



ALASKA RAILROAD CORPORATION

Benefits Summary for Non-Represented Employees

As of 1/1/2010

This summary provides information on the main features of the following ARRC benefit plans for Non-Represented Employees:

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Please refer to the Summary Plan Descriptions (SPD's) or ARRC Policies and Procedures for more information. If you have questions or would like more information, please contact the Human Resources Department at 907-265-2437. In case of a conflict, the Plan Documents govern all matters. Note: Special Services employees are not eligible for these benefit plans.

RETIREMENT PLANS

Alaska Railroad Corporation Pension Plan

Eligibility

Participation is **mandatory** for non-represented employees. You are automatically enrolled in the Plan as of date of hire.

Note: The Railroad is exempt from participation in Social Security. No Social Security (FICA) will be deducted from your pay. However, the Medicare Tax (currently 1.45%) will be withheld.

Cost

Employees contribute 9% of their Base Earnings on a pre-tax basis. Base Earnings do not include overtime pay and certain other payments. Your contributions and interest earnings on them will form your "contribution account". You will be asked to submit a beneficiary designation for your contribution account.

Contributions by the Railroad are made in accordance with the actuarial needs of the Plan to meet projected benefits payable.

Plan of Benefits

The Plan is a defined benefit plan designed to provide participants with the basis for financial security during their retirement years. Vested participants have the right to receive a pension benefit at retirement age. Participants vest with 5 years of eligible Vesting Service. Normal retirement age is 62. However, participants can retire with full benefits from age 58 on. Early retirement (reduced) benefits are available at age 55.

The pension benefit formula:

- 2 % x credited service years x final average earnings for up to 10 years credited service and all years before 1/1/06: plus,
- 2 ½% x credited service years x final average earnings for years of credited service over 10 and earned after 12/31/05.

Final average earnings are figured from the 3 highest consecutive years of Base Earnings.

Survivor and disability benefits are available for the vested participant.

Retiree medical coverage is available to employees who retire on an immediate retirement if they were enrolled in the active employees' health plan at the time of retirement. Please ask HR for more information if you are interested.

At Termination of Employment

If you are not vested:

you can withdraw your contributions plus interest at 4.5%. You may delay withdrawing your contribution account until a later date (no later than age 70½) if your account is more than \$1000.

If you are vested:

...and, you are at either early or normal retirement age, you may begin to receive the monthly pension benefit; or,
...if you are not at retirement age, you may leave your contributions in the Plan and request benefits later, when you reach an early retirement age, or at the normal retirement age; or,
...you can withdraw your contributions plus interest at 4.5%. If you withdraw your contribution account, you forfeit your pension benefit.

401(k) Savings Plan

Eligibility

Participation is voluntary for non-represented employees. You are eligible as of date of hire and may enroll at any time.

Cost

There is an annual \$12.50 recordkeeping fee paid by all participants. Other fees will depend on your particular investment fund choices.

Plan of Benefits

The Plan offers participants the opportunity to save for retirement on either a pre-tax or Roth after-tax basis, or a combination thereof. It has several features to help make the most of the money you save. You choose the amount you want to save--from as little as 1% to as much as 50% of annual earnings, up to the annual dollar limit (\$16,500 in 2010). Catch up contributions

(up to \$5500 in 2010) can be made by participants age 50 and older. Saving is easy because your contributions are made directly from your paycheck. In addition, there is an employer match of 50% of the first 4% of earnings contributed each pay period. The Plan is provided through The Vanguard Group and currently offers 19 investment options.

457 Deferred Compensation Plan

Eligibility

Participation is voluntary for non-represented employees. You are eligible as of date of hire and may enroll at any time. The enrollment form must be submitted before the beginning of the calendar month in which you wish to begin participation.

Cost

There is an annual \$12.50 recordkeeping fee paid by all participants. Other fees will depend on your particular investment fund choices.

Plan of Benefits

The 457 Plan is similar to the pre-tax 401(k) Plan option. It will allow you to accumulate tax-deferred savings for retirement or other financial needs beyond the limits of your 401(k) plan or other employee retirement plans. You can save from 1% to 100% of your annual earnings, up to the annual dollar limit (\$16,500 in 2010). Catch up contributions (up to \$5500 in 2010) can be made by participants age 50 and older. There is no employer match, nor does the 457 Plan allow loans or hardship withdrawals. Unlike 401(k) Plans, the 457 Plan does not have an early withdrawal penalty. The 457 Plan is provided through The Vanguard Group and offers the same investment options as the 401(k) Tax Deferred Savings Plan.

ARRC Benefits staff or Vanguard representatives can help clarify the distinctions between these savings options.

INSURANCE AND FLEXIBLE SPENDING PLANS

Pre-Tax Premium Only Plan (POP)

Eligibility

Participation is voluntary. Non-represented employees may elect coverage within 31 days of hire, during a Plan Open Window, or within 31 days of a recognized family status change.

Plan of Benefits: Participation allows premiums for eligible plans to be deducted on a pre-tax basis. Pre-tax payments reduce the participant's taxable gross income.

