This revision includes changes to the Alaska Railroad Corporation (ARRC) Pension Plan, through July 1, 2016. This revision supersedes the Alaska Railroad Corporation Pension Plan: Summary Plan Description document dated January 2016.
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Plan Highlights</td>
<td>2</td>
</tr>
<tr>
<td>Summary Plan Description</td>
<td>4</td>
</tr>
<tr>
<td>Who is Eligible to Participate</td>
<td>4</td>
</tr>
<tr>
<td>Pension Plan Costs</td>
<td>4</td>
</tr>
<tr>
<td>Vesting – Your Right to a Benefit</td>
<td>5</td>
</tr>
<tr>
<td>When You Can Receive Benefits</td>
<td>5</td>
</tr>
<tr>
<td>Understanding Your Retirement Benefit</td>
<td>6</td>
</tr>
<tr>
<td>Calculating Your Benefits</td>
<td>7</td>
</tr>
<tr>
<td>Normal Retirement Benefit - Tier 1</td>
<td>7</td>
</tr>
<tr>
<td>Normal Retirement Benefit - Tier 2</td>
<td>8</td>
</tr>
<tr>
<td>Early Retirement Benefit</td>
<td>8</td>
</tr>
<tr>
<td>Your Deferred Retirement Benefit if You Work Beyond Normal Retirement Age</td>
<td>10</td>
</tr>
<tr>
<td>If You are Vested and Terminate Employment Before Normal Retirement Age</td>
<td>10</td>
</tr>
<tr>
<td>Coordination with Social Security Benefits</td>
<td>10</td>
</tr>
<tr>
<td>Cost of Living Increases</td>
<td>11</td>
</tr>
<tr>
<td>Choosing a Form of Monthly Benefit Payment</td>
<td>11</td>
</tr>
<tr>
<td>Your Beneficiary</td>
<td>13</td>
</tr>
<tr>
<td>Qualified Domestic Relations Order (QDRO)</td>
<td>14</td>
</tr>
<tr>
<td>Re-employment After Retirement</td>
<td>14</td>
</tr>
<tr>
<td>In Case of Death</td>
<td>14</td>
</tr>
<tr>
<td>In Case of Disability</td>
<td>17</td>
</tr>
<tr>
<td>Leaving the Railroad Before Retirement</td>
<td>18</td>
</tr>
<tr>
<td>Re-employment</td>
<td>19</td>
</tr>
<tr>
<td>Absence Without Pay</td>
<td>20</td>
</tr>
<tr>
<td>Taxation of Your Payment</td>
<td>20</td>
</tr>
<tr>
<td>How to Request Retirement Benefits</td>
<td>20</td>
</tr>
<tr>
<td>If Your Claim for Benefits is Denied</td>
<td>21</td>
</tr>
<tr>
<td>Protection of Benefits</td>
<td>22</td>
</tr>
<tr>
<td>If the Plan Terminates</td>
<td>22</td>
</tr>
<tr>
<td>Limitations on Plan Benefits</td>
<td>22</td>
</tr>
<tr>
<td>Plan Document</td>
<td>22</td>
</tr>
<tr>
<td>Administrative Facts About Your Plan</td>
<td>23</td>
</tr>
<tr>
<td>Special Tax Notice Regarding Plan Payments</td>
<td>24</td>
</tr>
</tbody>
</table>
The Alaska Railroad Corporation Pension Plan (“Plan”), combined with your voluntary savings in the Tax Deferred 401(k) Savings Plan 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 your 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, Inc. (“Atéssa”). Atéssa an be contacted by phone, in writing, or by visiting them online:

Atéssa Benefits, Inc.
10815 Rancho Bernardo Rd., Suite 110
San Diego, CA 92127
888-309-0041
www.myatessa.com

Plan Representatives referred to in this document are the staff members located in the Alaska Railroad Corporation Human Resources Department including the Retirement Specialist and the Manager, ARRC Retirement Plans.

This booklet is for information purposes only. It is not an employment agreement and does not constitute a promise of future employment or unconditional benefits.
You are **required** to participate in the Plan if: 1) you are working for the Alaska Railroad Corporation (ARRC or 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 Pension Plan are exempt from Social Security taxes. While Social Security is not deducted from your pay, Medicare tax is withheld. TCU employees have a waiting period before being eligible for the Pension Plan so they pay into Social Security during that period of time.

