STATE OF ALASKA

SUPPLEMENTAL ANNUITY PLAN 2014

Plan Information

Table of Contents

State of Alaska Supplemental Annuity Plan 1

Welcome 1
What is the Alaska Supplemental Annuity Plan? 1

General Information 1

The Board 1
The Plan Administrator 2
Great-West Retirement Services 2

Introduction 3

Who is eligible to be in the plan? 3
How are contributions to the plan determined? 3
Can I rollover funds into my SBS-AP? 3

Managing Your Plan 3

Choosing Investment Funds 3
Fund Management 3
How Do I Get Investment Advice From the Plan? 4
Managed Account Service (Do-It-For-Me): 4
Advice (Help-Me-Do-It): 4
Guidance (Do-It-Myself): 4

Accessing Your Account 5

Telephone Access Using KeyTalk® 5
Internet Access 5

Making Investment Transactions 5

Received Date 5
Transaction Settlement Time 6
Important Note 6

Administrative Expenses and Fees 7

Rights of Spouses and Beneficiaries 9

Your Beneficiary Designation is IMPORTANT! 9
Death Benefits 9
Spouse Beneficiary 9
Non-Spouse Beneficiary 9
Married but Electing Non-Spouse Beneficiary 10
Affects of Divorce 10
Naming Multiple Beneficiaries 10
No Beneficiary Designation on File 10
Leaving Benefits to Minor Children 10
Estates/Trusts 11

Distribution From the Plan 11
Account Withdrawals 11
Things to Consider 12
Withdrawal Options 12
Direct Transfer/Rollover 13
How to Elect a Form of Payment 13
Tax Withholding and Penalties 14

Communicating with the Plan 17
Confidentiality 17
Moving 17
Services Contacts 17
Conclusion 18

Glossary 19
State of Alaska 22

Alaska Supplemental Annuity Plan Document D-1

State of Alaska Supplemental Annuity Plan

Welcome

Welcome to the State of Alaska Supplemental Annuity Plan! This handbook provides a brief overview which will explain how your plan works and how to manage your investment options. It also provides information for eventual distribution from the plan.

What is the Alaska Supplemental Annuity Plan?

The Alaska Supplemental Annuity Plan (SBS-AP) is a defined contribution plan governed by section 401(a) of the Internal Revenue Code. Your employer has elected to participate in this plan in lieu of Social Security.

Your employer contributes a mandatory portion of your income before it is taxed. The amount set aside, plus any change in value (interest, gains, and losses), is payable to you or your beneficiary at a future date. Your wages will be reduced by a certain amount. This money, along with contributions from your employer, will then be placed into the plan.

General Information

The Board

In accordance with AS 37.10.210, the Alaska Retirement Management Board (ARMB) is authorized to select the investment options available to participants. The board is made up of two trustees who are commissioners, and seven other trustees that are appointed by the governor. The trustees must have competence in investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis. The trustees, except the two commissioners, serve four year staggered terms and may be reappointed to the board. The commissioners serve as long as they are commissioners. The board is comprised of the following trustees:

- The Commissioner of Administration and the Commissioner of Revenue
- Two trustees who are members of the general public
- One trustee who is a finance officer for a political subdivision participating in either PERS or TRS
- Two trustees who are members of the PERS, selected from a list of four nominees submitted by PERS bargaining units
- Two trustees who are members of the TRS, selected from a list of four nominees submitted by teachers' bargaining units

The ARMB is the fiduciary, or the legal entity responsible for the management, for your Alaska Supplemental Annuity Plan and is responsible for selecting the investment funds and managers. Investment managers go through a rigorous screening process and are all high-quality firms with significant investment expertise.

Your ARMB trustees have relevant professional experience and a staff of investment professionals to assist them. In addition, the board, consultants, and investment staff continually monitor all investment options and managers to ensure they are achieving their performance targets or (benchmarks).

The Plan Administrator

The Alaska Supplemental Annuity Plan is administered by the Division of Retirement and Benefits. The plan administrator is the director of the Division. The plan administrator is responsible for interpretation of the Internal Revenue Code governing this plan. The plan administrator has sole discretion, authority, and responsibility to interpret the plan document and to determine the options available to the participants and beneficiaries. A decision of the plan administrator is binding.

Decisions of the plan administrator can be appealed to the Office of Administrative Hearings (OAH) where an administrative law judge is assigned to hear the appeal. Final decisions by the administrative law judge can be appealed to the Alaska Superior Court.

Great-West Retirement Services

The State of Alaska has contracted with Great-West Retirement Services (Great-West) to provide recordkeeping, financial advice and financial education services for the Alaska Supplemental Annuity Plan. Great-West does not provide any investment options in the plan and receives no commissions based on their recommendations. Great-West is responsible for:

- Maintaining the participant's individual accounts and providing account statements at the end of each quarter.
- **Providing financial education to Alaska Supplemental Annuity Plan participants.** Participants can receive information on the investment options and discuss investment concepts and retirement planning considerations with Great-West representatives based in Anchorage. Great-West representatives travel to different areas of the state providing informational seminars and one-on-one counseling. Educational seminars are also available on the Great-West web site at www.akdrb.com.
- Providing investment advice. Investment advice is provided by a wholly owned subsidiary of Great-West Retirement Services, Advised Assets Group (AAG). Through AAG you are offered access to three different levels of investment advisory tools and services called Reality Investing℠.
- Providing 24 hour per day, 7 days per week access to information and financial education. Service is provided through the Great-West Web site at www.akdrb.com or by telephone through KeyTalk. Great-West offers KeyTalk as a toll-free, touch-tone telephone service that allows you to access your account seven days a week, 24 hours a day (except between 10:00 p.m. Saturday and 10:00 a.m. Sunday, Alaska time.)

Introduction

Who is eligible to be in the plan?

Employees of the State of Alaska and 20 political subdivisions that have elected to be in the plan. If you work for an eligible employer, your employment status will determine whether you are required to contribute to this plan.

How are contributions to the plan determined?

Your SBS-AP account is credited with a gross contribution that consists of a reduction to your wages of 6.13% and a matching employer contribution of 6.13%. The total contribution is 12.26% of your payroll up to the current social security maximum wage base. This wage base changes yearly. Your personnel department or plan representative can tell you the current wage base in effect.

You cannot elect to contribute any wages above the 6.13% mandatory contribution amount.

Can I rollover funds into my SBS-AP?

For existing SBS-AP participants who have an account balance, direct rollovers are allowed into the SBS-AP from other qualified retirement plans. Qualified plans eligible for direct rollover into the SBS-AP include non-ROTH Individual Retirement Accounts as well as qualified 401(a), 403(b) plans as well as governmental 457(b) plans. Money transferred into the SBS-AP must be 100% pre-tax funds.

Managing Your Plan

Each payroll, your mandatory contribution will be deducted from your check and contributed to the Plan along with the matching employer contributions.

