, 2024, and it supersedes prior versions.

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INTRODUCTION

The Alaska Railroad Corporation Pension Plan (“Plan”), combined with your voluntary savings in the Alaska Railroad Corporation 401(k) Tax Deferred Savings Plan for Represented Employees or the Alaska Railroad Corporation 401(k) Tax Deferred Savings Plan for Non-Represented Employees (“401(k) Plans”) and your personal savings and investments, can help you build your own solid retirement program.

Please read the following information carefully and keep it for future reference. It was written to provide you with an understandable explanation of the main features of the Plan. If you have any questions, please be sure to contact a Plan Representative for help.

Of course, this booklet cannot cover every situation as it specifically pertains to you. If you require a more detailed explanation, you can review the official Plan document. If there is any inconsistency between this booklet and the Plan document, the Plan document will govern. Written or verbal communications you may receive about the Plan from any persons—whether they are authorized representatives of the Alaska Railroad Corporation or the Tax Deferred Savings and Pension Committee (“Committee”) or not—cannot alter the written terms of the Plan.

The Plan’s Recordkeeper is Atéssa Benefits. Atéssa Benefits can be contacted by phone, in writing, or by visiting them online:

> Atéssa Benefits
> 169598 Bernardo Center Dr., Suite 221
> San Diego, CA 92128
> Telephone: 888-309-0041
> Fax: 858-753-6254
> www.myatessa.com

Plan Representatives referred to in this document are the staff members located in the Alaska Railroad Corporation (“ARRC” or “Railroad”) Human Resources Department, including the Retirement & LMS Coordinator and the Manager, ARRC Retirement Plans.

This booklet is for information purposes only as a summary of the Plan document. It is not an employment agreement and does not constitute a promise of future employment or unconditional benefits.

PLAN HIGHLIGHTS

You are **required** to participate in the Plan if: (1) you are working for the Railroad as a regular employee or as an eligible employee as specified in your applicable collective bargaining agreement; (2) you are not covered by the Civil Service Retirement System; and (3) you are not a special services employee.

Employees participating in the Plan are exempt from Social Security (FICA) taxes. While Social Security is not deducted from your pay, Medicare tax is withheld.

Plan costs are shared by you and the Railroad.

You have a right to receive a Retirement Benefit at retirement age if you are vested in the Plan. You become vested after five years of vesting service. A "Retirement Benefit" is either a Normal Retirement Benefit, an Early Retirement Benefit, an Early Unreduced Retirement Benefit (Tier 1 only), or a Deferred Retirement Benefit as explained on page 9. See page 5 for a definition of vesting service.

All ARW, TCU, and non-represented employees hired for the first time after June 30, 2015, participate in Tier 2 of the Plan. All UTU employees first hired after March 3, 2016, all IBT employees first hired after April 25, 2016, and all ATDA employees first hired after June 27, 2019, also participate in Tier 2 of the Plan.

Retirement age is dependent on whether you are in Tier 1 or Tier 2 as follows:

	TIER 1	**TIER 2**
Normal Retirement Age	62	65
Early Unreduced Retirement Age	58	N/A
Early Retirement Age	55	60

"Normal Retirement Date" is the first day of the month coinciding with or following the date you attain age 62 for Tier 1 or age 65 for Tier 2, and you have either completed five years of vesting service or reached the tenth anniversary of your employment commencement date, provided you are a Railroad employee on such date. You can retire later than the Normal Retirement Date if you prefer.

You may elect an "Early Retirement Date," which is the first day of any month on or after the date you attain age 55 for Tier 1 or age 60 for Tier 2 with five years of vesting service. Benefits will be reduced 0.5% for each month you retire before your Normal Retirement Date (see the table on page 9). If you are Tier 1, you may also elect an Early Unreduced Benefit starting at age 58.

Three forms of benefit payments are available: Single Life Annuity, and if you are Married, a 50% Joint and Survivor Annuity or a100% Joint and Survivor Annuity. All provide you with a monthly lifetime benefit. The differences are in the amount of benefits payable during your lifetime, and the amount of benefits that are payable after your death (if any).

If there is an increase in the cost-of-living pursuant to the U.S. Consumer Price Index, all monthly benefits for Tier 1 retirees are increased effective January 1 each year by the lesser of 50% of the increase in the U.S. Consumer Price Index for all Urban Consumers, or 6%.

A death benefit may be available to your surviving Spouse or beneficiary if you die before you retire. If you die after you retire, payments will be made to your surviving Spouse if you elected a Joint and Survivor Annuity payment. If the Retirement Benefit paid to you (when combined with those paid to your surviving Spouse under a Joint and Survivor Annuity form of payment, if applicable) are not at least actuarially equivalent to your contributions and accumulated interest determined as of when you started benefits, your beneficiary will receive a lump sum distribution of the excess contributions and accumulated interest.

Disability benefits are payable to you if you meet the Plan's definition of Disabled described on page 18.

Upon termination of employment, you may request a refund of your contributions plus interest and forfeit your right to all benefits under the Plan.

SUMMARY OF THE PLAN

WHO IS ELIGIBLE TO PARTICIPATE

You are eligible and required to participate in the Plan if you are working for the Railroad as a regular employee or as an eligible employee as specified in your collective bargaining agreement. A regular employee is a non-represented employee who is not in a special services status. You are not eligible to participate if you are covered by the Civil Service Retirement System, you are an independent contractor or a leased employee, or you are treated by the Railroad as an employee for federal payroll tax purposes solely because of services provided as a member of the Board of Directors of the Railroad ("Board") and whose only pay from the Railroad is pay for service on the Board.

The collective bargaining agreements that provide for Plan participation include:

- **ARW** – American Federation of Government Employees, Alaska Railroad Workers, Local 183

- **ATDA** – American Train Dispatchers Association

- **IBT** – Teamsters Union Local No. 959 of the International Brotherhood of Teamsters

- **TCU**[1] – Brotherhood Railway Carmen Division Transportation Communications International Union, Far North Lodge, Local 6067

- **UTU** – United Transportation Union, Local 1626.

All ARW, TCU, and non-represented employees hired for the first time after June 30, 2015, will participate in Tier 2 of the Plan. All UTU employees first hired after March 3, 2016, all IBT employees first hired after April 25, 2016, and all ATDA employees first hired after June 27, 2019, will participate in Tier 2 of the Plan.

If you are eligible, you will automatically be enrolled in the Plan and, at that time, you will need to designate a beneficiary to receive any death benefits payable from the Plan. (Beneficiary information can be found on page 14 of this booklet.)

When you participate in the Plan, no Social Security (FICA) tax will be withheld from your pay, but you will contribute to Medicare.

PLAN COSTS

The cost of the Plan is shared by you and the Railroad. Your contributions are an amount equal to 9.0% of your Earnings (see page 7 for a definition of Earnings) and are not subject to federal income taxes. Your contributions will earn interest each year until you begin to receive benefits.

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[1] The eligibility waiting period for the TCU employees hired before April 25, 2019, is 1,056 subject-to-retirement Hours of Service. No waiting period applies to the other groups or to TCU employees hired after that date.

The applicable interest rate depends on your participation in Tier 1 or Tier 2 as follows:

- Tier 1 – Contributions will earn 4.5% interest each year.
- Tier 2 – Contributions will earn interest based on the rate in effect on the most recent December 31 or June 30 (accordingly, the interest rate may change every six months) as follows:
    - Non-represented employees: The three-month U.S. Treasury Constant Maturity Yield.
    - Represented employees:
        - ARW, TCU, IBT, ATDA: The three-month U.S. Treasury Constant Maturity Yield.
        - UTU: The lesser of 4.5% per annum or the three-month U.S. Treasury Constant Maturity Yield.
    - Interest is credited monthly, and the applicable interest rate is based on union status on the first day of the month for which interest is being credited.