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. 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, will participate in Tier 2 of the Pension Plan. All UTU employees first hired after March 3, 2016, and all IBT employees first hired after April 25, 2016, will also participate in Tier 2 of the Pension Plan.
Retirement Age is dependent on whether you are in Tier 1 or Tier 2 as follows:

<table>
<thead>
<tr>
<th></th>
<th>TIER 1</th>
<th>TIER 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Retirement Age</td>
<td>62</td>
<td>65</td>
</tr>
<tr>
<td>Early Unreduced Retirement Age</td>
<td>58</td>
<td>N/A</td>
</tr>
<tr>
<td>Early Retirement Age</td>
<td>55</td>
<td>60</td>
</tr>
</tbody>
</table>

The Normal Retirement Date is the first day of the month coinciding with or following the date you attain age 62 (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 (age 60 for Tier 2) with five years of Vesting service. Benefits will be reduced 0.5% for each month you retire before the Normal Retirement Date (see the table on Page 9).

Three forms of benefit payments are available: Single Life Annuity, 50% Joint and Survivor Annuity, and 100% 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 the cost of living increases based on 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 is available to your Spouse or beneficiary if you die before you retire. If you die after you retire, payments may be made to your Spouse if you elected a joint and survivor annuity payment. If the retirement benefits paid to you (when combined with those paid to your Spouse under a joint and survivor annuity form of payment, if applicable) are not at least actuarially equivalent to your contributions and accumulated interest, your beneficiary will receive a lump sum distribution of the excess contributions and accumulated interest.

Disability benefits are payable to you if you become totally and permanently disabled while you are working for the Railroad and are vested in your benefits under the Plan.

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

You are eligible and required to participate in this 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, or if you are an independent contractor or a leased employee.

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** — Brotherhood Railway Carmen Division Transportation Communications International Union, Far North Lodge, Local 6067
- **UTU** — United Transportation Union, Local 1626.

1 The eligibility waiting period for the TCU group is 1,056 subject-to-retirement Hours of Service. No waiting period applies to the other groups.

All ARW, TCU and Non-Represented employees hired for the first time after June 30, 2015, will participate in Tier 2 of the Pension Plan. All UTU employees first hired after March 3, 2016, and all IBT employees first hired after April 25, 2016, will also participate in Tier 2 of the Pension Plan.

In the event a Tier 2 Participant later transfers to a position covered by the ATDA union, he/she shall cease to be a Tier 2 Participant and shall become a Tier 1 Participant upon the date of transfer. An individual who is a Tier 1 Participant at any time shall never become a Tier 2 Participant.

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 13 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.

PENSION 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 6 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.
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 3-month Treasury rate. This rate will change every 6 months based on the rate on June 30th and December 31st of each year.

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 in the event 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 Alaska Railroad Corporation, 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 that periods of layoff, periods of temporary termination during an eligibility waiting period, and periods of temporary termination during 1985 and 1986 are not included if your benefits are governed by a collective bargaining agreement. 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. 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 (have at least five years of vesting service) but are not yet eligible to draw a retirement benefit, you can leave your contributions in the Plan and contact Atéssa or a Plan Representative to initiate your request for retirement benefits when you reach retirement age.

Retirement Age is dependent upon your participation in Tier 1 or Tier 2 of the Pension Plan as outlined in the following chart:

<table>
<thead>
<tr>
<th></th>
<th>TIER 1</th>
<th>TIER 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Retirement Age</td>
<td>62</td>
<td>65</td>
</tr>
<tr>
<td>Early Unreduced Retirement Age</td>
<td>58</td>
<td>N/A</td>
</tr>
<tr>
<td>Early Retirement Age</td>
<td>55</td>
<td>60</td>
</tr>
</tbody>
</table>

Early Retirement is an option if you have at least five years of vesting service and have met the applicable age requirements. However, if you retire early your benefit will be reduced. 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 7 for additional information.)
You can begin receiving benefits at the Plan’s 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.

If you are working for the Railroad, you can defer retirement and continue working past Normal Retirement Age while continuing to accrue retirement benefits. 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. Please note, however, that if you withdraw your contributions, you will not be entitled to a monthly retirement benefit. If you are considering this option, please contact Atéssa 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 age 70 ½, unless you are still working for the Railroad.