Choosing Investment Funds

The SBS-AP is a participant-directed plan. This means that you can choose from the investment options offered by the plan. You'll need to decide how to invest your contributions so your money will have the potential to grow as much as possible while keeping pace with inflation.

You choose the type of investment options you wish to participate in. Information regarding the investment objectives, fund management and risk level for each investment option are found on the Great West website at ww.akdrb.com under SBS Supplemental Annuity Plan. You may also review how the investment options have performed historically by accessing the information online. You have the choice of managing your investment account on your own by using the investment tools provided by the Plan, electing to receive financial advice offered by the plan, or by working with a private financial planner.

Fund Management

Fund management is based on the goals and objectives set for each fund option by the Alaska Retirement Management Board (ARMB). The fund options range from low, medium to high risk to meet participant objectives and risk tolerance. Fund managers work to meet the goals set out by the ARMB.

All investment options in the plan are variable options. They are affected by a combination of dividends, interest, and realized and unrealized gains and losses. Therefore, the rate of return you receive may increase or decrease as the market fluctuates. Investment returns are not guaranteed by the plan or the State of Alaska. Negative returns can result depending on market conditions.

For more detailed information related to specific funds, please refer to current Fund Overview Sheets. Fund Overview Sheets can be obtained through a client service representative at Great West at 1-800-232-0859, or on the Great-West website, at www.akdrb.com.

How Do I Get Investment Advice From the Plan?

As a participant in the Alaska Supplemental Annuity Plan you have access to three levels of investment advisory services called Reality Investing. Reality Investing is offered by Advised Assets Group (AAG), a wholly owned subsidiary of Great-West Retirement Services (GWRS), the plan record keeper. None of the investment options offered by the plan are owned, managed or sold by either AAG or GWRS. These companies provide independent record keeping and advice services and receive no compensation, other than the fees you may pay for the advice option you choose, for their recommendations.

Reality Investing offers you the ability to select a retirement planning strategy based on your comfort level with investing.

Managed Account Service (Do-It-For-Me):

Managed Account Service is geared toward participants who wish to have a qualified financial expert select among the available investment options and manage their retirement account for them. Managed Account participants may include other investment and savings information they may have from outside of the plan to assist in portfolio development. AAG uses this information to produce an investment strategy for your Plan contributions but cannot provide any advice regarding any assets you have outside of the Plan.

Participants receive a personalized investment portfolio that reflects the selected plan investment options, retirement time frame, different stages of your life and overall financial picture. Participants also receive progress reports and have an opportunity to update their financial information for more accurate portfolio development.

If you want to leave investing to the professionals, this service is for you. You supply the information about your goals and finances, and AAG will manage your account for you by making adjustments and transactions as required by the goals you have established. This service has an annual fee of 0.50% of your account balance.

Advice (Help-Me-Do-It):

If you prefer a hands-on approach to managing your account this service provides you recommendations that are personalized based on your own financial information. You receive a model portfolio which you can elect to implement, savings rate advice and income and wealth projections. You are responsible for seeking the advice and making adjustments to your investment account; adjustments are not automatic. This service has a fee of $25.00 per year for unlimited advice access.

Guidance (Do-It-Myself):

For those who understand how the market works and prefer to invest on their own, investment information is available to help you make well-educated investment decisions. This service is free.

Accessing Your Account

You can access your account information by telephone or online using the Internet.

Telephone Access Using KeyTalk®

KeyTalk® is a tollfree touchtone service that allows you access 7 days a week, 24 hours a day (except between 10 p.m. Saturday and 10 a.m. Sunday, Alaska time) to:

- Obtain your current account balance
- Obtain daily fund values
- Transfer funds from one investment option to another without submitting forms.
- Change allocations of future deposits without submitting forms.

To access KeyTalk®, call 800.232.0859. You will need a Personal Identification Number (PIN). This number is assigned to you when your account is first set up. After accessing KeyTalk® for the first time, you can customize your PIN to a number that is easy for you to remember by choosing the appropriate option from the KeyTalk® menu.

If you don't have access to a touchtone phone and want to make changes or obtain any of the information listed above, call the KeyTalk® number above and press "0". You will be transferred to a Client Service Representative. Client Service Representatives are available to assist you Monday – Friday, 5 a.m. to 5:30 p.m., Alaska time.

If you don't remember your PIN or cannot locate you PIN, please contact a Client Service Representative.

Internet Access

You can also use the Internet to conduct the same transactions and access your account information as you can do through KeyTalk®. You can do this by going to your account at www.akdrb.com. You will need your Great-West issued personal identification number (PIN) to access your account

Making Investment Transactions

If you choose to manage your own account, you may transfer all or a portion of your existing account balance among investment options on a daily basis, subject to the completion of prior transfers. There is no charge for transferring funds.

Transfers and reallocations between investment options may occur daily. Amounts transferred must be in whole percentages only, example; 33%, not 33.33%, or an amount in dollars and cents (e.g. $12,345.67).

When transferring funds between investment options, the timing of the transfer is determined by two things:

Received Date

- Transfer requests, either made through KeyTalk® or the Internet, received by GreatWest at or before 12:00 noon, Alaska time (or the market close, Alaska time, if earlier) of a business day are considered to be received on that day.

- Transfer requests received after 12:00 noon, Alaska time or requests received on a non-business day are considered to be received the following business day.

If you make your transfers on-line, you will be prompted to print your confirmation that includes your reference number after the transaction has finished. This is your only confirmation of your transaction.

You can look at "Completed Transfers" for fund transfers or "Allocation" for future contributions anytime after the next day to verify that the transaction was successful. The web history also contains the same information as the previous written confirmation.

If you are unable to print a confirmation and would like to obtain one, please call a Great-West Client Service Representative at 800.701.8255 or 800.232.0859.

Transaction Settlement Time

There are two major types of changes you can make to your account through KeyTalk®:

1. Transferring your existing assets among funds, and
2. Changing how your future contributions are allocated.

Please make sure you have selected the transaction that accomplishes the changes you would like to make.

When you place a transfer on a business day at or before 12:00 noon, Alaska Time, you will receive that day's closing "sell" price per unit (TransferOUT $s) and that day's closing "purchase" price per unit (TransferIN $s). This applies whether you place the transfer through KeyTalk®, a Great-West Client Service Representative, or the Great-West web site. Your transfer must be completed at or before 12:00 noon, Alaska Time.

The transfer confirmation must take place at or before 12:00 noon. Transfers that are started at or before 12:00 noon Alaska time, but are NOT completed at or before 12:00 noon Alaska time, will be processed the NEXT business day.

It can take up to five minutes, or more, to complete a transfer. You should not try to time your transfer just before the deadline hoping that it will finish in a minute or two. Phone delays, Internet delays, and heavy volume can interfere with completing a transfer. PLEASE take possible delays into account.

You may reallocate your new contributions to different investment options daily, but only the last one received prior to deposit of contributions will be used.