Contributions by the Railroad are made in accordance with established actuarial principles in order to meet the Plan's projected benefit obligations.

VESTING – YOUR RIGHT TO A BENEFIT

To be "vested" means you have a right to receive a pension at retirement age. If you are not vested, you are not entitled to a Retirement Benefit, although you are entitled to a refund of your own contributions plus interest when you terminate employment.

You become vested in Retirement Benefits payable at retirement age after five years of vesting service. You earn "vesting service" beginning with the date you are employed by the Railroad, provided that if you are covered, or were covered, by a collective bargaining agreement that includes an eligibility waiting period, that period will not count for vesting purposes. You receive credit regardless of the number of hours you work, and non-successive periods are aggregated. You receive credit for periods of absence (such as a leave of absence or temporary termination) if you return to service within one year, except if your benefits are governed by a collective bargaining agreement, periods of layoff, periods of temporary termination during an eligibility waiting period, and periods of temporary termination during 1985 and 1986 are not included. Periods during which you are in qualified military service are included in vesting service if you return to employment within the time specified by law to qualify for re-employment rights. Except as otherwise specified herein, all periods of service before and after a termination of employment are aggregated for the purposes of calculating vesting service. Service prior to January 6, 1985, does not count in any event.

WHEN YOU CAN RECEIVE BENEFITS

If you leave the Railroad and are vested but are not yet eligible to commence receiving a Retirement Benefit, you can leave your contributions in the Plan where they will continue to accrue interest. Contact Atéssa Benefits at 888-309-0041 or a Plan Representative to initiate your request for Retirement Benefits when you reach retirement age.

Retirement age is dependent upon whether you participate in Tier 1 or Tier 2 of the Plan as outlined in the following chart:

	TIER 1	**TIER 2**
Normal Retirement Age	62	65
Early Unreduced Retirement Age	58	N/A
Early Retirement Age	55	60

You may elect early retirement if you have at least five years of vesting service and have met the applicable age requirements. You can begin receiving benefits at your Normal Retirement Age provided you have either: (1) completed five years of vesting service, or (2) reached the tenth anniversary of your employment commencement date provided you are a Railroad employee on that anniversary date.

However, if you retire early, your benefit will be reduced unless you qualify for the unreduced Early Retirement Benefit for Tier 1 participants. The Early Retirement Benefit is reduced to reflect the fact that you will be receiving a Retirement Benefit for a longer period of time. The early retirement reduction is effective for the lifetime of the benefit. (Refer to "Calculating Your Benefits" on page 8 for additional information.)

If you are working for the Railroad, you can defer retirement and continue working past Normal Retirement Age while continuing to accrue Retirement Benefits ("Deferred Retirement Benefit"). However, vested participants in Tier 1 who have terminated ARRC employment and have reached age 58 will not receive a larger monthly benefit by waiting until they are older to retire.

If you leave the Railroad, you can withdraw all of your contributions plus the interest credited on your contributions. However, if you withdraw your contributions, you will **not** be entitled to a monthly Retirement Benefit. If you are considering this option, contact Atéssa Benefits or a Plan Representative for more details.

Federal tax law requires that you begin receiving your Retirement Benefits by April 1 following the year you reach the statutorily required minimum distribution age (73 if you reach age 72 after December 31, 2022) unless you are still working for the Railroad.

Refer to "How to Request Retirement Benefits" on page 22 for information on applying for benefits.

UNDERSTANDING YOUR RETIREMENT BENEFIT

The Plan is a defined benefit pension plan—a plan designed to pay you a benefit that is "defined" by a formula. The formula does not take into consideration how much money you have contributed to the Plan; instead, the Plan pays a benefit that is a percentage of your Final Average Earnings based on your years of Credited Service. This type of plan is unlike the 401(k) Plans in that the benefit is not dependent upon investment results or savings over a period of years. A defined benefit pension plan offers you a more predictable Retirement Benefit than a 401(k) or other defined contribution plan.

- **Credited Service** is used to calculate your Retirement Benefit. You earn Credited Service for each pay period (14 days) of your employment with the Railroad during which you make contributions to the Plan.

  Your Credited Service will also include unused sick leave you have accumulated at termination at the rate of one month of Credited Service for every 176 hours of accumulated sick leave.

- **Earnings**, as defined by the Plan document, are the wages you earn for straight time hours worked, up to 80 hours per pay period (base pay for non-represented employees), up to a total of 2,080 hours per year (2,160 in a 27-payday year), including wages paid in lieu of straight time for:

  - Administrative Leave
  - Annual Leave
  - Court Leave
  - Holidays
  - Military Leave
  - Reimbursed Union Leave
  - Shift Differential
  - Sick Leave
  - Travel Time
  - Union guarantee pay in lieu of time worked
  - Union Negotiation Leave

Your Earnings include your contributions to the Plan, your salary reduction contributions to any other ARRC benefit plan, and differential wage payments for certain uniformed service. Earnings do not include employer contributions to the Plan or other ARRC benefit plans, cost-of-living allowances, cash out of accumulated sick leave or annual leave, or severance or release pay. An hour of overtime pay is counted as one hour of straight time pay for purposes of applying the 80-hour-per-pay-period cap.

- **Final Average Earnings** are your highest average Earnings determined by adding together your Earnings during any three consecutive calendar year periods during which you were a participant, dividing by 3, then multiplying by 1/12. If you have not worked three consecutive years, the computation will be based on the most recent three calendar years of employment whether or not they are consecutive, or your total period of Credited Service if less than three years.

- **Form of Payment** available under the Plan for monthly payments are a Single Life Annuity, and if you are Married, a 50% Joint and Survivor Annuity or a 100% Joint and Survivor Annuity. The examples in the next section show the benefit you will receive in the Single Life Annuity form of payment at Normal Retirement Age and early retirement. The forms of payment available are described in more detail in the section “Choosing a Form of Monthly Retirement Benefit Payment.” The form you choose will affect the amount of your monthly payment. You cannot change the form of payment once payment begins.

- **Limitations on Benefits** under federal tax law impact how much you can receive from the Plan. If these limits apply to you, you will be notified. You may refer to the Plan document for more information.

CALCULATING YOUR BENEFITS

Normal Retirement Benefit – Tier 1

The formula for calculating your Normal Retirement Benefit is:

2% x Final Average Earnings x all Credited Service,

PLUS

.5% x Final Average Earnings x Credited Service that is earned starting January 1, 2006 and after completing 10 years of Credited Service.

Example of a Tier 1 Retirement Benefit

Adam retires at age 62 on February 1, 2024. He has 22 years of Credited Service, including unused sick leave at his date of termination expressed as Credited Service. Adam started working January 1, 2002, and has 4 years of Credited Service prior to January 1, 2006, and 18 years of Credited Service after that.

His Earnings in 2021, 2022, and 2023 were $70,000, $73,000, and $77,000, respectively. By adding these three Earnings figures, dividing by 3, and multiplying by 1/12, we have Adam’s Final Average Earnings of $6,111.11. These three years produce his highest Final Average Earnings.

