

Date: August 14, 2006
To: Hourly Flex Plan Participants and Families
From: Gregory R. Stokes
Administrator
Re: Alaska Electrical Health and Welfare Fund
Alaska Electrical Workers Money Purchase Pension Plan

As you are no doubt aware, the cost of health care coverage continues to rise significantly. The Health and Welfare Fund has not been immune from these increases. During the last year the average cost of health claims per employee increased by over 15%. During the first six months of this year claims experience increased approximately \$4,100,000 over the same period in 2005.

To help reduce the impact of expected future increases on the Plan, it will be necessary to make fundamental changes to the Flex Plan. **Our goal in implementing these changes is to keep the Plan on sound financial footing, while ensuring that important health care benefits can remain affordable for you and your family.**

Elimination of Flex Plan Options

Effective with October 2006 hours worked (December 2006 eligibility) Plan 500 will be the only Flex Plan available; Plans 501, 502, 503, 504 and 505 are being eliminated.

Since you may be receiving a higher level of coverage (Plan 500) as of December 2006, the hours in your bank will be prorated accordingly. The following table shows the pro-ration factor that will be applied to your hour bank depending on your current Flex Plan selection.

Current <u>Plan</u>	Proration <u>Factor</u>
500	N/A
501	57%
502	73%
503	78%
504	84%
505	74%

As an example, if you are currently in Plan 505 and have 400 hours in your hour bank, your hour bank will be reduced to 296 hours (400 hours x .74).

(over)

Impact on Contributions to the Money Purchase Plan

Currently, if you are participating in a Plan other than Plan 500, a percentage of your Employer's H&W contribution has been transferred to your account in the Money Purchase Plan as an Employer contribution. Your Employer may also permit you to make voluntary after-tax contributions under the terms of the collective bargaining agreement.

Effective with hours worked on and after October 1, 2006, (or, if earlier, upon your election to move to Plan 500), all Employer contributions under the Flex Plan to the Money Purchase Plan will cease.

Please note that this action *does not affect*:

- any contributions under the Flex Plan to your Money Purchase Plan account for hours worked *before* October 1, 2006, or if earlier, the effective date of your change to Plan 500; or
- any Employer contributions outside of the Flex Plan, regardless of date, that the collective bargaining agreement separately requires your Employer to make to the Money Purchase Plan.

Amounts contributed under the Flex Plan for hours before October 1, 2006 (or if earlier, the effective date of your change to Plan 500) will remain in your account and, subject to investment gains and losses, will be available for distribution to you upon termination or retirement.

In addition, if you have previously elected to make voluntary after-tax contributions to the Money Purchase Plan, your voluntary after-tax contributions will continue, provided that the collective bargaining agreement permits you to continue to make voluntary after-tax contributions.

Open Enrollment

The Board of Trustees has called for a special "Open Enrollment" period starting August 1, 2006 through September 30, 2006. Employees in plans 501 – 505 will be allowed to move into Plan 500 at that point. Employees will not be allowed to move out of Plan 500. By moving into Plan 500 earlier than the mandatory October 2006 date, you will be able to add the full value of Plan 500 hours to your hour bank while the high work season is in progress. If you do not elect to use this special open enrollment, you will automatically be moved to Plan 500 effective with December 2006 eligibility.

If you would like to move to Plan 500 before October, contact the Administrative Office for an Election/Change form. If you are adding dependents, you will need to provide recorded copies of birth certificates for dependent children and marriage certificate to add your spouse. If you are divorced and adding dependent children, a child custody order and divorce decree is needed to determine which parent has the responsibility to provide health and welfare coverage and whether the Plan pays claims as primary or secondary.

Should you have any questions, please do not hesitate to call the Administrative Office. Thank you.