(Refer to “How to Request Retirement Benefits” on Page 20 for information on applying for benefits.)

UNDERSTANDING YOUR RETIREMENT BENEFIT

Your Pension Plan is a defined benefit plan—a plan designed to pay you a benefit which 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 which is a percentage of your Final Average Earnings based on your years of Credited Service. This type of plan is unlike the 401(k) Tax Deferred Savings Plan 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 savings plan.

- Credited Service: Is used to calculate your retirement benefit. Credited Service is earned 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 your 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 this Plan, your salary reduction contributions to any other ARRC benefit plan and differential wage payments for certain uniformed service. Earnings will not include employer contributions to this Plan or other 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** (“FAE”) are the highest average Earnings received by you 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:** A Single Life Annuity, 50% Joint and Survivor Annuity, and 100% Joint and Survivor Annuity are the three forms of monthly retirement benefit payments available under the Pension Plan. The examples in the next section show the benefit you will receive in the Single Life Annuity form of payment at Normal and Early Retirement Age. The forms of payment available are described in the section “Choosing a Form of Monthly Retirement Benefit Payment.” The form you choose will affect the amount of your monthly payment. The form of payment cannot be changed once payment begins.

• **Limitations on Benefits:** There are limits under federal tax law on 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:

$$2\% \times \text{Final Average Earnings} \times \text{all Credited Service},$$

PLUS

$$0.5\% \times \text{Final Average Earnings} \times \text{Credited Service that is earned after 2005 and after completing 10 Years of Credited Service}.$$
Example of a Tier 1 Retirement Benefit
Adam retires at age 62 on January 1, 2017. He has 22 years of Credited Service. Adam started working January 1, 1995, so he has 11 years of service prior to January 1, 2006, and 11 years after that.

His Earnings in 2014, 2015 and 2016 were $70,000, $73,000 and $77,000, respectively. By adding these three earnings figures, dividing by three, 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’s how the benefit formula works for Adam’s benefit calculation:

<table>
<thead>
<tr>
<th>Formula</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2% x $6,111.11 x 22 Years</td>
<td>$2,688.89</td>
</tr>
<tr>
<td>+ .5% x $6,111.11 x 11 Years</td>
<td>$336.11</td>
</tr>
<tr>
<td>Adam’s monthly benefit</td>
<td>$3,025.00</td>
</tr>
<tr>
<td>Adam’s annual benefit</td>
<td>$36,300.00</td>
</tr>
</tbody>
</table>

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, so he has 15 years of Credited Service.

His Earnings in 2027, 2028 and 2029 were $88,000, $91,000 and $95,000, respectively. By adding these three earnings figures, dividing by three, and multiplying by 1/12, we have Aaron’s Final Average Earnings of $7,611.11. These three years produce his highest Final Average Earnings.

Here’s how the benefit formula works for Aaron’s benefit calculation:

<table>
<thead>
<tr>
<th>Formula</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2% x $7,611.11 x 15 Years</td>
<td>$2,283.33</td>
</tr>
<tr>
<td>Aaron’s monthly benefit</td>
<td>$2,283.33</td>
</tr>
<tr>
<td>Aaron’s annual benefit</td>
<td>$27,399.96</td>
</tr>
</tbody>
</table>

Early Retirement Benefit
If you have at least five years of vesting service and decide to retire early and commence receiving your benefit, you will qualify for an Early Retirement Benefit. Your Early Retirement Benefit will be calculated in the same way as a Normal Retirement Benefit, but will be reduced for early commencement. 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 I – Early Retirement

<table>
<thead>
<tr>
<th>YEARS PRIOR TO NORMAL RETIREMENT DATE</th>
<th>TIER 1 PARTICIPANT</th>
<th>TIER 2 PARTICIPANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>1</td>
<td>100%</td>
<td>94%</td>
</tr>
<tr>
<td>2</td>
<td>100%</td>
<td>88%</td>
</tr>
<tr>
<td>3</td>
<td>100%</td>
<td>82%</td>
</tr>
<tr>
<td>4</td>
<td>100%</td>
<td>76%</td>
</tr>
<tr>
<td>5</td>
<td>94%</td>
<td>70%</td>
</tr>
<tr>
<td>6</td>
<td>88%</td>
<td>N/A</td>
</tr>
<tr>
<td>7</td>
<td>82%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**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 I, 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%.