Plans eligible for pre-tax premium payment: Health Insurance, Basic Life & Accident (but not the other life insurance options).

Cost: There is no employee cost to participate in the POP.

Health Insurance Plan

Eligibility

Participation is voluntary. Non-represented employees may elect coverage within 31 days of hire, a qualifying HIPAA event, or during a Plan Open Window. The spouse, same sex partner

and/or dependent children of eligible employees may be enrolled if the employee elects coverage and provides proof of marriage or dependent child status (e.g., copy of marriage certificate or birth certificate) or with acceptance by ARRC of a Same Sex Partner affidavit*. Please contact HR or review the Summary Plan Description for more information on who is eligible.

*See brief information on page 8 of this summary and request complete information on Same Sex Partner Benefits from the ARR HR Department.

Cost

The Corporation and plan participants share the premium cost, which varies depending on your coverage election (self only; self + one dependent; self + 2 or more dependents). Please see the premium exhibit for current costs.

This premium is eligible for pre-tax payment.

Plan of Benefits

The Plan is a comprehensive health insurance plan provided by *Aetna* with medical, prescription drug, dental, vision and hearing components.

Medical:

The participant is responsible for meeting a calendar year deductible for most covered medical expenses. Exceptions include Second Surgical Opinion expenses, Outpatient Surgical Facility expenses, and Pre-Op Testing expenses.

After the deductible is met, the Plan pays 80% (co-insurance) of usual, customary and reasonable (UCR) charges for covered medical expenses until the out of pocket limit is met. Once the out of pocket limit is met, the Plan pays covered expenses at 100% of UCR charges for the remainder of the plan year.

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| Individual Calendar Year Deductible: | \$ 500 per person per year |
| Individual Out of Pocket Limit: | \$1,500 per year |
| Family Deductible Limit: | \$1,500 per year |
| Family Out of Pocket Limit: | \$4,500 per year |
| Hospitalization Deductible: | \$ 250 per hospital stay |

Caution: The Medical Plan has cost containment features including mandatory PPO hospital -- Providence Medical Center -- for non-emergency hospital services in the Anchorage area; voluntary physician & dental PPO; and hospital pre-certification. **Failure to comply with these requirements may result in reduced payment by the Plan.**

Prescription Drugs: Prescriptions are covered under a managed prescription drug benefit, or "card" program. There are 3 levels of co-pay based on a "formulary" of preferred drugs. Quantity limits are: 30 day supply if purchased locally at a preferred pharmacy; 90 day supply from mail order.

Co-pay:

- Formulary Generic: \$10 co-pay (\$20 mail order)
 - Formulary Brand-Name: 20% co-pay
 - Non-formulary Brand-Name: 50% co-pay
- Maximum Brand-Name co-pay: \$75
Out of Network Purchase: Reimbursed at 60% after co-pay

Dental: There is no deductible. Annual maximum benefit is \$1000 per person. Covered expenses are paid at the following percentages, by class of service:

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| Preventive Services: | 100% of UCR charges |
| Routine Services: | 90% of UCR charges |
| Major Services: | 50% of UCR charges |
| Orthodontia: | 50% of UCR charges (Children only; \$1,000 max per 5 year period.) |

Vision: There is no deductible. Eye exams are covered at 90% of UCR charges. Vision "hardware" (spectacle lenses, frames and contact lenses) is covered up to a \$200 annual allowance.

Hearing: There is no deductible. Hearing exams, hearing aids, and servicing of hearing aids are covered at 80% of UCR charges up to \$800 every three calendar years.

Flexible Spending Accounts: Health Care and Dependent Care

Eligibility

Participation is voluntary. Non-represented employees may enroll within 31 days of hire, during a Plan Open Window, or within 31 days of a recognized family status change.

Cost

The plan participant pays a biweekly administrative fee to participate in the FSA's. Please see the premium exhibit for the current fee. The administrative fee is eligible for pre-tax payment.

Plan of Benefits

Flexible spending accounts (FSA's) allow you to direct part of your pay on a pre-tax basis into special accounts from which you can be reimbursed throughout the year for eligible health care and/or dependent care expenses. The maximum annual contribution for health care accounts for non-represented ARRC employees is \$5,000. The maximum dependent care account contribution is \$5,000 per year. Both types of FSA's are "use or lose" accounts and require careful study of the full plan materials prior to enrollment. However, there is a grace period of 2 ½ months following the Plan Year during which eligible expenses may be incurred for the prior Plan Year.

Life Insurance

Eligibility

Participation is voluntary. Non-represented employees may elect coverage within 31 days of hire. If you wish to enroll or increase coverage at a later date, you will be required to submit Evidence of Insurability to the insurance company, which could deny your application. Please contact HR or review the Summary Plan Description for more information on who is eligible.

Cost

Please see the premium exhibit for current life insurance rates.

The premium for Basic & Accident is eligible for pre-tax payment. Premiums for the other 3 life insurance options are paid after-tax only.

Each life insurance option except Dependent Life has higher premium rates for tobacco users.

Plan of Benefits

The life insurance options are provided through Aetna Life and Casualty. Four options are available. However, you must enroll in the Basic & Accident option if you wish to enroll in any of the other 3 options.

