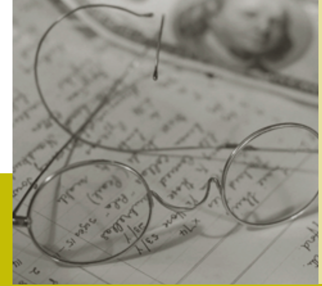


May 2003

ALASKA TEAMSTER – EMPLOYER PENSION PLAN

PROTECTING YOUR RETIREMENT FUTURE

CHANGES TO THE BENEFIT ACCRUAL RATE EFFECTIVE JULY 1, 2003

The Trustees of your Pension Plan, comprised of an equal number of Employer and Union representatives, meet quarterly to monitor the financial condition of your Pension fund. At their March meeting, the Trustees discussed ways to make sure your benefits are protected for the long term and directed the Actuary to prepare a list of alternatives to preserve the funding integrity of the Pension Plan as a result of the sustained downturn in the financial markets.

The United States stock markets are experiencing the second longest bear market (15% or more decline in each of three important stock averages) in history.

The Trustees met again in April and May to review changes necessary to ensure the funding strength of the Plan so that your retirement benefits are protected for the long term. At their meeting on May 7, 2003, the Trustees reviewed all alternatives and determined that the benefit accrual rate, the percentage used to compute benefits, had to be lowered for future accruals.

Effective July 1, 2003 (the beginning of Plan Year 2004) the benefit accrual rate under the Plan will be lowered prospectively to 1.25%. Only your monthly benefit amount earned after June 30, 2003 will be determined with this new accrual rate. This change does not affect your benefits accrued prior to July 1, 2003. The benefits you have already earned are protected by law and cannot be reduced. Your monthly benefit amount will continue to grow as you work in covered employment under the Plan; however, it will grow at a slower rate.

The new accrual rate of 1.25% will continue to apply until modified by the Board of Trustees of the Plan. The Trustees will continue to monitor the funding of the Plan and consider benefit improvements, such as an increase in the accrual rate in the future, when financial conditions for the Plan permit.

DEFINED BENEFIT PENSION PLANS

Your Plan is a defined benefit plan. In a defined benefit plan, the plan "defines" the benefit accrual rate so that a participant can expect a certain monthly income at retirement. The benefit is defined based on various assumptions, including the average age of participants in the Plan, the age they will retire and the expected rate of return on the Plan's investments.

Under a defined benefit plan, the investment earnings on all of the Plan's investments are used to fund the benefits for all participants. The Plan relies on an average investment return of 7.5% (the assumed rate) to fund the accumulated benefits. When the investment returns exceed the assumed rate, benefits can be improved. In this unusual investment climate, the assumed rate is not being met causing the Trustees to slow the rate at which benefits grow. Benefits are funded from a combination of employer contributions and earnings on Plan investments. On average, however, employer contributions provide less than one-third of what is needed to fund your retirement benefit. For most retirees, the contributions paid in during their career are paid out during the first few years of retirement.

Defined benefit plans are funded for the long term and are designed to weather the peaks and valleys of investment returns as they relate to market performance. However, when there is a pronounced change in the economic conditions affecting the Plan, that is sustained over a period of years, it can become necessary for the Plan to make an adjustment in its future benefit accrual rates.

HOW YOUR BENEFIT IS CALCULATED

The pension accrual rate is the benefit formula that determines your accrued benefit amount. The Plan's stated rate is 2.5% for contributions made through June 30, 2003. For contributions made beginning July 1, 2003, the pension accrual rate is changing to 1.25%. Your monthly benefit amount is calculated by multiplying your employer contributions by the accrual rate. <u>The accrual rate is not the return on investments.</u> The return on investments is the net market performance of the Plan's investments in stocks, bonds and other assets. There is a relationship between the return on investments and the accrual rate, however.