Let’s say Adam, the employee we used in the Tier 1 Normal Retirement Benefit example, had retired early at age 55 in 2010. Since he retired earlier, his Final Average Earnings were lower. Assuming Adam’s Final Average Earnings were $4,500 per month, and since his Credited Service was only 15 years, we calculate his monthly Normal Retirement Benefit as follows:

\[
\text{2\% x \$4,500 x 15 Years} = 1,350.00 \\
+ \quad 0.5\% x \$4,500 x 4 \text{ Years} = \$90.00 \\
\text{Adam's monthly benefit} = \$1,440.00
\]

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

\[
\$1,440.00 \times 82\% = \$1,180.80
\]

Adam’s annual Early Retirement Benefit is

\[
\$1,180.80 \times 12 = \$14,169.60
\]

**Early Retirement Benefit – Tier 2**

If you commence your Early Retirement Benefit between your 60th birthday and your 65th birthday, the reduction will be .5% for each full or partial month by which your Early Retirement Date precedes your 65th birthday.

Let’s say Aaron, the employee we used in the Tier 2 Normal Retirement Benefit sample, had retired early at age 60 in 2025. Since he retired earlier, his Final Average Earnings were lower.
Assuming Aaron’s Final Average Earnings were $6,000 per month, and since his Credited Service was only 10 years, we calculate his monthly Normal Retirement Benefit as follows:

\[ 2\% \times 6,000 \times 10 \text{ Years} = 1,200.00 \]

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

\[ 1,200.00 \times 70\% = 840.00 \]

Aaron’s annual Early Retirement Benefit is $840.00 \times 12 = 10,080.00

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 continue to 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 (i.e., you have completed five years of vesting service), you are eligible to receive a 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’s contact information on Page 20.)

Coordination With Social Security Benefits
If you are eligible for Social Security retirement or disability benefits based on work other than at Alaska Railroad and you are receiving a retirement benefit from this Plan, your Social Security benefit may be reduced. That is because the ARRC Plan is a “government” 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, please contact the Social Security Administration at 800-772-1213, or visit their website at [www.socialsecurity.gov](http://www.socialsecurity.gov).

---

**COST OF LIVING INCREASES (TIER 1 ONLY)**

Once Tier 1 participants are receiving 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 (“CPI”) 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, death, and disability, and 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 Pension 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.

• **100% Joint and Survivor Annuity** – Your Spouse is the joint annuitant for this form of payment. It is also an optional form of payment if you are Married.

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 don’t 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 Atéssé for more details.

**Forms of Payment**

The Plan provides for different forms of payment from which to choose. All of the
payment options are payable for the retiree’s lifetime. 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, 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 any of the Spouse Options because it does not pay a pension 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, your surviving Spouse will receive monthly payments for life equal to 50% of the amount you were receiving. This continued benefit will only be paid if you are survived by the Spouse to whom you were married at the time you retired and these monthly payments will be paid as long as he or she lives. If your Spouse dies before you die, you will continue to receive the same reduced monthly payments during your lifetime and no benefits will be payable after your death. If both you and your Spouse die before receiving the full value of your contributions plus interest at the time you retired, 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, your surviving Spouse will receive monthly payments for life equal to 100% of the benefit that you were receiving. This continued benefit will only be paid if you are survived by the Spouse to whom you were married at the time you retired and these monthly payments will be paid as long as he or she lives. If your Spouse dies before you die, you will continue to receive the same reduced monthly payments during your lifetime and no benefits will be payable after your death. If both you and your Spouse die before receiving the full value of your contributions plus interest at the time you retired, 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:

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

Regardless of which option Joanna chooses, if the full value of her contributions plus interest at her retirement date is not paid out in monthly benefits to either her or her Spouse, the balance less the Actuarial Equivalent of any Retirement Benefit paid prior to death will be paid 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 2-3 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 Atéssé and a Plan Representative 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. Beneficiary Designation forms can be requested from Atéssé or completed online at www.myatessa.com. You can also obtain a form from a Plan Representative.