Important Note

If you call KeyTalk® to make changes to your account, please stay on the line until you hear your confirmation number. Write this number down and keep it on file for future reference. If you hang up before you hear your confirmation number, your transaction request may or may not (due to phone transmissions or computer delays) have been recorded for processing. Also, you will receive a written confirmation of your transaction in the mail. It is important for you to review this document for accuracy as soon as you receive it.

Administrative Expenses and Fees

Administrative fees cover the cost of plan administration, record keeping, production and mailing of statements, newsletters and educational material, legal costs, accounting, financial reporting, and all other costs related directly and indirectly to plan operations.

Expenses are charged to your account in order to cover the cost of administration of the plan.

There is an annual record keeping and administrative fee of .11% plus $35 for actively contributing participants; $25 for noncontributing members. The .11% administrative fee is assessed monthly at .009% (.11/12). This will be assessed to your individual account against all investment options. The fee is calculated on the prior month's ending balance and is assessed in the first week of the month. For example:

- The fees calculated on your March 31st account balance will be assessed in April.
- The fees calculated on your April 30th account balance will be assessed in May.
- The fees calculated on your May 31st account balance will be assessed in June.

The March, April, and May fees will be reflected on your June 30th statement.

The $35 annual fee for actively contributing participants; $25 for noncontributing members, will be assessed after the first payroll contribution has been processed each new calendar year. The charges are applied proportionately against all investment options in both the employee and employer accounts.

There are no front-end loads for investment. This means that there is no commission or sales charge applied at the time of the initial purchase.

In addition to the annual record keeping and administrative fee, some funds have annual investment expenses which vary depending upon the fund you choose. The returns are net of these costs. This means that the balance is the amount remaining after certain adjustments have been made for deductions or expenses.

There are no withdrawal fees for any benefits paid from this plan. All funds are subject to Federal Income Tax and any applicable state tax as they are paid out and federal tax penalties if they apply. Alaska Supplemental Annuity Plan monies can be transferred to another 401 (a), 401 (k), 403(b), or Governmental 457(b) Plan, a traditional IRA or to a Roth IRA.

The investment management fees associated with each option is available on the Investment Performance sheets.

Investment management fees are calculated daily and deducted from investment returns during the calculation of the "unit value." A "unit value" is the value of each unit you own in the fund. The number of units purchased by your contribution depends on the unit value at the time your contribution was made. After that the unit value fluctuates depending upon the value of the underlying securities in the fund portfolio. Funds are valued daily. To calculate the unit value, dividend distributions are added and investment fees are deducted from the net asset value of all underlying securities. The value of your investment on any given day is determined by multiplying the number of units you own by the unit value on that particular day.

Rights of Spouses and Beneficiaries

Your Beneficiary Designation is IMPORTANT!

In the event of your death, your account will be paid based on your most recent valid beneficiary designation on file. Great-West Retirement Services (Great-West) maintains your beneficiary designations for the Plan. Should you have any previous beneficiary designations on file with the Plan Administrator prior to 2009, they will remain in effect. You should update your beneficiaries with Great-West by logging on to your account at www.akdrb.com or if you wish to submit a written request, either contact Great-West at 800.232.0859 to request a form or download the form from the Division of Retirement and Benefits web site. Any changes submitted to Great-West will replace any prior designations you may have submitted to the Plan.

Your beneficiary designation will appear on your quarterly statements and in your online account.

Your beneficiary designation overrides your will. You may want to consult a financial advisor to help you sort out your estate-tax issues, as well as legal, tax and account-distribution issues facing your beneficiaries.

Death Benefits

If you die prior to receiving benefits, your beneficiary will receive the value of your account. A non-spouse beneficiary may elect a lump sum, partial lump sum, a five year annuity if started by December 31st of the year the participant died, or a lifetime annuity if started by December 31st of the year after the participant died, or they may defer the pay out of the benefits to a future date. This is subject to certain limitations stated in the Plan. If your beneficiary is not your surviving spouse, then your account must be paid in full within 5 years after your death unless the non-spouse beneficiary chooses a single life annuity pay out.

Spouse Beneficiary

If your beneficiary is your spouse they can defer payment by not submitting a Distribution/Direct Rollover Request form. Distribution must begin to occur no later than December 31 of the year in which you would have turned age 70½ . Spouse beneficiaries may elect any of the available forms of payment, including a joint and survivor annuity.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described above, paid in a direct rollover to an IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA or to an eligible employer plan. You have the same choices as the participant.

Non-Spouse Beneficiary

If your beneficiary is a non-spouse beneficiary, they must receive payment by December 31 of the calendar year containing the 5th anniversary of your death. Non-spouse beneficiaries will have 20% of their payment withheld for Federal taxes. To elect a different tax withholding amount they must select a lifetime disbursement option and complete a W-4P. Non-spouse beneficiaries may avoid the 20% tax by choosing to roll their payment into an “Inherited” IRA. Any required State tax withholding will also be taken from the payment.

Additionally, a non-spouse beneficiary can elect that the account be paid as direct rollover to a traditional IRA, which will be treated as an inherited IRA subject to the minimum distribution rules that apply to beneficiaries. Beginning January 1, 2008, you may choose a direct rollover to an

inherited Roth IRA. You cannot choose a direct rollover to an eligible employer plan, and you cannot roll over the payment yourself. (See "Leaving Benefits to Minor Children" below.)

If your beneficiary chooses to have the distribution PAID DIRECTLY to them, the mandatory withholding rules apply.

Married but Electing Non-Spouse Beneficiary

All married participants who name someone other than their spouse as the primary beneficiary for more than 50% are also required to complete the Spousal Consent section on the form.

Affects of Divorce

Except as required by a qualified domestic relations order, the cancellation of a spousal beneficiary will occur at the time of the participant's divorce or annulment from the designated spouse unless the participant specifically reaffirms the former spouse as a beneficiary by submitting a new beneficiary designation form to Great-West after the date of the divorce or annulment.

Naming Multiple Beneficiaries

If you name more than one beneficiary in the primary or contingent beneficiary category, the surviving beneficiaries in that category will share equally unless otherwise indicated. You can change the designated beneficiary by submitting a new beneficiary designation form at any time. If any information is missing, additional information may be required prior to recording the beneficiary designation. If your primary and contingent beneficiaries die before you do or you do not name a beneficiary, the amounts will be paid based on the terms of the Plan Document or appropriate state law.

In general, the rules briefly described above that apply to payments to participants also apply to payments to surviving spouses of participants and to spouses or former spouses who are "alternate payees." Note that although state law recognizes same-sex domestic partners, a spouse for federal tax law purposes must be a person of the opposite sex to whom you are married. You are an alternate payee if your interest in the Plan results from a "qualified domestic relations order," an order issued by a court, usually in connection with a divorce or legal separation.

