

LETTER OF AGREEMENT
between the
STATE OF ALASKA
and the
MARINE ENGINEERS' BENEFICIAL ASSOCIATION

Re: Wage Reallocation to Pension Plan

12 - BB - 123

This Letter of Agreement ("LOA") is made as of May 25, 2012, between the State of Alaska, Alaska Marine Highway ("State"), and District No. 1 Marine Engineers' Beneficial Association - PCD ("Union").

WHEREAS, the State and Union are parties to a Master Collective Bargaining Agreement ("CBA"), an agreement that includes all Supplemental Agreements, Letters of Agreement, arbitration awards and Appendix A to the Master Agreement, and;

WHEREAS, pursuant to the CBA, the State and Union have engaged in good-faith discussions based on change circumstances pertaining to the manner in which the State will make contributions to the MEBA Pension Plan requirements set out in Rule 28 of the CBA, and;

WHEREAS, the State and the Union desire to provide written certainty related to the manner in which the State will make contributions to the pension plan.

NOW THEREFORE, the State and Union hereby agree as follows.

1. DURATION OF AGREEMENT

This agreement which consists of the CBA, as modified by this LOA, shall be coterminous with the 2011-2014 Master CBA between the parties.

Unless otherwise specifically provided herein, this LOA shall become effective upon execution by both parties.

2. MEBA PENSION PLAN—REALLOCATION OF WAGES TO RULE 28 BENEFITS

(a) The State will continue making pension payments set forth in Rule 28 of the current CBA, including the payments for the Money Purchase Benefit. Payment of the existing pension benefits specified in Rule 28 shall be made directly to MEBA Plans for allocation by the Trustees of MEBA Plans.

(b) In addition to making the pension payments outlined in Rule 28 of the current CBA, commencing as soon as is practicable, the State will also contribute an amount equal to 11.7% of Employees' Gross Wages ("Gross Wages" for purposes of this agreement are the pay types listed in the attachment marked "Exhibit A"), to the MEBA Pension Plan. Employees will receive reduced wages equal to 88.3% of gross wages to offset the cost of such pension contributions, an

amount the State of Alaska, Division of Finance has calculated to be 89.52% in order to obtain an effective yield of 88.3% when applied to the Gross Wages.

(c) In order to maintain the existing monetary terms of the current CBA on a cost-neutral basis for the State of Alaska and MEBA with regard to the payment of the Money Purchase Benefit contribution made by the State of Alaska to be paid commencing July 1, 2013, the State of Alaska and MEBA agree to meet and confer, as necessary, and settle on a percentage rate to be used for the Money Purchase Benefit on or before March 15, 2013.

(d) For purposes of this agreement, cost savings that accrue to the State of Alaska the State of Alaska as a result of decreased payments to the Supplemental Benefit System based on wage reallocation calculation applied to the Gross Wage paid to employees covered by the CBA shall be applied by the State of Alaska to the MEBA retiree health fund.

3. ADDITIONAL PROVISIONS

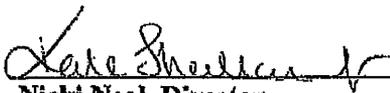
(a) This agreement is entered into solely to address the specific circumstances of this particular situation. It does not establish any practice or precedent between the parties. This agreement shall not be referred to in any other dispute, grievance, arbitration, hearing, negotiations nor any other forum, except as may be necessary for the execution of its terms.

(b) Except as expressly modified by this LOA, all other terms and conditions of employment of the CBA s remain in full force and effect.

(c) Rule 28.05(A) is amended as follows: Pay types reported to MEBA Plans for pension wage calculation purposes shall be the pay types listed in the attachment marked "Exhibit B"),

FOR THE STATE OF ALASKA:

**FOR THE MARINE ENGINEERS'
BENEFICIAL ASSOCIATION:**



Nicki Neal, Director
Division of Personnel/Labor
Department of Administration



Dave Nashif,
Seattle Branch Agent
District 1, MEBA (PCD)

5/24/12
Date

5/25/12
Date