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

If you die without naming a beneficiary or your named beneficiary does not survive you, or your named beneficiary cannot be located within six months after your death, any lump sum payment will be paid to the following in the order named:

1) Your Spouse.
2) Your estate.
**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 IRS regulations. Generally, a QDRO is a judgment, 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. QDRO’s must meet the requirements of the Plan. For a free copy of the Plan’s written procedures on Qualified Domestic Relations Orders, contact a Plan Representative.

**RE-EMPLOYMENT AFTER RETIREMENT**

If you retire and later return to work for the Railroad, you will 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, 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 will be paid in the form of payment you elect following your subsequent termination.

**IN CASE OF DEATH**

**If You Die After 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 Spouse designated at the time your benefits commenced, if he or she survives you, based on the form of benefit payment you selected. If both you and your Spouse die before the total of the benefits paid is actuarially equivalent to the amount of your contributions plus interest, 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, the difference will be paid to your beneficiary in a single lump sum payment.

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

**If You Die Before 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.

- **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 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 Spouse will receive a lifetime monthly benefit. Prior to your Normal Retirement Date, your 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.

After your Normal Retirement Date, your 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’s an example:
Jake, who is Married, died at age 49 in 2015 while employed by the Railroad. He had 12 years of Credited Service. His Earnings in 2012, 2013 and 2014 were $57,000, $59,000 and $61,000, respectively (and these were his highest three years of Earnings), so his Final Average Earnings are $4,916.67. Jake’s Earnings during the last calendar year preceding the year in which he died are greater than his Final Average Earnings, so his Spouse’s benefit will be based upon the higher figure. Jake’s surviving Spouse will, therefore, receive $2,033.33 per month, calculated as follows:

\[
40\% \times $61,000 \div 12 = $2,033.33
\]

When Jake would have turned age 62, the benefits payable to Jake’s surviving Spouse will be $983.34 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:

\[
2\% \times \text{Final Average Earnings} \times \text{Credited Service} \\
\text{PLUS} \\
.5\% \times \text{Final Average Earnings} \times \text{Credited Service earned after 2005 and after completing 10 Years of Credited Service} \\
\times 100\% \text{ Joint and Survivor Annuity Factor of 80}\%
\]

\[
2\% \times $4,916.67 \times 12 \text{ Years} = $1,180.00 \\
+.5\% \times $4,916.67 \times 2 \text{ Years} = $49.17 \\
$1,229.17 \\
$1,229.17 \times 80\% = $983.34
\]

Note that in this example, the amount of the death benefit is substantially reduced on the date that Jake would have attained age 62. Jake would have to have nearly 20 years of service for the death benefit at his Normal Retirement Age to equal the earlier benefit.
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 payable to your Spouse. Your 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, benefits are available from the first of the month following the later of your date of death or your 55th birthday. However, your 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.

- 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 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 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 Spouse’s death.

  In lieu of monthly death benefits, your Spouse may elect to receive a death benefit equal to the value of the Participant’s Account balance paid in a single lump sum payment as soon as administratively feasible after the participant’s death, and not later than the fifth anniversary of the participant’s death.

  Please see “Normal Retirement Benefit – Tier 2” on Page 8 for an example calculation.

- If you are no longer employed with ARRC and are not receiving a disability benefit, a death benefit is payable to your Spouse. Your 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, unreduced for early retirement, on the 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 death or your 60th birthday. However, your Spouse can elect monthly payments to start any time after that date up to your Normal Retirement Date.

  In lieu of monthly death benefits, your Spouse may elect to receive a death benefit equal to the value of the Participant’s Account balance paid in a single lump sum payment as soon as administratively feasible after the participant’s death, and not later than the fifth anniversary of the participant’s death.
IN CASE OF DISABILITY

If you become disabled, you may be eligible for disability benefits.

- **Under the Plan, being “Disabled” means you have not reached your Normal Retirement Date, and you have a physical or mental condition:**
  1) which has existed for at least six months and become fixed;
  2) which renders you permanently incapable of continuing in your job or any other Railroad job which pays at least 80% of your annualized Earnings for the year in which you became Disabled;
  3) which, in the opinion of a qualified physician appointed by the Tax Deferred Savings and Pension Committee, will be permanent and continuous during the remainder of your lifetime; and
  4) which did not result from engaging in felonious activity.