ACTUARIAL BALANCE

Prudent fund management requires a balance between income and expenses. The income from employer

FREQUENTLY ASKED QUESTONS

Q. How will a 1.25% drop in the accrual rate affect my benefit?

A. For each $1.00 of contribution and every 2,000 hours of work, with a 2.5% accrual rate you earn $50.00 per month at retirement. With a 1.25% accrual rate, you will earn $25.00 per month. Therefore, as you continue to work under the Plan after June 30, 2003, you earn additional benefits in addition to what you've already earned but your additional benefits will grow at a slower rate than before July 1, 2003.

Q. How long will this continue, when will the accrual rate go back up?

A. No one can predict when the market will recover. The "snapshot" of the plan's market value of the assets is taken each June 30. The Actuary then determines the actuarial value using recognized actuarial principles and prepares the annual actuarial report. The Trustees then will review the actuarial report, which helps them determine the accrual rate going forward.

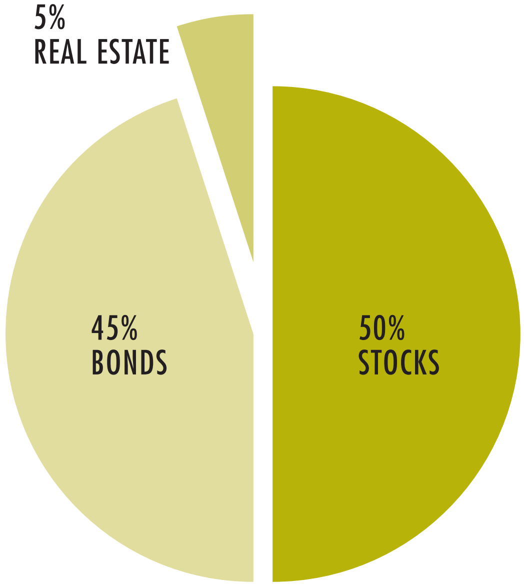
Q. Why not invest the entire fund in bonds, which are low risk?

A. Retirement investing requires a long-term perspective. In market investing, cycles with positive and negative returns are expected. However, over time we know that stock market investment is necessary to achieve returns adequate to provide generous retirement benefits. This approach does not assume that there will be positive stock market increases every year, but that there will be market cycles that are expected, in the long run, to generate returns to meet the Plan's financial needs. The fund is also invested in fixed income investments, including bonds. While bonds have lower risk, over time they also have a lower rate of return. If this Plan invested only in bonds, the returns would be insufficient to fund the benefit levels that have been offered by this Plan. The allocation to both stocks and bonds has aided the fund in weathering this difficult and unusual market.

Q. What other decisions could have been made to reduce liabilities and what other alternatives did the Trustees consider?

A. The retirement ages could have been raised. Based on prior experience, the Trustees felt this would have been more difficult for participants than lowering the accrual rate.

ASSET ALLOCATION



contributions and, even more importantly, income from investments must stay in actuarial balance with the level of benefits your Plan pays or promises to pay. With the actuarial gains generated when the stock market was returning strong investment gains, the Trustees were able to increase benefits for plan participants. For example, all prior years were substantially increased, and more recently bonus years increased the benefit accrual rate, all as a result of the strong stock market returns of the past decade. Just as the accrual rate was increased during the good times, it must now be lowered during tough times.

HOW YOUR FUND IS INVESTED

As with most retirement funds, a portion of the fund is invested in the stock market. Approximately 50% of the fund is invested in the stock market (there are managers investing in several investment styles, including value, small cap, growth and index funds), 45% is invested in the fixed income/bond market and the remaining 5% is invested in real estate. With this

Q. Are other Union funds lowering their accrual rates?

A. Yes, other Union funds are reacting to the sustained downturn in the markets by either lowering their benefit accrual rate or raising their retirement ages.