No Beneficiary Designation on File

If no valid beneficiary designations exist, your account will be paid based on the Plans default provisions below:

1. Payments shall be made first to the surviving spouse, if the spouse survives the participant for 30 days;
2. If there is no surviving spouse, payments shall be made in equal parts to the surviving children, including adopted children, who survive the participant for 30 days;
3. If there are no surviving children, payments shall be made in equal parts to the surviving parents who survive the participant for 30 days; or
4. If there are no surviving parents, payments shall be made to the participant's estate.

Leaving Benefits to Minor Children

Payments that exceed $5,000 cannot be paid to a minor child who is the designated beneficiary. If the payment to a minor child exceeds $5,000, the guardian of the minor child must submit proof of a conservatorship to the Division and payment will be made to the conservatorship. If the benefit is less than $5,000 payment will be made to the guardian on behalf of the minor child.

Beneficiary payments cannot be paid out directly to a minor child under the age of 18 years. One of the most common questions is how best to leave an IRA to minor children if the parents die prematurely. You may want the money to be invested and administered by an adult fiduciary and used for the children's benefit until the child(ren) reach a suitable age to take responsibility.

You may want to consult with an attorney or financial planner on your estate planning.

Estates/Trusts

When an estate or a trust is named as a beneficiary, we must have a copy of the court document naming the personal representative of the estate or trustee of the trust. The affidavit of trust or a copy of the first and last pages of the trust must be on file in our office with the beneficiary form naming the trust as the beneficiary. If the estate is a default beneficiary, the personal representative papers can be sent in at the time of death.

Distribution From the Plan

Account Withdrawals

Funds may be withdrawn at any age in the event of:

- Separation from service (includes retirement)
- Death

You are not eligible to begin taking payment from the plan until you terminate state or participating political subdivision employment. In the event of your death, funds will be available to your beneficiary. Your money remains invested until your account balance is zero.

Withdrawals are made directly to you or your beneficiary or to another qualified plan on your behalf at your direction. There are only three recognized exceptions that would allow your account to be paid directly to another person or agency other than yourself. They are:

- An IRS Lien for unpaid taxes
- A Qualified Domestic Relations Order (QDRO) issued by a court of law
- An Order to Withhold and Deliver Property issued by the Child Support Services Division (CSSD)

QDROs must be approved and accepted by the plan before your account can be paid to your ex spouse—the alternate payee. You must arrange with the court to have a certified copy of the court order sent to us. The courts do not automatically send these documents. Payments to an alternate payee under a QDRO may begin after the QDRO has been accepted by the plan and all required payment forms have been submitted. The plan must honor a properly executed IRS Lien, QDRO, or CSED Order. If you believe the issuing agency has incorrectly applied an order to your account, you must get the IRS, CSED, or the courts to issue a corrected order. There are no provisions for early withdrawal—hardship or otherwise—that apply to an IRS lien or CSED order. Payments under an IRS lien or CSED order cannot begin until you are eligible to receive payment.

Things to Consider

When you terminate employment and have an opportunity to withdraw your funds, please consider the following:

- SBS-AP funds are taxable income as you receive them. You may want to choose a method of payment that spreads your account balance across tax years.
- Consider your future needs before cashing out your SBS-AP nest egg, particularly your future retirement years. Experts say most people will live on retirement benefits longer than they worked to earn them. Using SBS-AP as part of your future retirement income will reduce your risk of outliving your money.
- Alaska Supplemental Annuity Plan and management fees are very low compared to the private sector. If you are planning on reinvesting your money, be sure to compare the fees for the services you will receive from a private provider versus the fees you pay for investment advice from the plan if you leave your money in the plan.

Withdrawal Options

The actual dollar amount you will receive depends on such factors as the amount of your contributions, how your investments performed, the payment option you select and your life expectancy.

When you terminate, your account value may be applied to the payment option(s) you choose.

These options include:

Lump Sum

A single payment of your account balance, or partial distribution of a portion of it. (See "Direct Transfer/Rollover" below.)

Five-Year Period Certain Annuity

Equal monthly payments for five years (60 months). If you die before receiving all 60 payments, your beneficiary will receive the remaining benefit payments.

Ten-Year Period Certain Annuity

Similar to the five-year period certain but for ten years (120 months).

Fifteen-Year Period Certain Annuity

Similar to the five-year period certain but for fifteen years (180 months).

Single Life Annuity

Monthly payments for your lifetime. No payments are made to your beneficiary after your death.

Single Life Annuity with Ten-Year Period Certain

Monthly payments for the rest of your life. If you die before 120 payments have been made, your beneficiary will receive the remaining benefit payments.

Single Life Annuity with Fifteen-Year Period Certain

Monthly payments for the rest of your life. If you die before 180 payments have been made, your beneficiary will receive the remaining benefit payments.

50% Joint and Survivor Annuity

Monthly payments for your lifetime. After your death, your survivor will receive one-half of the monthly amount you were receiving for his/her lifetime. Your survivor does not have to be your spouse.

100% Joint and Survivor Annuity

Similar to the 50% Joint and Survivor but, after your death, your survivor would receive the same benefit amount you were receiving for his/her lifetime. Your survivor does not have to be your spouse.

Periodic Payment

A payout method that allows you to be paid by either selecting a specific dollar amount or the number of years over which your account will be paid to you, or by selecting IRC Minimum Distribution payments (you may choose the frequency of your payments as (monthly, quarterly, semiannually or annually).

You can make changes to the payment frequency or amount, or stop it.

Direct Transfer/Rollover

Direct transfers to Roth IRAs will be taxed in the year of the transfer; however, there will be no income tax withholding taken from the payment. If you are age 70-1/2 or greater at the time of payment, a portion of the payment will have to be paid directly to you in order to satisfy Internal Revenue Service minimum distribution requirements.

How to Elect a Form of Payment

Payments are authorized 60 days after termination of employment (for any reason). You should allow for a minimum of five business days after payment is authorized before you will receive your distribution.

To begin receiving payment you must meet the requirements stated above. Next, you must submit the Distribution/Direct Rollover Request form to Great-West for payment. You should complete all sections of the form that apply to you. Each section serves a specific purpose and helps to determine if all requirements for payment have been met. Payments will not be issued without receipt of the required payment form.

The date of payment depends on when the Distribution/Direct Rollover Request form is received, and your termination date. Assuming the 60 day waiting period has been met, payment can be made within five business days of receipt of the completed form by Great West.

If you have been involved in a divorce, dissolution, or legal separation, you must submit proof of these circumstances before you can receive payment of your account. You must provide a court-certified copy of the appropriate divorce, dissolution, or QDRO. Because of the very detailed and specialized nature of this type of situation, you should contact the Division of Retirement and Benefits at the earliest possible time so that you know what specific information we need.

You should be aware that making any false or fraudulent statement for the purpose of obtaining benefits or to avoid making payments due to others is a criminal offense punishable by law.

Depending on the payout option you select, you may be required to provide proof of birth date for yourself as well as your designated survivor. A birth certificate or a driver's license is considered acceptable forms of proof of birth date.