Here is how the benefit formula works for Adam’s benefit calculation:

2% x $6,111.11 x 22 years of Credited Service	=	$2,688.89
+ .5% x $6,111.11 x 12 years of Credited Service	=	$336.67
Adam’s monthly benefit	=	$3,055.56
Adam’s annual benefit	=	$3,055.56 x 12 = **$36,666.72**

Normal Retirement Benefit – Tier 2

The formula for calculating your Normal Retirement Benefit is:

2% x Final Average Earnings x all Credited Service

Example of a Tier 2 Normal Retirement Benefit

Aaron retires at age 65 on July 1, 2030. He started working July 1, 2015, and he has 15 years of Credited Service, including unused sick leave at his date of termination expressed as Credited Service.

His Earnings in 2027, 2028, and 2029 were $60,000, $65,000, and 70,000, respectively. By adding these three Earnings figures, dividing by 3, and multiplying by 1/12, we have Aaron's Final Average Earnings of $5,416.67. These three years produce his highest Final Average Earnings.

Here is how the benefit formula works for Aaron's benefit calculation:

2% x $5,416.67 x 15 years of Credited Service	=	$1,625.00
Aaron's monthly benefit	=	$1,625.00
Aaron's annual benefit	=	$1,625.00 x 12 = $19,500

Early Retirement Benefit

If you have at least five years of vesting service and meet the applicable retirement age, you may decide to retire early and start monthly payments ("Early Retirement Benefit"). Your Early Retirement Benefit will be calculated in the same way as a Normal Retirement Benefit, but it will be reduced for early commencement unless you qualify for an unreduced Early Retirement Benefit as a Tier 1 participant. The reduction depends on whether you are in Tier 1 or Tier 2, and how old you are when you elect to commence your Early Retirement Benefit as shown in the following table:

Table 1 – Early Retirement

YEARS PRIOR TO NORMAL RETIREMENT DATE	EARLY RETIREMENT PERCENTAGE	
	TIER 1 PARTICIPANT	TIER 2 PARTICIPANT
0	100%	100%
1	100%	94%
2	100%	88%
3	100%	82%
4	100%	76%
5	94%	70%
6	88%	N/A
7	82%	N/A

Early Retirement Benefit – Tier 1

If you commence your Early Retirement Benefit between your 55th birthday and your 58th birthday, the reduction will be .5% for each full or partial month by which your Early Retirement Date precedes your 58th birthday.

Using Table 1, you can see that if payments begin at age 58 or later, you will receive 100% of your Normal Retirement Benefit. At age 57, you would receive 94%. At age 57½ you would receive 97%.

For example, Adam, the employee we used in the Tier 1 Normal Retirement Benefit example, instead decided to retire early at age 55 in 2017. Since he retired earlier, his Final Average Earnings were lower. Assuming Adam's Final Average Earnings were $4,583.33 per month and his Credited Service was only 15 years, his monthly Early Retirement Benefit is calculated as follows:

2% x $4,583.33 x 15 years of Credited Service = 1,375.00
\+ .5% x $4,583.33 x 5 years of Credited Service = $114.58

Adam's monthly benefit = $1,489.58

His monthly Normal Retirement Benefit must then be multiplied by 82% to arrive at his monthly Early Retirement Benefit:

$1,489.58 x 82% = $1,221.46

Adam's annual Early Retirement Benefit is $1,221.46 x 12 = **$14,657.52**

Early Retirement Benefit – Tier 2

If you commence your Early Retirement Benefit between your 60th birthday and your 65th birthday, the reduction will be 0.5% for each full or partial month by which your Early Retirement Date precedes your 65th birthday.

For example, Aaron, the employee we used in the Tier 2 Normal Retirement Benefit sample, instead decides to retire early at age 60 in 2025. Since he retired earlier, his Final Average Earnings were lower.

Assuming Aaron's Final Average Earnings were $3,944.44 per month and his Credited Service was only 10 years, his monthly Early Retirement Benefit is calculated as follows:

2% x $3,944 x 10 Years = $788.89

His monthly Normal Retirement Benefit must then be multiplied by 70% to arrive at his monthly Early Retirement Benefit:

$788.89 x 70% = $552.22

Aaron's annual Early Retirement Benefit is $552.22 x 12 = $6,626.64

Your Deferred Retirement Benefit if You Work Beyond Normal Retirement Age

If you do not retire at Normal Retirement Age, you will continue to receive credit for your service and compensation while you work for the Railroad. Your benefit will increase until you actually retire.

If You Are Vested and Terminate Employment Before Early Retirement Age

If you terminate employment with the Railroad before reaching early retirement age and are vested, you are eligible to receive an annuity benefit when you reach retirement age. Benefits can begin the first day of any month on or after the date you attain early retirement age.

For Tier 1 Participants, if your benefits commence when you are age 58 or older, your benefit will not be reduced for early commencement. (Refer to "How to Request Retirement Benefits" and Atéssa Benefits' contact information on page 22.)

Coordination with Social Security Benefits

If you are eligible for Social Security retirement or disability benefits based on work other than at the Railroad, and you are receiving a Retirement Benefit from this Plan, your Social Security benefit may be reduced. That is because the Plan is a "governmental" pension plan, and Social Security is not withheld during your participation in the Plan. There are two provisions in Social Security under which benefits might be reduced:

- **Windfall Elimination Provision:** When you receive a pension from work where Social Security taxes are not withheld, a modified formula is used to calculate your benefit amount resulting in a lower Social Security benefit. There are exceptions to this provision.

- **Government Pension Offset:** Applies if you receive a government pension and are eligible for Social Security benefits as a Spouse or widow(er). Your Social Security benefit may be reduced by two-thirds of the amount of your government pension. However, there are several exceptions to the rule.

For more information, contact the Social Security Administration at 800-772-1213 or visit its website at www.ssa.gov.

COST-OF-LIVING INCREASES (TIER 1 ONLY)

Once Tier 1 Participants commence monthly benefits from the Plan, if there has been a cost-of-living increase, the monthly benefit amount will be increased effective January 1. The increase will be 50% of the change in the average U.S. Consumer Price Index for all Urban Consumers from the second prior Plan year to the prior Plan year, with a maximum 6% benefit increase for any one year. This cost-of-living adjustment applies to all Tier 1 Retirement Benefits, as well as any death, disability, and related QDRO benefits that are then being paid.

CHOOSING A FORM OF MONTHLY BENEFIT PAYMENT

The form of monthly Retirement Benefit payment available to you depends on if you are Married when your benefits commence. You are considered "Married" and have a "Spouse" when you are lawfully married under state law.

The Plan offers three forms of monthly Retirement Benefit payments:

- **Single Life Annuity** – This is the only form of payment available if you are not Married. It is also an optional form of payment if you are Married and requires the notarized consent of your Spouse.

- **50% Joint and Survivor Annuity** – Your Spouse is the joint annuitant for this form of payment. It is the automatic (default) form of payment if you are Married and does not require spousal consent.

- **100% Joint and Survivor Annuity** – Your Spouse is the joint annuitant for this form of payment. It is an optional form of payment if you are Married and does not require spousal consent.

If you are Married and you elect a Single Life Annuity, your Spouse must consent to your election in the presence of a notary public or Plan Representative. If you are Married and do not provide an election to the contrary, your benefit will be computed and paid as a 50% Joint and Survivor Annuity with your Spouse as your joint annuitant. Contact Atéssa Benefits for more details.