Q. Why wasn't the accrual rate reduced sooner?

A. The Trustees did not have to reduce the accrual rate for the current Plan year. If the financial markets had returned to reasonable gains this year similar to the average for the last 20 years, this change in the accrual rate would not have been necessary. However, with the sustained bear market impacting long-term Plan funding and creating the prospect of employer withdrawal liability, they determined that the change for the coming year was needed.

Q. Will the Trustees retroactively adjust the year or years that the accrual rate is lowered when the markets do recover?

A. The Trustees are committed to explore ways to improve the benefit accrual rate. As soon as it is prudent and financially possible to do so, the Trustees, with advice from their professional advisors, will adjust benefits. However, no one can accurately forecast the direction of the current financial markets.

Q. Did the Rule of 80 retirement program cause the Trustees to lower the accrual rate?

A. No, if the market cycles had continued in their regular pattern, the accrual rate would have remained at 2.5% even with the Rule of 80 program in effect.

Q. Will this affect the benefits I will have earned through June 30, 2003, Plan Year 2003? Will the retirees currently receiving benefits be impacted?

A. No, the benefits you have already earned or will earn through June 30, 2003 will not be reduced, so both benefit accruals earned to date and the benefits being received by retirees will remain as stated. The federal law regarding pension benefits, the Employee Retirement Income Security Act or "ERISA," prohibits such reductions in benefits already earned.

If you have additional questions, please feel free to call our office at 907-565-8300 or 1-800-478-4450. You may also email benefits@akteamsters.com.

In this unusual investment climate, the assumed rate is not being met, causing the Trustees to slow the rate at which benefits grow.

asset allocation, the decline in the stock market did not have as dramatic an impact on this Plan as it did on those retirement funds that have much larger allocations to stocks, such as corporate funds and 401(k) accounts where the individual invested mainly in stocks.

STOCK MARKET DECLINE

While the assets of the Plan are prudently invested and diversified, with the Plan's investment managers generally out-performing their benchmarks, overall market conditions have led to lower investment earnings by the Plan during the past three years.

The United States stock markets have experienced the second longest bear market (15% or more decline in each of three important stock averages) in history. Because most pension funds are invested to some extent in stocks, pension funds across the U.S. are experiencing very low returns for a consecutive fourth

year. Your Plan is no exception. While the Plan currently has funding to meet all vested benefit liabilities accrued to date, continued lower returns would result in the Plan being underfunded regarding such liabilities in the future if the Trustees do not take action now.

YOUR INVESTMENT CONSULTANT AND MANAGERS

The fund is professionally managed. Frank Russell Company is the investment consultant who recommended the ten current investment managers for the Plan and who monitors their performance. The Frank Russell Company helps the Trustees constantly analyze and monitor the Plan's investments and its investment managers, measuring them against their benchmarks and peers. The investment managers are fiduciaries responsible for investing the assets assigned to them to achieve the best return prudently possible within their investment style (i.e., value, growth, small cap, or index).