If you are terminated from employment and not subject to the IRS Required Minimum Distribution rule and do not desire to be paid currently, you do not need to submit a Distribution/Direct Rollover Request form until the time you wish to be paid or reach the required distribution age.

Tax Withholding and Penalties

Payments from the Plan are fully taxable for Federal Income tax purposes. Any federal withholding that is taken from your payments is automatically reported to the IRS. You will receive a 1099R tax form in January of the following year after payment is received for tax filing.

If you receive the payment before age 59-1/2, you also may have to pay an additional 10% tax penalty.

Based on a participant's residence, as indicated by the participant's mailing address the plan may be required to additionally withhold for state tax. Residency for this purpose is determined by the address you provide on the payment form for payment mailing.

States with such mandatory withholding, at varying rates, include but may not be limited to: Arkansas, California, Delaware, Iowa, Kansas, Maine, Maryland, Massachusetts, Mississippi, Nebraska North Carolina, Oklahoma, Oregon, Vermont, and Virginia.

Mandatory Withholding

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

If the option you select results in your payments lasting less than ten years and are IRA rollover eligible, the plan is required by federal tax laws to withhold 20% federal tax withholding. Monthly annuities lasting ten years and longer are not IRA rollover eligible. For these payments it is necessary to submit the W-4P tax form showing your tax withholding election. For payments lasting ten years or longer, if you do not submit the W-4P the tax withholding will default to married plus three exemptions.

The 20% withholding rule applies only to amounts paid to you. Payments exempt from this rule are:

- Payments that are transferred directly from the plan to another IRA or other qualified employer plan, or
- For a continuing annuity that is at least 10 years in length.

It is important to understand that the 20% withholding is not a penalty or an additional tax. Participants are required to pay income taxes eventually on all distributions and the IRS requires withholding at this level at the time of payment. Your actual tax liability is determined based on the amount of income and expenses you receive during the tax year. You may owe more or less than the 20% withheld at the time of payment. Each participant's tax situation is unique and should be carefully evaluated. You may wish to consult with a tax profession regarding the potential effect of a withdrawal on your tax liability.

An exception is greater than age 70-1/2 required minimum distribution payments are subject to 10% Federal income tax withholding.

The State of Alaska and the Alaska Supplemental Annuity Plan does not give tax advice. You are solely responsible for determining how federal tax laws affect your particular situation. You should contact the Internal Revenue Service or your tax advisor as necessary.

Penalties

In general, distributions you receive will be subject to income taxes. In addition, your distribution will be subject to an additional 10% penalty if you receive your distribution before you reach age 59-1/2. The penalty generally does not apply if:

- you are at least age 55 in the year you terminated employment,
- distributions are paid at your death,
- you suffer permanent and total disability,
- you must comply with a Qualified Domestic Relations Order payment (for that portion to be distributed to the alternate payee; however, if an alternate payee transfers the money to an IRA, it is then subject to all the normal tax and penalty rules that apply to an IRA), or
- you have selected certain lifetime distribution options.

For a complete list of exceptions to the 10% penalty, see IRS Publication 575, *Pension and Annuity Income,* or consult a tax advisor.

A closer look at tax withholding is provided below.

Voluntary Withholding. If any portion of your payment is taxable but is not eligible to be rolled over into an IRA, the mandatory withholding rules do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, complete and submit the federal tax form W-4P.

Sixty-Day Rollover Option. If you receive a payment that is rollover eligible, you can still decide to roll over all or part of it to an IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to an IRA or eligible employer plan within 60 days after you receive the payment. Unless you roll over your distribution to a Roth IRA, the portion of your payment that is rolled over will not be taxed until you take it out of the IRA or eligible employer plan. If you roll over to a Roth IRA, the distribution will be included in your taxable income for the year in which it was paid to you.

If you want to roll over a payment you received to a traditional IRA or eligible employer plan, you can roll over up to 100% of your payment, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

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

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

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

Communicating with the Plan

Confidentiality

Your account balance and any information related to your account is available to you with proper identification. Administrative regulations do not allow the release of information regarding personal or financial data to anyone other than you without your prior written authorization, unless the inquiring party has a subpoena or a court order to secure the information. Information may, however, be released to your employer, your former employer, if they are a plan member, or any authorized state agency.

Your spouse or legal counsel is not entitled to information about your account without a properly executed release or a court subpoena if no release is available.

You can use the Internet to conduct the same transactions you can do through KeyTalk®.

- Obtain your current account balance
- Obtain daily fund values
- Transfer funds from one investment option to another without submitting forms

You can contact Great-West for the following transactions:

- Requesting a pay out of your account or making a payment deferral election upon termination
- Changing your beneficiary information
- Changing your address only if you are terminated from employment (active employees contact your employer to change your address)

You can do all of the above by going to the Great-West Web site at www.akdrb.com.

Services Contacts

Great-West Retirement Services

Phone Number: (800) 232-0859
Fax Number: (303) 801-5800
Web site: www.akdrb.com

Mailing Address:
Great-West Retirement Services
PO Box 173764
Denver, CO 80217-3764

Express Address:
Great West Retirement Services
8515 E. Orchard Rd.
Greenwood Village, CO 80111

Retirement Management Board

Investment Options, Performance

Phone Number: (907) 465-3749

Mailing Address:
ARMB
Alaska Department of Revenue
Treasury Division
PO Box 110400
Juneau, AK 99811-0400

Moving

If you are an active contributing employee of the State or participating political subdivision employer, you must change your address through your employer's payroll office. If you are no longer employed with the State or participating political subdivision employer, you must contact Great-West directly to update your mailing address.

Conclusion

This publication is also available in alternative communication formats upon request. To make necessary arrangements, contact the ADA Coordinator for the Division of Retirement and Benefits toll-free at 1.800.821.2251 or in Juneau at 907.465.4460 or the TDD for the hearing impaired at 907.465.2805.

This plan summary is not intended to interpret, extend, or change the statutes and regulations that comprise the Plan document in any way. It merely summarizes it for you. The Plan document will govern in the event of any discrepancy between the plan summary and the provisions of the plan. You may view the plan document on the Great West web site at www.akdrb or request a hard copy from the Division of Retirement and Benefits.

The plan is defined as a defined contribution plan governed by section of 401(a) of the Internal Revenue Code. You can view the IRC at www.irs.gov

Copies of the plan document are available on our website at doa.alaska.gov/drb. If you do not have internet access, please contact the Division. Investment information can be found on line at the Great-West website or by calling Great-West Retirement Services at 1-800-232-0859

Glossary

Account
An investment account within the Trust Fund, established for each Plan Participant, Beneficiary, or Alternate Payee for the purposes of allocation of Employee contributions and the investment and reporting of the Participant's benefit under the Plan.

Act
Chapter 30 of Title 39 of the Alaska Statutes, as now in force or hereafter amended.