Forms of Payment

If you do not elect a refund of contributions, you will receive benefits in the form of an annuity. Annuity benefits are monthly Retirement Benefit payments for the retiree's lifetime, and if applicable, to the retiree's surviving Spouse. The varying characteristics of each form of payment are described as follows:

- **Single Life Annuity.** The Single Life Annuity provides monthly payments equal to your Normal, Early, or Deferred Retirement Benefit as described in the "Calculating Your Benefits" section. This is the only form of payment available if you are not Married. With this form of payment, you receive monthly payments for life. If you die after retiring but before receiving the full value of your contributions plus interest (determined as of the date you began to receive benefits), less the actuarial equivalent of any Retirement Benefit paid prior to death, the balance will be paid to your beneficiary in a single lump-sum payment. This option provides a higher monthly income than the Joint and Survivor Annuity options because it does not pay benefits over the lives of two people.

- **50% Joint and Survivor Annuity.** With this form of payment, your monthly benefit equals 90% of the amount you would receive as a Single Life Annuity. After your death, if you are survived by your Spouse to whom you were Married at the time you retired, your surviving Spouse will receive monthly payments for life equal to 50% of the amount you were receiving as long as they live. If your Spouse dies before you die, you will continue to receive the same reduced monthly payments during your lifetime, and no annuity benefits will be payable after your death. If both you and your Spouse die before receiving the full value of your contributions plus interest (determined as of the date you began to receive benefits), less the actuarial equivalent of any Retirement Benefit paid prior to death, the balance will be paid to your beneficiary in a single lump-sum payment.

- **100% Joint and Survivor Annuity.** With this form of payment, your monthly benefit equals 80% of the amount you would receive as a Single Life Annuity. After your death, if you are survived by your Spouse to whom you were Married at the time you retired, your surviving Spouse will receive monthly payments for life equal to 100% of the amount you were receiving as long as they live. If your Spouse dies before you die, you will continue to receive the same reduced monthly payments during your lifetime, and no annuity benefits will be payable after your death. If both you and your Spouse die before receiving the full value of your contributions plus interest (determined as of the date you began to receive benefits), less the actuarial equivalent of any Retirement Benefit paid prior to death, the balance will be paid to your beneficiary in a single lump-sum payment.

Table 2 – An Example of Payment Forms

Joanna, who is Married, retires at Normal Retirement Age with a Normal Retirement Benefit of $1,000. Depending on the form of payment she selects, here is how her benefit will be paid:

IF JOANNA SELECTS A:	SHE WILL RECEIVE MONTHLY PAYMENTS OF:	AND AFTER HER DEATH, MONTHLY PAYMENTS OF:
Single Life Annuity (with written consent of her Spouse)	$1,000	$0 will be paid to her surviving Spouse
50% Joint and Survivor Annuity (with no consent required)	$900	$450 will be paid to her surviving Spouse for life
100% Joint and Survivor Annuity (with no consent required)	$800	$800 will be paid to her surviving Spouse for life

Regardless of which option Joanna chooses, if the full value of her contributions plus interest determined as of the date Joanna began to receive benefits is not paid out in monthly benefits to either her or her surviving Spouse, the balance less the actuarial equivalent of any Retirement Benefit paid prior to death will be paid in a one-time lump sum payment to her beneficiary.

More Information About Your Benefit Options

- Coordination and timing are extremely important when initiating your retirement and ensuring you receive a payment within two to three months of your termination. Please refer to the “How to Request Retirement Benefits” section.

- After your payments begin, you may not change your form of payment or your joint annuitant.

- Be sure to keep your address current with Atéssa Benefits even after you terminate employment so you can be contacted with retirement information.

YOUR BENEFICIARY

Any benefits payable upon your death will be paid to your primary beneficiary or, if that person is deceased, to your contingent beneficiary. References to “beneficiary” in this summary includes beneficiaries, if more than one beneficiary is designated. Beneficiary designation forms can be requested from Atéssa Benefits or downloaded online at www.myatessa.com. You can also obtain a form from a Plan Representative. Original, complete beneficiary designation forms must be mailed to Atéssa Benefits or hand-delivered to a Plan Representative to be valid.

If you are not Married, your primary beneficiary can be anyone you wish. If you are Married, your Spouse is automatically your sole primary beneficiary. Contact Atéssa Benefits or a Plan Representative for details.

If you die without naming a beneficiary or your named beneficiary does not survive you, any lump-sum payment will be paid to the following in the order named:

1) Your Spouse.

2) Your estate.

Your Spouse cannot change your beneficiary designation after your death.

QUALIFIED DOMESTIC RELATIONS ORDER (“QDRO”)

Notwithstanding any Plan provisions to the contrary, benefits under the Plan may be paid to someone other than the participant or beneficiary pursuant to a QDRO issued in accordance with the Plan and Internal Revenue Service (“IRS”) regulations. A “domestic relations order” is a decree or order (including approval of a property settlement agreement) that provides child support, alimony payments, or marital property rights to a Spouse, former Spouse, child, or other dependent of the participant. A domestic relations order must meet the requirements of the Plan to be a QDRO. For a free copy of the Plan’s written procedures on QDROs, contact a Plan Representative.

RE-EMPLOYMENT AFTER RETIREMENT

If you retire and later return to work for the Railroad, you may accrue additional benefits during re-employment while continuing to receive Retirement Benefits.

When you retire again, your benefit will be recalculated based on your total Credited Service and Earnings (including Credited Service and Earnings prior to and following re-employment), and then it will be reduced by the actuarial value of the benefits previously paid. The benefit paid upon your initial retirement will continue to be paid in the same form of payment, and the additional benefit earned during re-employment (if any) will be paid in the form of payment you elect following your subsequent termination. If the calculation results in no additional benefit earned during re-employment, then there will not be an option to request a refund of contributions upon subsequent termination.

IN CASE OF DEATH

If You Die <u>After</u> Retiring

- **And your benefits prior to your death were being paid in the form of a Joint and Survivor Annuity,** death benefits will be paid to your surviving Spouse designated at the time your benefits commenced, if they survive you, based on the form of benefit payment you selected. If both you and your surviving Spouse die before the total of the benefits paid is actuarially equivalent to the amount of your contributions plus interest (determined as of the date you started benefits), the difference will be paid to your beneficiary in a single lump-sum payment.

- **And your benefits prior to your death were being paid in the form of a Single Life Annuity, no death benefits will be paid.** However, if you die before the total of the benefits paid is actuarially equivalent to the amount of your contributions plus interest (determined as of the date you started benefits), the difference will be paid to your beneficiary in a single lump-sum payment.

If die before retiring, the benefit payable at death is dependent upon your vested status and your participation in Tier 1 or Tier 2 as follows:

If You Die <u>Before</u> Retiring – Tier 1

- **And you are not vested**, your beneficiary will receive a refund of your contributions plus interest in a single lump-sum payment. If you are Married, your Spouse will be your sole beneficiary absent written consent to another beneficiary.

- **And you are vested:**

  - *<u>If you are not Married</u>*, your beneficiary will receive a refund of your contributions plus interest in a single lump-sum payment.

  - *<u>If you are Married</u>*, a death benefit is payable to your surviving Spouse. The amount, explained below, depends on whether you are still employed with ARRC at the time of your death.

– *<u>If you are still employed with ARRC or receiving a disability benefit</u>*, your surviving Spouse will receive a lifetime monthly benefit. Prior to your Normal Retirement Date, your surviving Spouse will receive a monthly benefit equal to 40% of the greater of:

1) Your Final Average Earnings, or

2) Your Earnings during the last calendar year preceding the year in which you die, multiplied by 1/12.

