



SPECIAL TAX NOTICE **REGARDING PLAN PAYMENTS**

This notice explains how you can continue to defer federal income tax on your retirement in the Alaska Teamster-Employer Pension Plan (“the Plan”) and contains important information you will need before you decide how to receive your Plan benefits.

This notice is provided to you by the Alaska Teamster-Employer Service Corporation (your “Plan Administrator”) because all or part of the payment that you will soon receive from the Plan may be eligible for rollover by you or your Plan Administrator to a traditional Individual Retirement Account or Annuity (IRA), a Roth IRA¹, or an eligible employer plan. (Unless otherwise specified, the term “IRA” as used in this notice refers to both traditional IRAs and Roth IRAs.) A **rollover** is a payment by the Plan Administrator of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you.

Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (formerly known as an education IRA). An “eligible employer plan” includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401K plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to another employer plan, you should first find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions. If this is the case, you may wish instead to roll your distribution over to an IRA or split your rollover amount between the employer plan in which you will participate and an IRA.

If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse’s consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from this Plan. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have additional questions after reading this notice, you can contact your plan administrator at (907) 565-8300 or toll free at (800) 478-4450.

SUMMARY

There are two ways you may be able to receive a Plan payment that is eligible for rollover:

- (1) Certain payments can be made directly to an IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit (“**DIRECT ROLLOVER**”); or
- (2) The payment can be **PAID TO YOU**.

If you chose a *DIRECT ROLLOVER*:

- You choose whether your payment will be made directly to your traditional IRA, to your Roth IRA, or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account because these are not traditional or Roth IRAs.
- If you choose a direct rollover to a traditional IRA or to an eligible employer plan, your payment will not be taxed in the current year and no income tax will be withheld. Your payment will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from this Plan.
- If you choose a direct rollover to a Roth IRA, amounts rolled over to the Roth IRA will be taxed as if the amounts were paid directly to you, but no income tax will be withheld and the additional 10% tax for certain distributions before age 59-1/2 will not apply (subject to certain exceptions if you receive distribution from your Roth IRA within 5 years). Amounts rolled over to a Roth IRA will not be subject to income tax when you take them out of the Roth IRA.

If you chose to have a Plan payment that is eligible for rollover *PAID TO YOU*:

- You will receive only 80% of the taxable amount of the payment, because the Plan Administrator is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes.
- The taxable amount of your payment will be taxed in the current year unless you roll it over to a traditional IRA or eligible employer plan. Under limited circumstances, you may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment *before age 59 ½*, you may have to pay an additional 10% tax.
- You can roll over all or part of the payment by paying it to your IRA or to an eligible employer plan that accepts your rollover *within 60 days* after you receive the payment. The amount rolled over to a traditional IRA or eligible employer plan will not be taxed until you take it out of the traditional IRA or the eligible employer plan. Amounts rolled over to a Roth IRA will be taxed as if the rollover did not occur (except that the additional 10% tax for certain distributions before age 59-1/2 generally will not apply).

- If you want to roll over 100% of the payment to an IRA or an eligible employer plan, you must find other money to replace the 20% of the payment that was withheld. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period

Generally, neither a direct rollover nor a payment can be made from the plan until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before your election is processed, you may waive the notice period by making an affirmative election indicating whether or not you wish to make a direct rollover. Your withdrawal will then be processed in accordance with your election as soon as practical after it is received by the Plan Administrator.

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I. PAYMENTS THAT CAN AND CANNOT BE ROLLED OVER

Certain payments from the Plan are “eligible rollover distributions.” This means that they can be rolled over to an IRA or to an eligible employer plan that accepts rollovers. **Payments from a plan cannot be rolled over to a SIMPLE IRA or a Coverdell Education Savings Account (formerly known as an education IRA).**

THE FOLLOWING TYPES OF PAYMENT ARE NOT ELIGIBLE ROLLOVER DISTRIBUTIONS AND CANNOT BE ROLLED OVER:

Payments Spread over Long Periods

You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for:

- your lifetime (or a period measured by your life expectancy), or
- your lifetime and your beneficiary’s lifetime (or a period measured by your joint life expectancies), or
- a period of 10 years or more.

Required Minimum Payments

Beginning when you reach age 70 1/2 or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a “required minimum payment” that must be paid to you. Special rules apply if you own more than 5% of your employer.