Actuarial Equivalent
Benefits of equal value to the aggregate amounts expected to be received under different forms of payment, based upon annuity purchase rates established by the Administrator at the time the benefit is to be determined.

Alternate Payee
The spouse, child, or other dependent of a Participant for whom an amount has been separated into an account under a domestic relations order described in Article VIII.G.

Beneficiary
The person or persons entitled under the provisions of this Plan to receive benefits after the death of a Participant.

Compensation
The total remuneration earned by an Employee for personal services rendered, including cost-of-living differentials, as reported on the Employee's Federal Income Tax Withholding Statement (Form W-2) from the Employer for the calendar year, plus the wage reduction amount contributed to the Plan.

Notwithstanding the above, compensation shall also include any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under sections 125, 402(e)(3), 402(h)(1)(B) or 403(b) of the Code.

Employee
Any person (and only such person), including an officer, who is employed by the Employer and who the Employer determines in the exercise of its sole discretion to be a common law employee and for whom Social Security contributions would have been made during the year by the Employer if the Employer had remained in the Federal Social Security System. "Employee" excludes any person who is employed as an independent contractor. Employees classified by the Employer as independent contractors who are subsequently administratively, judicially, or otherwise determined to be Employees shall not be Participants.

Employer
The State of Alaska and any State of Alaska political subdivision which contracts to participate in the Plan by executing a Participation Agreement pursuant to AS 39.30.170.

Internal Revenue Code or Code
The Internal Revenue Code of 1986, as amended from time to time.

Investment Provider
A corporation or individual selected to provide a particular investment vehicle to the Trust Fund through which a Participant, Beneficiary, or Alternate Payee, by exercising his or her control, is permitted to direct the Trustee or Trustees to purchase investments on his or her behalf.

Investment Funds
Those separate funds which are provided within and which comprise the Trust Fund, and are established for the purpose of directing investments through the exercise of the sole control of a Participant, Beneficiary or Alternate Payee under the terms of the Plan and Trust Agreement.

Normal Retirement Age
Age 70 before March 1, 2006, and 70-1/2 on or after March 1, 2006. A Participant who continues in the employ of the Employer after reaching Normal Retirement Age shall continue to participate in the Plan and may have contributions allocated to his or her Account.

Participant
Any Employee or former Employee who retains a right to benefits under the Plan.

Participation Agreement
A contract between the State of Alaska and another Employer which sets out terms and conditions for that Employer's participation in the Plan pursuant to AS 39.30.170.

Plan
The "State of Alaska Supplemental Annuity Plan" set forth herein originally effective January 1, 1980, as amended and restated through January 1, 1989, and further amended December 18, 1991, May 1, 1997, July 1, 1998, June 20, 2000, August 15, 2001, May 15, 2003, January 1, 2008, July 16, 2010, November 9, 2010, February 18, 2011 and includes any future amendments.

Plan Administrator or Administrator
The Commissioner of Administration, State of Alaska, or the Commissioner's designee. The Plan Administrator shall be responsible for the administration and interpretation of the Plan and shall establish and carry out a funding policy consistent with the purposes of the Plan.

Record Keeper
An operating entity selected by the Plan Administrator to provide administrative services on behalf of the Plan.

Social Security Taxable Wage Base
With respect to any calendar year, the maximum amount of earnings which may be considered wages for such year under Section 3121(a) of the Internal Revenue Code.

Termination of Employment
The termination of the Employee's employment with the Employer for any reason, or the expiration of the term of office of an elected or appointed Employee.

Trustee(s)
That corporation and/or individuals who are designated by the Commissioner of Administration of the State of Alaska as a Trustee or Trustees of the Alaska Supplemental Annuity Plan Trust.

Trust Fund
All cash, securities, real estate, and any other property, together with income thereon, of this Plan held by the Trustee pursuant to the terms of the State of Alaska Supplemental Annuity Plan Trust Agreement entered into between the State of Alaska and the Commissioner of the Department of Revenue, as the designated Trustee, as such agreement may subsequently be amended from time to time.

PLAN DOCUMENT
ALASKA SUPPLEMENTAL
ANNUITY PLAN

EFFECTIVE CHANGE DATE JANUARY 1, 2014
AS IN EFFECT ON THE DATE OF PUBLICATION
OF THIS BOOKLET

Table of Contents

Article I. Definitions 1
Article II. Eligibility and Participation 5
Article III. Employer Contributions 5
Article IV. Allocations to Employees' Accounts 6
Article V. Vesting and Payment of Benefits 9
Article VI. Beneficiaries 17
Article VII. Amendment and Termination 18
Article VIII. Miscellaneous 19

The State of Alaska (hereinafter referred to as the "Employer") established a supplemental annuity plan for the benefit of its eligible employees, effective January 1, 1980 . The plan was subsequently amended at various times, most recently in this restatement effective January 1, 2008, except as otherwise noted.

ARTICLE I. DEFINITIONS

A. "Account" means an investment account within the Trust Fund, established for each Plan Participant, Beneficiary, or Alternate Payee for the purposes of allocation of Employer contributions and the investment and reporting of the Participant's benefit under the Plan.

B. "Account Manager" means any provider of professional advisory services selected by the Plan Administrator to manage the individual investment of participated accounts.

C. "Act" means Chapter 58, Session Laws of Alaska 1979, as now in force or hereafter amended.

D. "Actuarial Equivalent" means benefits of equal value in aggregate amounts expected to be received under different forms of payment, based upon annuity purchase rates available from the Carrier at the time the benefit is to be determined.

E. "Alternate Payee" ” means the spouse, child, or other dependent of a Participant for whom an amount has been separated into an account under a domestic relations order described in Article VIII.G.

F. "Beneficiary" means the person or persons entitled under the provisions of this Plan to receive benefits after the death of a Participant.

G. "Compensation" means the total remuneration earned by an Employee for personal services rendered, including cost-of-living differentials, as reported on the Employee's Federal Income Tax Withholding Statement (Form W-2) from the Employer for the calendar year, plus the wage reduction amount contributed to the Plan pursuant to AS 39.30.150(a), the employee contribution to Public Employees' Retirement System pursuant to AS 39.35.160, employee deferrals pursuant to AS 39.45.010, the wage reduction amount contributed to the Supplemental Benefit Plan pursuant to AS 39.30.150(c), and any Code Section 132(f) benefit, as such statutes may be amended from time to time.

1. Compensation shall not include:

   a) any remuneration contributed by the Employer for or on account of the Employee under this Plan or under any other qualified or nonqualified employee benefit plan;

   b) any remuneration not specifically included above which would have been excluded under Section 3121(a) of the Internal Revenue Code if the Employer had remained in the Federal Social Security System;

   c) any remuneration paid by the Employer in excess of the Social Security Taxable Wage Base for the calendar year.

2. Notwithstanding the above, compensation shall include any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under sections 125, 402(e)(3), 402(h)(1)(B) or 403(b) of the Code.