Disability benefits you receive from the Plan are further reduced 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 asked to provide information such as annual income tax filings to show the other income you have received. You will be responsible for notifying a Plan Representative if you go back to work or have income that would offset your disability benefit. In addition, if you receive Other Income that causes your benefit in any Plan Year to exceed the income limitation, the Plan will recover any overpayment. This will be accomplished, preferably, by direct repayment from you or as a reduction of your future benefits.

This “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.
- Unemployment compensation.
- Disability or workers’ compensation benefits.
- Social Security benefits.
- Benefits from a group insurance or pension plan.
- No-fault wage replacement benefits.

“Other Income” benefits include those which 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 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 become Disabled before retiring or terminating employment, you will receive a monthly 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 satisfied the definition of Disabled, and continue until the earlier of the date you are no longer Disabled, your Normal Retirement Date, or the date you die.

At your Normal Retirement Date, your disability benefit will cease and a Normal
Retirement Benefit will be calculated under the Plan formula based on your Credited Service and Earnings at the time you terminated employment. Neither Credited Service nor Earnings accrue while you are receiving a disability benefit. The forms of payment available are described in the section “Choosing a Form of Monthly Benefit Payment.”

*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 your employment,* you are not considered Disabled under the terms of the Plan, and no disability benefits would be payable from this 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 eligible to receive a refund of your contributions plus interest, in a lump sum payment.

**Disability Benefits – Tier 2**

If you are vested and become Disabled before retiring or terminating employment, you will receive a monthly 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 satisfied the definition of Disabled, terminate employment and request Disability benefits and ending on the earlier of the date you cease to be disabled, your Normal Retirement Date or the date you die.

At your Normal Retirement Date, your disability benefit will cease and a Normal Retirement Benefit will be calculated under the Plan formula based on your Credited Service and Earnings at the time you terminated employment. Neither Credited Service nor Earnings accrue while you are receiving a disability benefit. The forms of payment available are described in the section “Choosing a Form of Monthly Benefit Payment.”

**LEAVING THE RAILROAD BEFORE RETIREMENT**

If you leave the Railroad before retirement, and have a balance greater than $1,000 in your contribution account, you will continue to earn interest on your contributions until you request payment. Your eligibility for a monthly benefit will depend on whether or not you are vested.

You may decide to leave your contributions in the Plan.

- If you are vested but are not yet eligible to draw a retirement benefit, 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 later. However, the Deferred Retirement Date shall not be later than April 1 following the date you attain age 70½. 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 are a union employee, you will have to satisfy any eligibility period required by your union contract.

- If you leave and are rehired, and you left your contributions in the Plan, the benefits and service you earned 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 the interest credited on your contributions 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 are entitled only to your own contributions, plus interest, payable in a lump sum.

- If you withdraw your contributions and are rehired, your Credited Service 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 your contribution account balance is $1,000 or less, you are required to withdraw your contributions plus interest in a 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 age 70½, unless you are still working for the Railroad.

To withdraw your contributions, contact Atéssa at least 30 days before you wish to receive the withdrawal. Contact information for Atéssa can be found on Page 20 of this booklet. Such payment will be in place of any future Plan benefits and results in a forfeiture of all Credited Service.

The written consent of your Spouse is required if you elect a refund. 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 to make sure you understand your options and the consequences.

---

**RE-EMPLOYMENT**

When you are re-employed, you automatically become a participant in this Plan if you are eligible (see “Who is Eligible to Participate”). If you are a union employee, you will have to satisfy any eligibility period required by your union contract.

- If you are rehired and you did not withdraw your own contributions, your 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 own contributions, your “vesting service” will be reinstated. Your Credited Service can be reinstated 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 payable 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 7.5%). 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 Code Section 457 or a tax-deferred annuity under Code Section 403(b), or through a rollover from a 401(k) plan or an IRA on a pre-tax basis. 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 pro-rated credited service. (Keep in mind that you must be vested with five years of vesting service in order to receive a monthly pension benefit under the Plan.) 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 USERRA). Contact a Plan Representative for details.

**TAXATION OF YOUR PAYMENT**

Since you have not paid taxes on either your own contributions or those the Railroad has made to the Plan, you will be taxed on these contributions when they are paid to you as monthly retirement benefits.