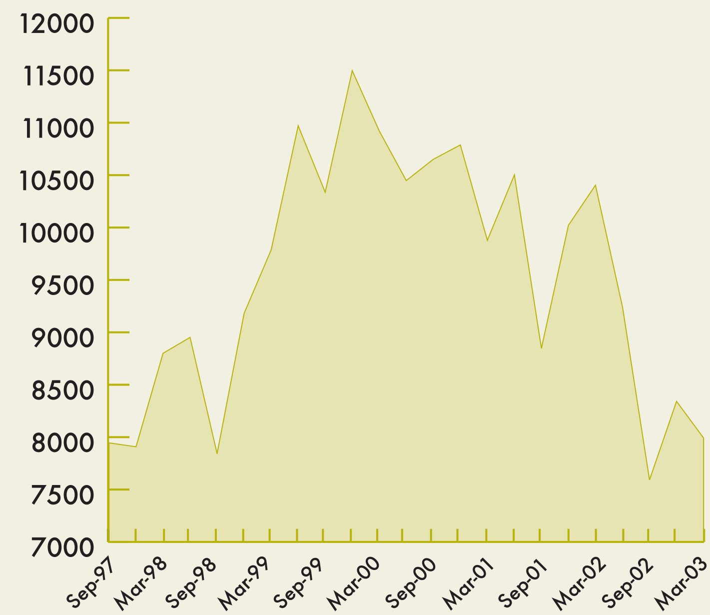
ROLE OF THE ACTUARY

The Plan Actuary, using trends, expected return on investments, and the demographics of our Plan participants, assists the Trustees in determining the Plan's benefit formulas, including the accrual rate and retirement ages. The Actuary also produces an annual actuarial report, which examines the funding obligations of the Plan and whether the Plan's investments are adequate to meet those obligations.

ROLE OF THE TRUSTEES

The Board of Trustees is comprised of an equal number of Union representatives and Employer representatives. They act as fiduciaries on behalf of all Plan participants. As fiduciaries, there is a legal duty imposed on them to act prudently, skillfully and diligently on behalf of all Plan participants. The job of a Trustee does not provide any compensation, and the Trustees focus solely on meeting their responsibilities to ensure that the Plan is managed and administered in the best interest of Plan participants. The Trustees use, among other resources, the actuarial

DOW JONES INDUSTRIAL AVERAGE



The nation's financial markets have experienced four consecutive years of unprecedented underperformance, which has led to lower investment earnings by the fund.

report to make decisions about the Plan structure, including this recent decision to reduce the benefit accrual rate.

ANNUAL ACTUARIAL REPORT

The actuarial report to the Board of Trustees shows the liabilities and assets of the fund as of the end of each Plan Year. The liabilities are the amounts required to pay the benefits to those already retired, plus the projected benefits to be paid to those not yet retired. Pension plan investment returns (both positive and negative) in an actuarial valuation are typically recognized over rolling five-year periods. This reduces the impact of a large gain or loss in investment returns in any one year. Since the market has experienced a major decline during the last several years, the Fund has been recognizing accumulated negative returns for the Plan. Even when the stock market begins to recover, the recent years of negative returns will continue to have an impact, based on the method of deferring recognition of a portion of the returns until later years. The actuarial report for Plan Year 2002 (July 1, 2001 through June 30, 2002) showed that the Fund was fully funded for projected benefits for retirees and vested participants. The assets, however, were not adequate to completely fund all projected benefits for non-vested participants. The change in the accrual rate will help the Plan continue to have sufficient funding for retirees' and vested participants' benefits, and assist in the goal of funding a high level of the Plan's non-vested liabilities. It is especially important for the Plan to continue to have sufficient funding for retirees' and vested participants' benefits; this allows the Plan to avoid imposing "Withdrawal Liability" on contributing employers.

Even when the stock market begins to recover, the recent years of negative returns will continue to have an impact, based on the method of deferring recognition of a portion of the returns until later years.

EMPLOYER'S WITHDRAWAL LIABILITY

ERISA, the federal law that governs pension plans, created a liability for employers who withdraw from a pension plan that does not have sufficient assets to meet its projected benefits for retirees and vested participants. When a contributing employer withdraws from a pension fund that has insufficient assets to meet its projected retiree and vested participant benefits, that employer pays a withdrawal assessment based on their percentage share of the underfunded amount. Therefore, if the actuarial value of assets drops lower and is insufficient to fully fund the vested benefits, then employers who leave the plan may incur a withdrawal liability. With no changes to the liabilities, this will likely occur for this Plan by June 30, 2004. Employers must reflect their potential withdrawal liability on their financial reports.

While the liability would only be realized if they withdrew from the Plan, it interferes with their ability to raise capital and it impedes the Union's ability to negotiate future Union contracts.

Alaska Teamsters - Employer Service Corp.
520 East 34th Avenue, Suite 107
Anchorage, AK 99503

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