At or after your Normal Retirement Date, your surviving Spouse will receive the amount you would have received if you had retired on your Normal Retirement Date (or your date of death, if later) with a 100% Joint and Survivor Annuity, with cost-of-living increases from the date of death until the date death benefits commence. Benefits will begin effective the first of the month coinciding with or following your Normal Retirement Date (or your date of death, if later).

Here is an example:

Jake, who is Married, died at age 47 in 2023 while employed by the Railroad. He had 22.7176 years of Credited Service, including unused sick leave at his date of death, expressed as Credited Service. His Earnings in 2021, 2022, and 2023 were $91,345.43, $94,913.29, and $99,144.15, respectively (and these were his highest three years of Earnings), so his Final Average Earnings are $7,927.86. Jake's Earnings during the last calendar year preceding the year in which he died are less than his Final Average Earnings, so his surviving Spouse's benefit will be based upon the higher figure. Jake's surviving Spouse will, therefore, receive $3,171.14 per month, calculated as follows:

40% x $47,927.86 = $3,171.14

When Jake would have turned age 62, the benefits payable to Jake's surviving Spouse will be $3,284.92 per month for life (adjusted with any cost-of-living increases that would have been credited during the period between his date of death and the date he would have attained age 62), calculated as follows:

2% x Final Average Earnings x Credited Service

PLUS

.5% x Final Average Earnings x Credited Service earned starting January 1, 2006 and after completing 10 years of Credited Service

TIMES

100% Joint and Survivor Annuity Factor of 80%

2% x $7,927.86 x 22.7176 Years = $3,602.04
+ .5% x $7,927.86 x 12.7176 Years = $504.12

$4,106.15

$4,106.15 x 80% = **$3,284.92**

Monthly benefits payable under this provision are also adjusted for cost-of-living increases each January 1, calculated as described on page 11.

- *If you are no longer employed with ARRC and are not receiving a disability benefit*, a death benefit is still payable to your surviving Spouse. Your surviving Spouse will receive a lifetime monthly benefit equal to the amount you would have received if you had survived and commenced receiving a 100% Joint and Survivor Annuity on the earliest Early Retirement Date following your date of death. Thus, monthly benefits are available from the first of the month following the later of your date of death or your 55^{th} birthday, subject to an actuarial reduction for early retirement unless you qualified for an unreduced Early Retirement Benefit at the time of your death. However, your surviving Spouse can elect monthly payments to start any time after that date up to your Normal Retirement Date.

If You Die Before Retiring – Tier 2

- **And you are not vested**, your beneficiary will receive a refund of your contributions plus interest in a single lump-sum payment. If you are Married, your Spouse will be your sole beneficiary absent written consent to another beneficiary.

- **And you are vested:**

  - *If you are not Married*, your beneficiary will receive a refund of your contributions plus interest in a single lump-sum payment.

  - *If you are Married*, a death benefit is payable to your surviving Spouse. The amount, explained below, depends on whether you are still employed with ARRC at the time of your death.

  - *If you are still employed with ARRC or receiving a disability benefit*, your surviving Spouse will receive a lifetime monthly benefit equal to the amount you would have received if you had survived and commenced receiving a 100% Joint and Survivor Annuity on your Normal Retirement Date. This benefit is payable from the first of the month following your death through the first of the month preceding your surviving Spouse's death.

    In lieu of monthly death benefits, your surviving Spouse may elect to receive a death benefit equal to the amount of your contributions plus interest in a single lump-sum payment as soon as administratively feasible after your death.

Please see "Normal Retirement Benefit – Tier 2" on page 9 for an example calculation.

– *<u>If you are no longer employed with ARRC and are not receiving a disability benefit</u>*, a death benefit is still payable to your surviving Spouse. Your surviving Spouse will receive a lifetime monthly benefit equal to the amount you would have received if you had survived and commenced receiving a 100% Joint and Survivor Annuity on your earliest Early Retirement Date following your date of death. Thus, benefits are available from the first of the month following the later of your date of your death or your 60th birthday, subject to an actuarial reduction for early retirement. However, your surviving Spouse can elect monthly payments to start any time after that date up to your Normal Retirement Date, when benefits will be unreduced for early retirement.

  In lieu of monthly death benefits, your surviving Spouse may elect to receive a death benefit equal to the amount of your contributions plus interest paid in a single lump-sum payment as soon as administratively feasible after your death.

IN CASE OF DISABILITY

If you are employed with ARRC and become disabled, you may be eligible for disability benefits. "Disabled" means you have not reached your Normal Retirement Date, and the Plan Administrator or its delegate have determined that you have a physical or mental condition:

1) that has existed for at least six months and become fixed;

2) that renders you unable to work in your most recent position with the Railroad;

3) that will be permanent and continuous during the remainder of your lifetime; and

4) that did not result from engaging in felonious activity.

Disability benefits are limited so that your expected total annual income while Disabled, taking into account Other Income, does not exceed 80% of your Earnings in the calendar year preceding the year you become Disabled, adjusted for cost of living. You will be responsible for notifying a Plan Representative if you go back to work or have income that would offset your disability benefit, and you will be required to provide your annual income tax filings to demonstrate your Other Income (or lack thereof). In addition, if you receive Other Income that causes your disability benefit that you received in any Plan Year to exceed the Plan's income limitation, the Plan will recover any overpayment by direct repayment from you or as a reduction of your future disability benefits.

"Other Income" includes the following:

- Income from any employer or from any occupation for compensation or profit;

- 50% of any award provided under the Jones Act of the Maritime Doctrine of Maintenance, Wages, and Cure;

- Retirement benefits from any source;

- Unemployment compensation;
- Disability or workers' compensation benefits;
- Social Security benefits;
- Benefits from a group insurance or pension plan; and
- No-fault wage replacement benefits.

Other Income also includes those benefits that are payable to you or to your Spouse, children, or dependents, due to your disability or retirement. Income earned in approved rehabilitation programs shall not be treated as Other Income. Lump-sum payments or settlements shall be converted to actuarially equivalent monthly payments for the purpose of calculating the Other Income offset.

Disability Benefits – Tier 1

If you are vested and are determined to be Disabled before retiring or terminating employment, you will receive a monthly disability benefit equal to 40% of the greater of:

1) Your Final Average Earnings; or

2) Your Earnings during the calendar year preceding the year in which you became Disabled, divided by 12;

reduced by any other long-term disability benefits provided by ARRC.

Monthly payments will begin on the first of the month coinciding with or following the date you are determined Disabled and continue until the earliest of (i) the date you are no longer Disabled, (ii) your Normal Retirement Date, or (iii) the date you die.

At your Normal Retirement Date, disability benefits will cease, and you will receive Normal Retirement Benefits calculated under the Plan formula based on your Credited Service and Earnings at the time you terminated employment. Neither Credited Service nor Earnings accrue after you terminate employment, even if you are receiving a disability benefit.

If you are Disabled and die before age 62, your surviving Spouse will be entitled to the death benefits described in the section "In Case of Death" as if you were still employed on your date of death.

If you are vested and become disabled after terminating employment with ARRC, you are not considered Disabled under the terms of the Plan, and no disability benefits would be payable from the Plan. However, you would be eligible to receive your accrued Retirement Benefit when you reach retirement age.

If you become disabled before you are vested and you terminate employment, you are only eligible to receive a refund of your contributions plus interest in a single lump-sum payment.

Disability Benefits – Tier 2

If you are vested and are determined to be Disabled before retiring or terminating employment, you will receive a monthly disability benefit equal to 2% times your Final Average Earnings times Credited Service and reduced by Other Income.