3. In addition, any compensation described in this section that is paid within 2½ months after an Employee's termination from service, or, if later, the end of the plan year during which the termination from service occurred, does not fail to be compensation merely because it is paid after the Employee's termination from service. The following are types of post-severance payments that are not excluded from Compensation because of timing if they are paid within 2½ months following termination from service:

   a) Payments that, absent a termination from service, would have been paid to the Employee while the Employee continued in employment with the Employer and are in addition, any compensation described in this section that is paid within 2½ months after an Employee's termination from service, or, if later, the end of the plan year during which the termination from service occurred, does not fail to be Compensation merely because it is paid after the Employee's termination from service. The following are types of post-severance payments that are not excluded from compensation because of timing if they are paid with regular compensation for services during the Employee's regular working hours, compensation for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar compensation;

b) Payments for accrued bona fide sick, vacation, or other leave, but only if the Employee would have been able to use the leave if employment had continued; or

c) Payments pursuant to a nonqualified unfunded deferred compensation plan, but only if the payments would have been paid to the Employee at the same time if the Employee had continued employment with the Employer and only to the extent that the payment is includible in the Employee's gross income.

Any payments not described above are not considered Compensation if paid after termination from service, even if they are paid within 2½ months following termination from service or, if later, the end of the plan year during which the termination from service occurred.

4. Compensation also includes payments to an individual who does not currently perform services for the Employer by reason of qualified military service (as that term is used in Code Section 414(u)(1)) to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the Employer rather than entering qualified military service.

5. Compensation also includes compensation described in Treas. Reg. § 1.415(c)-2(g)(4) with respect to participants who are permanently and totally disabled.

6. For plan years beginning on or after January 1, 1996, the annual compensation limitation for each Participant who became a Participant in the Plan after December 31, 1995, which is taken into account for determining all contributions provided under the Plan for any limitation year, shall not exceed $150,000, as adjusted for the cost-in-living in accordance with Section 401(a)(17)(B) of the Internal Revenue Code; and for plan years beginning on or after January 1, 2002, the annual compensation limitation for such Participant, which is so taken into account for such purposes, shall not exceed $200,000, as adjusted for the cost of living in accordance with Section 401(a)(17)(B) of the Internal Revenue Code. The limitation for a fiscal year is the limitation in effect for the calendar year within which the fiscal year begins.

H. "Effective Date" means January 1, 1980, or the date an Employer by contract commences participation in the Plan by executing a Participation Agreement with the State of Alaska, whichever is later.

I. "Employee" means any person (and only such person), including an officer, who is employed by the Employer and who the Employer determines in the exercise of its sole discretion to be a common law employee and for whom Social Security contributions would have been made during the year by the Employer if the Employer had remained in the Federal Social Security System. "Employee" excludes any person who is employed as an independent contractor. Employees classified by the Employer as independent contractors who are subsequently administratively, judicially, or otherwise determined to be Employees shall not be Participants.

J. "Employer" means the State of Alaska and any State of Alaska political subdivision which contracts to participate in the Plan by executing a Participation Agreement pursuant to AS 39.30.170.

K. "Internal Revenue Code" or "Code" means the Internal Revenue Code of 1986, as amended from time to time.

L. "Investment Provider" means a corporation or individual selected to provide a particular investment vehicle to the Trust Fund through which a Participant, Beneficiary, or Alternate Payee, by exercising his or her control, is permitted to direct the Trustee or Trustees to purchase investments on his or her behalf.

M. "Investment Funds" means those separate funds which are provided within and which comprise the Trust Fund, and are established for the purpose of directing investment through the exercise of the sole control of a Participant, Beneficiary or Alternate Payee under the terms of the Plan and Trust Agreement.

N. "Normal Retirement Age" means age 70-1/2. A Participant who continues in the employ of the Employer after reaching Normal Retirement Age shall continue to participate in the Plan and to have contributions allocated to his or her Account.

O. "Participant" means any Employee or former Employee who retains a right to benefits under the Plan.

P. "Participation Agreement" means a contract between the State of Alaska and another Employer which sets out terms and conditions for that Employer's participation in the Plan pursuant to AS 39.30.170.

Q. "Plan" means the "State of Alaska Supplemental Annuity Plan" set forth herein originally effective January 1, 1980, as amended and restated through January 1, 1989, and further amended December 18, 1991, May 1, 1997, July 1, 1998, June 20, 2000, August 15, 2001, May 15, 2003, and this restatement effective January 1, 2008, and includes any future amendments.

R. "Plan Administrator" means the Commissioner of Administration, State of Alaska, or the commissioner's designee. The Plan Administrator shall be responsible for the administration and interpretation of the Plan and shall establish and carry out a funding policy consistent with the purposes of the Plan.

S. "Record Keeper" means an operating entity selected by the Plan Administrator to provide administrative services on behalf of the Plan.

T. "Social Security Taxable Wage Base" means, with respect to any calendar year, the maximum amount of earnings which may be considered wages for such year under Section 3121(a) of the Internal Revenue Code.

U. "Trustee(s)" shall mean that corporation and/or individuals who are designated by the Commissioner of Administration of the State of Alaska as a Trustee or Trustees of the Alaska Supplemental Annuity Plan Trust.

V. "Trust Fund" means all cash, securities, real estate, and any other property, together with income thereon, of this Plan held by the Trustee pursuant to the terms of the State of Alaska Supplemental Annuity Plan Trust Agreement entered into between the State of Alaska and the Commissioner of the Department of Revenue, as the designated Trustee, as such agreement may subsequently be amended from time to time.

ARTICLE II. ELIGIBILITY AND PARTICIPATION

A. Eligibility Requirements

An Employee shall become a Participant in the Plan on the date of employment with the Employer.

B. Participation

Participation in the Plan continues until a Participant is no longer entitled to benefits under the Plan.

ARTICLE III. EMPLOYER CONTRIBUTIONS

A. Picked-Up Employee Contributions

Picked-up Employee contributions to the Trust Fund shall be mandatory and shall be at the rate of 6.13% of the Participant's Compensation for the month, the rate specified in AS 39.30.150(a). Picked-up Employee contributions shall be made by payroll deduction before computation of applicable federal and state taxes from a Participant's Compensation. Such contributions are designated as Picked-up Employee contributions that are "picked-up" (i.e., contributed) by the Employer so that they may be treated as Employer contributions for tax purposes under Section 414(h) of the Internal Revenue Code. An Employee may not have the option of receiving the payroll deduction directly in cash instead of having the contribution picked up by the Employer.

B. Regular Employer Contributions

In addition to the Picked-up Employee contributions, Regular Employer contributions to the Trust Fund shall be at the rate of 6.13% of the Participant's Compensation for the month, the rate specified in AS 39.30.150(a).

C. Timing

Contributions pursuant to this Article III shall be made by the Employer on a Participant's behalf as soon as administratively feasible following the payroll date and shall be allocated to the Employee's Account as described in Article IV.