Corrective Distributions

A distribution that is made to correct a failed nondiscrimination test or because legal limits on certain contributions were exceeded cannot be rolled over.

The Plan Administrator of the Plan should be able to tell you if your payment includes amount which cannot be rolled over.

II. DIRECT ROLLOVER

A **Direct Rollover** is a direct payment of the amount of your Plan benefits to a traditional IRA, a Roth IRA or an eligible employer plan that will accept it. You can choose a **Direct Rollover** of all or any portion of your payment that is an eligible rollover distribution, as described in Part I above. Generally, a payment directly rolled over to an IRA or eligible employer plan is not

subject to taxation at the time of the rollover but will be taxed later when you take it out of the IRA or eligible employer plan. However, amounts directly rolled over to a Roth IRA are subject to taxation at the time of the rollover, but will not be taxed later. In addition, no income tax withholding is required for any portion of your Plan benefits for which you choose a **Direct Rollover**. This Plan might not let you choose a **Direct Rollover** if your distributions for the year are less than \$200.

DIRECT ROLLOVER to an IRA

You can open a traditional or Roth IRA to receive the **Direct Rollover**. If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to make sure that the IRA you choose will allow you to move all or a part of your payment to another IRA at a later date, without penalties or other limitations. See IRS Publication 590, Individual Retirement Arrangements, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

Direct Rollover to a Roth IRA

If you choose a direct rollover to a Roth IRA, the payment is taxable to you as if the rollover had not occurred. However, the additional 10% tax for certain distributions before age 59-1/2 will not apply (subject to certain exceptions if you receive distribution from your Roth IRA within 5 years). No tax is due when you later withdraw the payment from the Roth IRA. Before January 1, 2010, you may not make a rollover to a Roth IRA if your modified adjusted gross income for the taxable year exceeds \$100,000 or if you are married and file a separate return. If you later determine that you did not meet these requirements for the year a rollover was made, you may need to recharacterize the contribution. You should consult your personal tax advisor for details. The Plan Administrator is not responsible for assuring your eligibility to make a rollover to a Roth IRA.

DIRECT ROLLOVER to a Plan

If you are employed by a new employer that has an eligible employer plan, and you want a **Direct Rollover** to that plan, ask the plan administrator of that plan whether it will accept your rollover. *An eligible employer plan is not legally required to accept a rollover.* Even if your new employer's plan does not accept a rollover, you can choose a **Direct Rollover** to an IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

DIRECT ROLLOVER of a Series of Payments

If you receive a payment that can be rolled over to an IRA or an eligible employer plan that will accept it, and it is paid in a series of payments for less than 10 years, your choice to make or not make a **Direct Rollover** for payment will apply to all later payments in the series until you change your election. You are free to change your election for any later payment in the series.

Change in the Tax Treatment Resulting from a DIRECT ROLLOVER

The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your *Direct Rollover* might be different than if you received your benefit in a taxable distribution directly from the Plan. For example, if you were born before January 1, 1936, you might be entitled to ten-year averaging or capital gain treatment, as explained below. However, if you have your benefit rolled over to a section 403(b) tax-sheltered annuity, a governmental 457 plan, or an IRA in a *Direct Rollover*, your benefit will no longer be eligible for that special treatment. See the sections below entitled “Additional 10% Tax if You Are Under 59 1/2” and “Special Tax Treatment if You Were Born before January 1, 1936.”

III. PAYMENT PAID TO YOU

If your payment can be rolled over (see Part I) and the payment is made to you in cash, it is subject to 20% federal income tax withholding (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

INCOME TAX WITHHOLDING

Mandatory Withholding

If any portion of your payment can be rolled over as described in Part I, and you do not elect to make a *Direct Rollover*, the Plan is required by law to withhold 20%. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because the Plan must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see “Sixty-Day Rollover Option below), you must report the full \$10,000 as a taxable payment from the Plan. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

Voluntary Withholding

If any portion of your payment cannot be rolled over as described in Part I, the mandatory withholding rules described above do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, ask the Plan Administrator for the election form and related information.

If any portion of your payment is directly rolled over into a Roth IRA, the mandatory withholding rules described above do not apply. However, you may elect to have withholding apply.