If you elect to take a refund of your own contributions plus interest after you leave the Railroad, the refund will be considered taxable earnings. The “Special Tax Notice Regarding Plan Payments” enclosed with this Summary Plan Description 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 this Plan.

**HOW TO REQUEST RETIREMENT BENEFITS**

To receive your benefits from the Plan, you must contact Atéssa by phone, in writing, or by visiting them online:

Atéssa Benefits, Inc.
10815 Rancho Bernardo Rd., Suite 110
San Diego, CA 92127
888-309-0041
www.myatessa.com

**REQUEST BY PHONE:** When you contact Atéssa, they will send you a retirement packet that will include a projection estimating your monthly benefit and the different payment options available to you under the Plan.

**REQUEST ONLINE:** When you log on to www.myatessa.com, you have the capability to request a retirement packet online. Your retirement packet will be mailed to you and will include a projection estimating your monthly benefit and the different payment options available to you under the Plan. Once you have reviewed your retirement packet and available payment options, made a decision, and completed the forms, you and your spouse, if applicable, must have your signatures notarized by a notary public or a...
Plan Representative. Return your completed retirement packet, along with the required original or certified documentation (e.g. birth certificate, marriage certificate, divorce decree, etc.) to Atéssa. 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 packet.

**TIMING:** You must give Atéssa at least a 30-day notice, but not more than a 90-day notice due to federal regulations, of your intent to retire and your desired retirement date so all administrative details can be accomplished.

Your retirement packet expires 90 days from the date it was printed. If you do not return your retirement packet within that 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. When this occurs, you will be notified by Atéssa or a Plan Representative of the special circumstances requiring the extension. 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 will mail a true-up letter 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. 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 Tax Deferred Savings and Pension 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.

A decision on your appeal will be given to you as soon as possible. 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 retirement or termination. 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 state domestic relations orders that satisfy the Qualified Domestic Relations Order (QDRO) requirements of federal tax law is allowed. A “domestic relations order” is a judgment, decree or order that relates to child support, alimony payments, or marital property rights.

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 Tax Deferred Savings and Pension Committee.

Plan assets, at the discretion of the Tax Deferred Savings and Pension 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 which 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. Of course, the booklet cannot cover every circumstance as it would 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, please contact a Plan Representative. Please read your booklet carefully and keep it for future use.
# Administrative Facts About Your Plan

<table>
<thead>
<tr>
<th><strong>Plan Name:</strong></th>
<th>Alaska Railroad Corporation Pension Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan Number:</strong></td>
<td>001</td>
</tr>
<tr>
<td><strong>Type of Plan:</strong></td>
<td>Defined Benefit</td>
</tr>
<tr>
<td><strong>Plan Fiscal Year:</strong></td>
<td>January 1 - December 31</td>
</tr>
<tr>
<td><strong>Plan Effective Date:</strong></td>
<td>September 1, 1985</td>
</tr>
<tr>
<td><strong>Plan Sponsor and Employer:</strong></td>
<td>Alaska Railroad Corporation</td>
</tr>
<tr>
<td><strong>Sponsor's Identification Number:</strong></td>
<td>920020624</td>
</tr>
<tr>
<td><strong>Plan Administrator:</strong></td>
<td>Tax Deferred Savings and Pension Committee Alaska Railroad Corporation P. O. Box 107500 Anchorage, AK 995107500</td>
</tr>
<tr>
<td><strong>Recordkeeper:</strong></td>
<td>Atéssa Benefits, Inc. 10815 Rancho Bernardo Rd., Suite 110 San Diego, CA 92127 888-309-0041 <a href="http://www.myatessa.com">www.myatessa.com</a></td>
</tr>
<tr>
<td><strong>Funding of the Plan:</strong></td>
<td>The Railroad and its employees make contributions to the Plan.</td>
</tr>
<tr>
<td><strong>Plan Trustee:</strong></td>
<td>Wells Fargo Bank Alaska Institutional Trust Services 301 W. Northern Lights Blvd., Suite 404 Anchorage, AK 99503-2648</td>
</tr>
<tr>
<td><strong>Agent for Legal Process:</strong></td>
<td>General Counsel Alaska Railroad Corporation P. O. Box 107500 Anchorage, AK 99510-7500</td>
</tr>
<tr>
<td><strong>Claims Administrator:</strong></td>
<td>Manager, ARRC Retirement Plans and Retirement Specialist Alaska Railroad Corporation P.O. Box 107500 Anchorage, AK 99510-7500 907-265-2346, 907-265-2273</td>
</tr>
</tbody>
</table>
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 help you decide whether to do such a rollover.