Monthly payments may begin on the first day of any month coinciding with or following the date you are determined Disabled and ending on the earliest of (i) the date you are no longer Disabled, (ii) your Normal Retirement Date, or (iii) the date you die.

At your Normal Retirement Date, disability benefits will cease, and you will receive Normal Retirement Benefits calculated under the Plan formula based on your Credited Service and Earnings at the time you terminated employment. Neither Credited Service nor Earnings accrue after you terminate employment, even if you are receiving a disability benefit.

LEAVING THE RAILROAD BEFORE RETIREMENT

If you leave the Railroad before retirement age and the amount of your contributions plus interest exceeds $1,000, you will continue to earn interest on your contributions **until you request a distribution**. Your eligibility for a monthly benefit will depend on whether or not you are vested at the time of termination.

You may decide to leave your contributions in the Plan.

- If you are vested but are not yet eligible to commence benefits, you can leave your contributions in the Plan and submit a request for Retirement Benefits to begin when you reach your Early Retirement Date or any time thereafter. However, your Deferred Retirement Date shall not be later than April 1 following the date you attain the statutorily required minimum distribution age (73 if you reach age 72 after December 31, 2022). You must leave your contributions in the Plan to be eligible for a monthly Retirement Benefit.

- Should you be rehired as an eligible employee, you would resume participation and start making contributions when you become eligible to participate.

- If you leave and are rehired, and you left your contributions in the Plan, your Credited Service and future Retirement Benefit prior to the break will be restored.

You may decide to withdraw your contributions from the Plan.

- You may withdraw all of your contributions plus interest at any time after you terminate employment with the Railroad. If you elect a refund of your contributions, you forfeit your future Retirement Benefit and your Credited Service. You will receive only your own contributions, plus interest, payable in a single lump sum.

- If you withdraw your contributions and are rehired, your Credited Service and future Retirement Benefit will be restored *only* if you repay your prior contribution withdrawal, including interest, within five years of re-employment. See “Re-employment” below for details. You will not lose your vesting service accrued prior to your termination.

- If the amount of your contributions plus interest is $1,000 or less, you are required to withdraw your contributions plus interest in a single lump sum.

- Federal tax law requires that you begin receiving your Retirement Benefits, or a distribution of your contributions and interest if you are not vested, by April 1 following the year you reach the statutorily required minimum distribution age (73 if you reach age 72 after December 31, 2022), unless you are still working for the Railroad.

To withdraw your contributions, contact Atéssa Benefits at least 30 days before you wish to receive the distribution. Contact information for Atéssa Benefits can be found on page 22 of this booklet. Such payment will be in place of any future Plan benefits and results in a forfeiture of all Credited Service.

If you are Married and the amount of your contributions plus interest is over $1,000, the written consent of your Spouse is required to elect a refund and receive a distribution. The consent must be given in the presence of a notary public or Plan Representative. Since your Retirement Benefits are very valuable, be sure to consult with a tax or financial professional and contact Atéssa Benefits to make sure you understand your options and the financial consequences.

RE-EMPLOYMENT

When you are re-employed, you automatically become a participant in the Plan if you are eligible (see "Who Is Eligible to Participate").

- If you are rehired and you did not withdraw your contributions, your Retirement Benefit will take into account all Credited Service and Earnings both before and after your re-employment.

- If you are rehired and you did withdraw your contributions, your vesting service will be reinstated. Your Credited Service and future Retirement Benefit can be reinstated, and Earnings prior to your rehire will be considered for the purpose of determining Final Average Earnings, if you repay your prior contribution withdrawal with interest within five years of re-employment or prior to retirement, whichever occurs first. The interest rate for this purpose is the interest rate used for funding the Plan that is stated in the most recent actuarial report for the Plan issued prior to the date of rehire (currently 7.25%). You may make the repayment directly in a lump sum with after-tax dollars, or you may elect to make a direct transfer from an eligible deferred compensation plan under Internal Revenue Code ("Code") Section 457(b) or a tax-deferred annuity under Code Section 403(b), or through a rollover from a 401(k) plan or an Individual Retirement Account ("IRA") on a pre-tax basis (Roth amounts are not accepted). Payroll deduction of pre-tax payments is an available option but requires that you make an irrevocable election to repay the prior distribution plus interest over a fixed period of up to five years ending before retirement. You may also make a series of after-tax payments (although not through payroll deduction). Contact a Plan Representative for details.

  If you terminate employment or die before repaying the full amount, or otherwise fail to repay the full amount due, you will receive prorated Credited Service. (Keep in mind that you must be vested in order to receive a monthly Retirement Benefit.) If you terminate employment, you have 60 days from the date of termination to make payment in full and be credited with the full amount of service. Any payments made after termination will be in after-tax dollars.

ABSENCE WITHOUT PAY

As discussed in the section "Vesting – Your Right to a Benefit," it is possible to earn vesting service for periods of unpaid absence, including periods not in service due to a leave of absence or temporary termination if you return to work within one year, and periods of military service. You will not earn Credited Service while you are on an unpaid absence.

However, when you return from an unpaid military leave or temporary termination due to military service, you are eligible to purchase Credited Service for the period of military service, if you are timely re-employed (per Section 4312(e) of the Uniformed Services Employment and Reemployment Rights Act). Contact a Plan Representative for details.

TAXATION OF YOUR PAYMENT

Because you have not paid taxes on either your own contributions or those the Railroad has made, you may be taxed when you receive monthly Retirement Benefits.

If you elect to take a refund of your own contributions plus interest after you leave the Railroad, any portion of the distribution that is not rolled over will be considered taxable earnings. The "Special Tax Notice Regarding Plan Payments" enclosed with this booklet summarizes the federal tax rules that may apply to your refund payment from this Plan. When you become eligible to receive a payment from the Plan, you should review the Notice carefully.

Tax laws can be complex and are subject to change. You may wish to consult with a professional tax advisor prior to making a decision on how to have benefits paid to you from the Plan.

HOW TO REQUEST RETIREMENT BENEFITS

To receive your benefits from the Plan, contact Atéssa Benefits by phone or in writing:

Atéssa Benefits
16959 Bernardo Center Dr., Suite 221
San Diego, CA 92128
Telephone: 888-309-0041
Fax: 858-753-6254
www.myatessa.com

When you contact Atéssa Benefits, they will email and/or mail you a retirement packet that will include a projection estimating your monthly benefit and the different payment options available to you under the Plan.

You may also contact a Plan Representative to request to receive benefits from the Plan.

Once you have reviewed your retirement packet and available payment options, made a decision, and completed the forms, if spousal consent is required, you and your Spouse must have your signatures notarized by a notary public or a Plan Representative. Return your completed retirement packet originals by mail, along with the required original or certified documentation (e.g., birth certificate, marriage certificate, divorce decree) to Atéssa Benefits. Original documents you submit will be returned to you. You may also request the notary public or Plan Representative to make a copy of your original documents and certify the copies; those certified documents can be mailed in with your completed forms.

TIMING: You must give Atéssa Benefits at least a 30-day notice of your intent to retire and your desired prospective retirement date so all administrative details can be accomplished.

Your retirement packet expires 180 days from the date it was printed. If you do not return your retirement packet within the required timeframe, you will need to request a new packet.

If your application forms are received timely, your pension payment will be issued on the 25th day of the month following your benefit commencement date or, if later, as soon as administratively possible. In some cases, additional time or additional information may be required to process your request. If there is a delay in the receipt of your first payment, you will be paid retroactively to your retirement date.