Sixty-Day Rollover Option

If you receive a payment that can be rolled over as described in Part I, you can still decide to roll over all or part of it to a traditional IRA, a Roth IRA (subject to the restrictions described in Part II, above), or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to an IRA or eligible employer plan within 60 days after you receive the payment. Generally, the portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan. However, different rules apply to amounts rolled over to a Roth IRA (see “Direct Rollover to a Roth IRA,” in Part II, above).

You can roll over up to 100% of your payment that is eligible to be rolled over as described in Part I, including an amount equal to the 20% that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

Example of 60-Day Rollover to Traditional IRA or Eligible Employer Plan:

If the portion of your payment that can be rolled over as described in Part I is \$10,000, and you choose to have it paid directly to you; you will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from the Plan, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

Additional 10% Tax If You Are Under Age 59 1/2

If you receive a payment before you reach age 59 1/2 and you do not roll it over, your distribution is subject to a 10% penalty tax in addition to any federal income tax unless an exception applies. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary’s lives or life expectancies), (4) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code section 404(k), (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order, or

(7) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

Special Tax Treatment If You Were Born Before January 1, 1936

If you receive a payment from a plan qualified under section 401(a) or a section 403(a) annuity plan that can be rolled over under Part I and you do not roll it over to a traditional IRA or an eligible employer plan, the payment will be taxed in the year you receive it. However, if the payment qualifies as a “lump sum distribution,” it may be eligible for special tax treatment. A lump sum distribution is a payment, within one year, of your entire balance under the Plan (and certain other similar plans of the employer) that is payable to you after you have reached age 59 1/2 or have separated from service with your employer (or, in the case of a self-employed individual, after you have reached age 59 1/2 or have become disabled). For a payment to be treated as a lump sum distribution, you must have been a participant in the plan for at least five years before the year in which you received the distribution. The special tax treatment for lump sum distributions that may be available to you is described below.

Ten Year Averaging

If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using “10-year averaging” (using 1986 tax rates). Ten-year averaging often reduces the tax you owe.

Capital Gain Treatment

If you receive a lump sum distribution and you were born before January 1, 1936, and you were a participant in the Plan before 1974, you may elect to have the part of your payment that is attributable to your pre-1974 participation in the Plan taxed as long-term capital gain at a rate of 20%.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the election applies to all lump sum distributions that you receive in that same year. You may not elect this special tax treatment if you rolled amounts into this Plan from a 403(b) tax-sheltered annuity contract, a governmental 457 plan, or from an IRA not originally attributable to a qualified employer plan. If you have previously rolled over a distribution from this Plan (or certain other similar plans of the employer), you cannot use this special averaging treatment for later payments from the Plan. If you roll over your payment to a traditional IRA, governmental 457 plan or 403(b) tax-sheltered annuity, you will not be able to use special tax treatment for later payments from that IRA, plan, or annuity. Also, if you roll over only a portion of your payment to an IRA, governmental 457 plan, or 403(b) tax-sheltered annuity, this special tax treatment is not available for the rest of the payment. See IRS Form 4972 for additional information on lump sum distributions and how you elect the special tax treatment.

IV. SURVIVING SPOUSES, ALTERNATE PAYEES AND OTHER BENEFICIARIES

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are “alternate payees.” You are an alternate payee if your interest in the Plan results from a “qualified domestic

relations order,” which is an order issued by a court, usually in connection with a divorce or legal separation.

*If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described in Part I, paid in a **Direct Rollover** to a traditional IRA, a Roth IRA, or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA or to an eligible employer plan. Thus, you have the same choices as the employee.*

If you are a beneficiary other than the surviving spouse or an alternate payee, you cannot choose a direct rollover, and you cannot roll over the payment yourself.

If you are a surviving spouse, an alternate payee, or another beneficiary, your payment is generally not subject to the additional 10% tax described in Part III, even if you are younger than 59 1/2.

If you are a surviving spouse, an alternate payee, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions, as described in Part III. If you receive a payment because of the employee’s death, you may be able to treat the payment as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had five years of participation in the Plan.

HOW TO OBTAIN ADDITIONAL INFORMATION

This notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the Plan Administrator or a professional tax advisor before you take a payment of your benefits from your Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS’ Internet website at www.irs.gov, or by calling 1-800-TAX-FORMS.

ⁱ Please note that prior to 2010, an individual will not be eligible to elect a rollover to a Roth IRA if he or she has modified adjusted gross income of \$100,000 or more, or is married and files a separate tax return. These limitations expire at the end of 2009.