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 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 (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 applies).
Where may I roll over the payment?
You may roll over the 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, no spousal consent rules apply to IRAs 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 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 by making a deposit into an IRA or eligible employer plan that will accept it. 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. Any payment from the Plan is eligible for rollover, except:

- Certain payments spread over a period of at least 10 years or over your life or life expectancy (or the lives or joint life expectancy of you and your beneficiary)
- Required minimum distributions after age 70½; (or after death)
- Corrective distributions of contributions that exceed tax law limitations

The Plan administrator or the Plan 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 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 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
- 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 lives or joint life expectancy of you and your beneficiary)
- Payments from a governmental defined benefit pension plan made after you separate from service if you are a public safety employee and you are at least age 50 in the year of the separation
- 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
• Payments made under a qualified domestic relations order (QDRO)
• Payments up to the amount of your deductible medical expenses
• Certain payments made while you are on active duty if you were a member of a reserve component called to duty after September 11, 2001 for more than 179 days

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 from the IRA, 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:

• There is no exception for payments after separation from service that are made after age 55.
• 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).
• 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.
• There are additional exceptions for (1) payments for qualified higher education expenses, (2) payments up to $10,000 used in a qualified first-time home purchase, and (3) payments 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 describe any State or local income tax rules (including withholding rules).

SPECIAL RULES AND OPTIONS

If your payment includes after-tax contributions

After-tax contributions included in a payment are not taxed. If a payment is only part of your benefit, an allocable portion of your after-tax contributions is generally included in the payment. If you have pre-1987 after-tax contributions maintained in a separate account, a special rule may apply to determine whether the after-tax contributions are included in a payment.

You may roll over to an IRA a payment that includes after-tax contributions through either a direct rollover or a 60-day rollover. You must keep track of the aggregate amount of the after-tax contributions in all of your IRAs (in order to determine your taxable income for later payments from the IRAs). If you do a direct rollover of only a portion of the amount paid from the Plan and a portion is paid to you, each of the payments will include an allocable portion of the after-tax contributions. If you do a 60-day rollover to an IRA of only a portion of the payment made to you, the after-tax contributions are treated as rolled over last. For example, assume you are receiving a complete distribution of your benefit which totals $12,000, of which $2,000 is after-tax contributions. In this case, if you roll over
$10,000 to an IRA in a 60-day rollover, no amount is taxable because the $2,000 amount not rolled over is treated as being after-tax contributions.

You may roll over to an employer plan all of a payment that includes after-tax contributions, but only through a direct rollover (and only if the receiving plan separately accounts for after-tax contributions and is not a governmental section 457(b) plan). You can do a 60-day rollover to an employer plan of part of a payment that includes after-tax contributions, but only up to the amount of the payment that would be taxable if not rolled over.

**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. To apply for a waiver, 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, 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 the payment 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. However, the 10% additional income tax on early distributions will not apply (unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover).

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, Individual Retirement Arrangements (IRAs).

You cannot roll over a payment from the Plan to a designated Roth account in an employer plan.

If you are not a Plan participant
Payments after death of the participant.
If you receive a distribution after the participant's death that you do not roll over, the distribution will generally 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 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 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 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 qualified domestic relations order. If you are the Spouse or former Spouse of the participant who receives a payment from the Plan under a qualified domestic relations order (QDRO), you generally have the same options 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). 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
If a payment is one in a series of payments for less than 10 years, your choice whether to make a direct rollover will apply to all later payments in the series (unless you make a different choice for later payments).

If your payments for the year are less than $200 (not including payments from a designated Roth account in the Plan), the Plan is not required to allow you to do a direct rollover and is not required to withhold for federal income taxes. However, you may do a 60-day rollover.

You may have special rollover rights if you recently served in the U.S. Armed Forces. For more information, see IRS Publication 3, Armed Forces’ Tax Guide.

FOR MORE INFORMATION
You may wish to consult with the Plan administrator or Plan Recordkeeper, or a professional tax advisor, before taking a 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, Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, on the web at www.irs.gov, or by calling 800-TAX-FORM.