If you are retiring from active service, the benefit amounts contained in the retirement packet are estimates and will be finalized based on your final Earnings and Credited Service. Atéssa Benefits will mail correspondence advising you of your final benefit payment amount. This can take up to 90 days.

IF YOUR CLAIM FOR BENEFITS IS DENIED

A claim is considered filed when a written request is submitted to the ARRC Human Resources Department or Atéssa Benefits. If the Plan's Claims Administrator denies your claim for benefits, you will be notified in writing or electronically within a reasonable period of time after the claim is filed.

Any notice of denial of your claim for benefits will include the specific reasons for denial, references to the relevant Plan provisions on which the denial was based, an explanation of the appeal process, a description of any additional material or information necessary to perfect the claim, and an explanation of its necessity.

Within 60 days after receiving a denial, you or your authorized representative may appeal the decision in writing to the Committee. If you do not appeal within that 60-day period, you lose your right to appeal.

You or your authorized representative shall be provided, and may review free of charge, documents, records, and other information relevant to your claim for benefits. You may submit additional information related to the claim. The Committee will consider all information submitted, without regard to whether the information was previously submitted or considered in the initial benefit determination.

The Committee will decide the appeal within a reasonable time. A special hearing may be scheduled to consider your appeal. A copy of the final decision will be sent to you explaining the specific reasons for the decision and the specific Plan provisions on which it is based.

PROTECTION OF BENEFITS

It is important you understand that, although you may be fully vested in your Retirement Benefit, it is not available to you before termination or retirement (if later). Benefits under this Plan cannot be assigned, sold, transferred, or encumbered, and are not subject to debts. They cannot be subject to attachment, garnishment, or any other legal process. However, enforcement of a domestic relations order that qualifies as a QDRO is allowed.

Your benefits are not insured by the Pension Benefit Guaranty Corporation ("PBGC"), a federal agency, because this Plan is a governmental plan. The PBGC does not insure the benefits of governmental plans. Your benefits are payable only to the extent the assets of the trust are adequate to provide them. The Railroad does not guarantee that the assets will be sufficient.

IF THE PLAN TERMINATES

The Railroad reserves the right to change, amend, or terminate the Plan at any time. The Plan cannot be changed in a way that would reduce the benefits you have accrued under the Plan prior to the change. Plan assets cannot be used for any purpose other than to provide benefits to participants and beneficiaries and to pay Plan administration expenses.

If the Plan is completely terminated, or in case of a partial termination that affects you, you would immediately become vested in the Retirement Benefit (to the extent it is funded) you had earned to that date. The Plan would pay benefits in the order of preference established by the Committee.

Plan assets, at the discretion of the Committee, could be distributed either wholly or in part by non-transferable annuity contracts or lump-sum payments.

LIMITATIONS ON PLAN BENEFITS

Plans like this one are subject to complex federal tax regulations that restrict the total Plan benefits each participant may receive. You will be notified if these restrictions ever apply to you.

PLAN DOCUMENT

This benefit booklet was written to provide you with a summary of the major provisions of the Plan and cannot cover every circumstance as it may apply to you. Therefore, if you would like a more detailed explanation, you can review the Plan document and other materials pertaining to the Plan by contacting a Plan Representative. **In case of conflict, the actual Plan document governs all matters.** If you have any questions, contact a Plan Representative. Please read your booklet carefully and keep it for future use.

ADMINISTRATIVE FACTS ABOUT YOUR PLAN

PLAN NAME:	Alaska Railroad Corporation Pension Plan
PLAN NUMBER:	001
TYPE OF PLAN:	Defined Benefit
PLAN FISCAL YEAR:	January 1 – December 31
PLAN EFFECTIVE DATE:	September 1, 1985
PLAN SPONSOR AND EMPLOYER:	Alaska Railroad Corporation
SPONSOR'S IDENTIFICATION NUMBER:	92-0020624
PLAN ADMINISTRATOR:	Tax Deferred Savings and Pension Committee Alaska Railroad Corporation P.O. Box 107500 Anchorage, AK 99510-7500
RECORDKEEPER:	Atéssa Benefits 16959 Bernardo Center Dr., Suite 221 San Diego, CA 92128 Telephone: 888-309-0041 Fax: 858-753-6254 www.myatessa.com
FUNDING OF THE PLAN:	The Railroad and its employees make contributions to the Plan.
PLAN TRUSTEE:	Principal Custody Solutions 510 N. Valley Mills Drive, Suite 400 Waco, TX 76710
AGENT FOR LEGAL PROCESS:	General Counsel Alaska Railroad Corporation P.O. Box 107500 Anchorage, AK 99510-7500 (Service of process may also be made on the Plan Administrator or on the Plan Trustee.)
CLAIMS ADMINISTRATOR:	Manager, ARRC Retirement Plans and Retirement Coordinator Alaska Railroad Corporation P.O. Box 107500 Anchorage, AK 99510-7500 907-265-2346, 907-265-4461

SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

YOUR ROLLOVER OPTIONS

You are receiving this notice because all or a portion of a payment you are receiving from the Alaska Railroad Corporation Pension Plan (the "Plan") is eligible to be rolled over to an IRA or an employer plan. This notice is intended to describe the tax implications of your election and help you decide whether to do such a rollover.

This notice describes the rollover rules that apply to lump sum payments from the Plan; it does **not apply** to monthly annuity payments for your lifetime or the lifetime of you and your contingent annuitant. The Plan only pays a lump sum of small benefits under $1,000, a lump sum refund of employee contributions plus earned interest, or a lump sum payment of death benefits.

Rules that apply to most payments from a plan are described in the "General Information About Rollovers" section. Special rules that only apply in certain circumstances are described in the "Special Rules and Options" section.

GENERAL INFORMATION ABOUT ROLLOVERS

How can a rollover affect my taxes?

You will be taxed on a lump sum payment from the Plan if you do not roll it over. If you are under age 59½ and do not do a rollover, you will also have to pay a 10% additional income tax on early distributions (generally, distributions made before age 59½), unless an exception applies. However, if you do a rollover, you will not have to pay tax until you receive payments later and the 10% additional income tax will not apply if those payments are made after you are age 59½ (or if an exception to the 10% additional income tax applies).

What types of retirement accounts and plans may accept my rollover?

You may roll over the lump sum payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover. The rules of the IRA or employer plan that holds the rollover will determine your investment options, fees, and rights to payment from the IRA or employer plan (for example, IRAs are not subject to spousal consent rules, and IRAs may not provide loans). Further, the amount rolled over will become subject to the tax rules that apply to the IRA or employer plan.

How do I do a rollover?

There are two ways to do a rollover. You can do either a direct rollover or a 60- day rollover.

If you do a direct rollover, the Plan will make the lump sum payment directly to your IRA or an employer plan. You should contact the IRA sponsor or the administrator of the employer plan for information on how to do a direct rollover.

If you do not do a direct rollover, you may still do a rollover of a lump sum payment by making a deposit into an IRA or eligible employer plan that will accept it. Generally, you will have 60 days after you receive the payment to make the deposit. If you do not do a direct rollover, the Plan is required to withhold 20% of the payment for federal income taxes. This means that, in order to roll over the entire payment in a 60-day rollover, you must use other funds to make up for the 20% withheld. If you do not roll over the entire amount of the payment, the portion not rolled over will be taxed and will be subject to the 10% additional income tax on early distributions if you are under age 59½ (unless an exception applies).

How much may I roll over?