Basic Life & Accident Option: Basic life insurance and accidental death/dismemberment coverage (AD&D) for the employee. Maximum/minimum life insurance coverage: \$75,000/\$10,000. Accidental death benefit is twice the life insurance amount. Dismemberment benefits vary.

Coverage amount is based on annualized basic earnings, rounded to the next \$1,000 plus \$2,000, not to exceed \$75,000. Employees under age 35 are covered at 2 times basic annual earnings. After age 35, the amount in the formula reduces by 10% per year until it reaches 1 times basic annual earnings.

The employee and the ARRC share the premium cost of Basic & Accident coverage. The employee premium is approximately 2/3 the total cost and is eligible for pre-tax payment.

1-5 Times Salary Option: Life insurance only, no AD&D. Employees may elect coverage at one of 5 multiples of their annualized basic earnings or \$50,000, whichever is less:

- 1 x salary to a max of \$ 50,000
- 2 x salary to a max of \$100,000
- 3 x salary to a max of \$150,000
- 4 x salary to a max of \$200,000
- 5 x salary to a max of \$250,000

The employee pays the full premium cost on an after-tax basis.

Standard Life Insurance: \$10,000 life insurance only; no AD&D. The employee pays the full premium cost on an after-tax basis.

Dependent Life Insurance: Life insurance for spouses or same sex partners and eligible dependent children of the employee and/or same sex partner. The spouse or same sex partner is insured for \$5,000. Dependent children are covered from \$100 up to \$2,500, depending on age. The employee pays the full premium cost on an after-tax basis.

WELLNESS PLANS

Employee Assistance Plan (EAP)

Eligibility

Non-represented employees, their spouses or same sex partners, and eligible dependent children of the employee and/or same sex partner are covered as of date of hire.

Plan of Benefits

The EAP is a **confidential**, counseling and referral service that can help you deal with problems such as work stress, family issues, depression, and alcohol or drug dependencies. EAP services are provided by Magellan Behavioral Health, with Alaska offices in Anchorage, Wasilla and Fairbanks. Magellan is staffed with licensed, experienced counselors. You can call the EAP **24**

hours a day, seven days a week for confidential help. Call toll-free from anywhere in the U.S. at **800-478-2812**, in Anchorage at 562-2812, in Wasilla at 373-7783.

Simple Steps to a Healthier Life

Eligibility

Participation is voluntary. All year-round employees and their dependents are eligible, from date of hire.

Cost

There is no cost to participate.

Plan of Benefits

Simple Steps is an interactive, on-line wellness program offered through Aetna, our health insurance carrier. It provides participants with tools to (1) assess their health, (2) take action, and (3) learn more. Information on how to access Simple Steps is provided in your new employee packet.

LEAVE & HOLIDAYS

Eligibility

Non-represented employees are eligible as of date of hire.

Plan of Benefits

See Policy & Procedure 65-10 for complete leave and holiday provisions.

- Holidays: 10 paid holidays per year.
- Annual Leave accrual per biweekly pay period:

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| 6 hours | 0-3 years of service |
| 8 hours | 3-15 years of service |
| 10 hours | 15 years and over |

Maximum annual leave carryover from year to year: 480 hours or 60 days.

Sick Leave accrues at 2 hours per biweekly pay period regardless of length of service. There is no accrual limit.

RAIL TRAVEL PROGRAM

Eligibility

Participation is voluntary. Non-Represented employees are eligible as of date of hire.

Cost

There is no cost for this program.

Plan of Benefits

Employees, their spouses or partners, dependent children, parents and parents-in-law may ride the Alaska Railroad for free on a space available basis. See Policy & Procedure 44-1 for more information on the Rail Travel Program.

SAME SEX PARTNER BENEFITS

The Alaska Railroad Corporation offers same sex partner benefits in most of its benefit plans for which spouses and/or dependent children are covered. In order to enroll a same sex partner and/or eligible dependent children, the benefits-eligible employee will need to submit an ARRC Same Sex Partner Affidavit and documentation to the ARRC Human Resources Department. If the required criteria are met (an "accepted" affidavit), the employee will be able to enroll a same sex partner and/or eligible dependent children of the same sex partner in the applicable benefit plans.

Please contact the ARRC Human Resources Department for additional information and forms.

ARRC TRAINING AND DEVELOPMENT PROGRAM

Eligibility

Participation is open to all but Special Services employees.

Cost

There is no cost to the employee for on-the-job training, courses in the ARRC curriculum or for external training authorized by the ARRC.

Plan of Benefits

The ARRC Training & Development Program is comprised of four components that offer opportunities to the motivated employee to expand his or her basic skills or professional knowledge:

1. On-the-Job Training
2. ARRC Curriculum
3. External Training

A Quarterly Training Calendar is published and posted on the HR pages of the Intranet. Details of the Educational Assistance Program are contained in Policy & Procedure 62-4. For information about these or other training and development topics, please visit the Learning Depot on the Intranet, HR pages, or contact the Manager of Training and Development at 265-2531.