If you wish to do a rollover, you may roll over all or part of the amount eligible for rollover. Only lump sum payments from the Plan are eligible for rollover. The following payments from the Plan are not eligible for rollover:

- Monthly annuity payments, which are certain payments spread over a period of at least 10 years or over your life or life expectancy (or the joint lives or joint life expectancies of you and your beneficiary);

- Required minimum distributions after age 70½ (if you were born before July 1, 1949), after age 72 (if you were born after June 30, 1949), after age 73 (if you were not 72 on or before December 31, 2022) or after death; or

- Corrective distributions of contributions that exceed tax law limitations.

The Plan Administrator or recordkeeper can tell you what portion of a payment is eligible for rollover.

If I don't do a rollover, will I have to pay the 10% additional income tax on early distributions?

If you are under age 59½, you will have to pay the 10% additional income tax on early distributions for any lump sum payment from the Plan (including amounts withheld for income tax) that you do not roll over, unless one of the exceptions listed below applies. This tax applies to the part of the distribution that you must include in income and is in addition to the regular income tax on the payment not rolled over.

The 10% additional income tax does not apply to the following payments from the Plan:

- Payments made after you separate from service if you will be at least age 55 in the year of the separation;

- Monthly annuity payments, which are payments that start after you separate from service if paid at least annually in equal or close to equal amounts over your life or life expectancy (or the joint lives or joint life expectancies of you and your beneficiary);

- Payments made due to disability;

- Payments after your death;
- Corrective distributions of contributions that exceed tax law limitations;
- Payments made directly to the government to satisfy a federal tax levy; and,
- Payments made under a qualified domestic relations order (QDRO).

If I do a rollover to an IRA, will the 10% additional income tax apply to early distributions from the IRA?

If you receive a payment from an IRA when you are under age 59½, you will have to pay the 10% additional income tax on early distributions on the part of the distribution that you must include in income, unless an exception applies. In general, the exceptions to the 10% additional income tax for early distributions from an IRA are the same as the exceptions listed above for early distributions from a plan. However, there are a few differences for payments from an IRA, including:

- The exception for payments made after you separate from service if you will be at least age 55 in the year of the separation (or age 50 for qualified public safety employees) does not apply;
- The exception for qualified domestic relations orders (QDROs) does not apply (although a special rule applies under which, as part of a divorce or separation agreement, a tax-free transfer may be made directly to an IRA of a spouse or former spouse); and
- The exception for payments made at least annually in equal or close to equal amounts over a specified period applies without regard to whether you have had a separation from service.

Additional exceptions apply for payments from an IRA, including:

- Payments for qualified higher education expenses;
- Payments up to $10,000 used in a qualified first-time home purchase; and,
- Payments for health insurance premiums after you have received unemployment compensation for 12 consecutive weeks (or would have been eligible to receive unemployment compensation but for self-employed status).

Will I owe State income taxes?

This notice does not address any State or local income tax rules (including withholding rules).

SPECIAL RULES AND OPTIONS

If you miss the 60-day rollover deadline: Generally, the 60-day rollover deadline cannot be extended. However, the IRS has the limited authority to waive the deadline under certain extraordinary circumstances, such as when external events prevented you from completing the rollover by the 60-day rollover deadline. Under certain circumstances, you may claim eligibility for a waiver of the 60-day rollover deadline by making a written self-certification. Otherwise, to apply for a waiver from the IRS, you must file a private letter ruling request with the IRS. Private letter ruling requests require the payment of a nonrefundable user fee. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*.

If you were born on or before January 1, 1936: If you were born on or before January 1, 1936 and receive a lump sum distribution that you do not roll over, special rules for calculating the amount of the tax on the payment might apply to you. For more information, see IRS Publication 575, *Pension and Annuity Income*.

If you roll over your payment to a Roth IRA: If you roll over a lump sum payment from the Plan to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. In general, the 10% additional income tax on early distributions will not apply. However, if you take the amount rolled over out of the Roth IRA within the 5-year period that begins on January 1 of the year of the rollover, the 10% additional income tax will apply (unless an exception applies).

If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed (including earnings after the rollover). A qualified distribution from a Roth IRA is a payment made after you are age 59½ (or after your death or disability, or as a qualified first-time homebuyer distribution of up to $10,000) and after you have had a Roth IRA for at least 5 years. In applying this 5-year rule, you count from January 1 of the year for which your first contribution was made to a Roth IRA. Payments from the Roth IRA that are not qualified distributions will be taxed to the extent of earnings after the rollover, including the 10% additional income tax on early distributions (unless an exception applies). You do not have to take required minimum distributions from a Roth IRA during your lifetime. For more information, see IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs).*

If you are not a Plan participant:

<u>Payments after death of the participant</u>. If you receive a distribution after the participant's death that you do not roll over, the distribution generally will be taxed in the same manner described elsewhere in this notice. However, the 10% additional income tax on early distributions and the special rules for public safety officers do not apply, and the special rule described under the section "If you were born on or before January 1, 1936" applies only if the deceased participant was born on or before January 1, 1936.

If you are a surviving spouse. If you receive a payment from the Plan as the surviving spouse of a deceased participant, you have the same rollover options that the participant would have had, as described elsewhere in this notice. In addition, if you choose to do a rollover to an IRA, you may treat the IRA as your own or as an inherited IRA.

An IRA you treat as your own is treated like any other IRA of yours, so that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions from your IRA do not have to start until after you are age 70½ (if you were born before July 1, 1949), age 72 (if you were born after June 30, 1949), or age 73 (if you were not age 72 on or before December 31, 2022).

If you treat the IRA as an inherited IRA, payments from the IRA will not be subject to the 10% additional income tax on early distributions. However, if the participant had started taking required minimum distributions, you will have to receive required minimum distributions from the inherited IRA. If the participant had not started taking required minimum distributions from the Plan, you will not have to start receiving required minimum distributions from the inherited IRA until the year the participant would have been age 70½ (if the participant was born before July 1, 1949) or age 72 (if the participant was born after June 30, 1949).

If you are a surviving beneficiary other than a spouse. If you receive a payment from the Plan because of the participant's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is to do a direct rollover to an inherited IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. You will have to receive required minimum distributions from the inherited IRA.

Payments under a QDRO. If you are the spouse or former spouse of the participant who receives a payment from the Plan under a QDRO, you generally have the same options and the same tax treatment that the participant would have (for example, you may roll over the payment to your own IRA or an eligible employer plan that will accept it). However, payments under the QDRO will not be subject to the 10% additional income tax on early distributions.

If you are a nonresident alien: If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, the Plan is generally required to withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

Other special rules: You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information on special rollover rights related to the U.S. Armed Forces, see IRS Publication 3, *Armed Forces' Tax Guide*. You also may have special rollover rights if you were affected by a federally declared disaster (or similar event), or if you received a distribution on account of a disaster. For more information on special rollover rights related to disaster relief, see the IRS website at www.irs.gov.

YOUR RIGHT TO WAIVE THE 30-DAY NOTICE PERIOD:

Generally, a direct rollover or a distribution cannot be made from the Plan until at least 30 days after this notice was received. After this notice was received, you have at least 30 days to consider whether or not to have your payment directly rolled over. If you don't want to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by signing your application.

FOR MORE INFORMATION

You may wish to consult with the Alaska Railroad Corporation, the recordkeeper (Atéssa Benefits 1-888-309-0041), a financial planner, or a professional tax advisor before electing a form of payment from the Plan. Also, you can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, *Pension and Annuity Income*; IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*; and IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*. These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 1-800-TAX-FORM.