D. Correction of Excess Employee Contributions

If the amount of picked-up Employee contributions on behalf of a Participant for any calendar year exceeds the limitations described in Article IV.E., then the picked-up contributions, to the extent in excess of the applicable limitation, shall be distributed to the Participant as soon as administratively practicable after the Plan determines that the amount is an excess deferral.

ARTICLE IV. ALLOCATIONS TO EMPLOYEES' ACCOUNTS

A. Accounts

The Plan Administrator has delegated its responsibility to maintain separate accounts on behalf of each Participant, Beneficiary, and Alternate Payee to the Record Keeper. Each Account shall reflect the amounts allocated thereto and distributed therefrom and such other information as affects the value of such Account pursuant to the Plan as described in this Article IV. The Account of each Participant, Beneficiary, and Alternate Payee shall be adjusted daily by the following credits and debits:

1. Payments.

   Subtract the total amount of any payments made from the Account since the preceding date.

2. Contributions.

   Add the Picked-up Employee Contributions, Regular Employer Contributions, and direct rollover contributions from other qualified retirement plans to the Account since the preceding date.

3. Investment Fund Transfers.

   Add or subtract the amount of any adjustments to the Account resulting from transfers of Investment Funds.

4. Change-in-Value.

   Add or subtract the change in value of the Account based on the increase or decrease in the market value of the Investment Fund units held in the Account.

5. Administrative Fees.

   Subtract the administrative fees in the amount of the prescribed percentage of the month-end asset balance of the Account at the end of each calendar month and a prescribed annual fee during each plan year.

6. Miscellaneous Adjustments.

   Add or subtract any additional miscellaneous adjustments which are required to reflect the current valuation of the Account.

7. Account Manager Fees.

   Subtract any fees resulting from the services provided by the Account Manager.

B. Amounts Placed in Trust, Fees and Adjustments

The Employer Contributions specified in Article III shall be deposited into the Trust Fund as soon as administratively feasible after receipt by the Trustee.

The Plan Administrator shall direct the Trustee to make payment from the Trust Fund for any fees (administrative, investment, or other), incurred by the Plan in such amounts and at such times as deemed necessary by the Plan Administrator for the maintenance of the Plan. No fees shall be paid from the Trust Fund on account of reimbursement for settlor expenses. Settlor expenses shall include those incurred by the State on account of the creation, amendment or termination of the Plan.

Amounts remaining in the Trust Fund following the payment of necessary and reasonable administrative expenses associated with the administration of the Plan shall be invested by the Trustees in accordance with the direction of the Participant, Beneficiary or Alternate Payee in one or more Investment Funds as may be made available by the Plan Administrator and shall increase or decrease depending upon changes in investment value.

The terms of any group trust adopted by the Alaska Retirement Management Board are hereby adopted as part of this Plan. The Plan Administrator may, from time to time, transfer funds of this Plan to and from any such group trust.

C. Valuation of Trust Fund

The Trust Fund shall be valued at least once a quarter, and the value and investment performance of each individual Account shall be reported to respective Participants at a reasonable time following the valuation date based on information assembled by the Plan Administrator.

D. Participant Election to Direct Investments Among Available Investment Funds

1. Initial Deposit of Employer Contributions to Investment Funds

Investment of Plan funds held in an Account may be directed by a Participant, Beneficiary or Alternative Payee among available Investment Funds in accordance with rules established by the Plan Administrator. Initial investment of Plan funds allocated to an Account shall be allocated to the default investment fund as specified by the Plan Administrator if the Participant does not specify an investment fund choice. Once made, the Plan funds allocated to an Account shall be directed to the available Investment Funds in accordance with the provisions of this Paragraph D.

2. Participant Direction of Investment

A Participant, Beneficiary, or Alternate Payee may elect to change the investment of Employer Contributions to be allocated to his or her Account among available Investment Funds once each day in accordance with the rules established by the Plan Administrator. Only the last election that has been filed with the Plan Administrator prior to the transmittal of Employer Contributions to the Trust Fund for allocation to the individual Account will be used to direct the investment of the Employer Contributions received.

3. Investment Direction to Transfer Existing Individual Account Balance Among Investment Funds

A Participant, Beneficiary or Alternate Payee may elect to transfer all or a portion of his or her existing Account balance among available Investment Funds once each day in accordance with the rules established by the Plan Administrator. Such a direction shall be effective as indicated in the rules established by the Plan Administrator.

4. Liability

The Employer, Plan Administrator, State of Alaska, Alaska Public Employees Retirement Board (effective with respect to actions prior to October 1, 2005), Alaska State Pension Investment Board (effective with respect to actions prior to October 1, 2005), Alaska Retirement Management Board (effective with respect to actions on or after October 1, 2005), the Account Manager (effective with respect to actions on or after October 1, 2006), or a person or entity who is otherwise a fiduciary, is not liable for any investment loss, or by reason of any breach, that results from the direction of the Participant, Beneficiary, or Alternate Payee in the exercise of control over the Plan assets allocated to his or her Account for the purpose of directing the investment of those funds.

E. Annual Addition Limitation under Internal Revenue Code Section 415

Notwithstanding any other provisions of this Plan, the annual additions to each Participant's Accounts under this Plan and under all defined contribution plans of the Employer required to be aggregated with the contributions from this Plan under the provisions of 26 U.S.C. 415 may not exceed for any limitation year the amount permitted under 26 U.S.C. 415 at any time. In the event that the amount of a member's defined contribution plan contributions exceed the limitation of 26 U.S.C. 415(c) for any limitation year, the Plan administrator shall take any necessary remedial action to correct an excess contribution. The provisions of 26 U.S.C. 415, and the regulations adopted under that statute, as applied to qualified defined contribution plans of governmental employees are incorporated as part of the terms and conditions of the Plan. This article applies to any Participant in this Plan.

1. To the extent required under Code Section 415(c), in no event shall the "annual addition," as defined in this Section for a Participant for any Plan Year, exceed the lesser of:

   a) Forty Thousand Dollars ($40,000) as adjusted under Code Section 415(d) or

   b) one-hundred percent (100%) of the "compensation," as defined in Article I, Paragraph F, of such Participant received during the Plan Year.

2. If the annual addition for a Participant under the Plan, determined without regard to the limitation of paragraph (a), would have been greater than the annual addition for such Participant as limited by paragraph (a), then the excess, if due to a reasonable error in estimating compensation or such other circumstances as found by the Secretary of the Treasury to justify application of this paragraph, shall be reduced, to the extent necessary to satisfy such limitation by holding the excess unallocated in a suspense account and using it to reduce Employer contributions in subsequent Plan Years.

3. For purposes of this Section, "annual addition" means the annual addition as defined in Code Section 415(c) and as modified in Code Sections 415(l)(1) and 419A(d)(2). In general, Code Section 415(c) defines the annual addition as the sum of the following amounts credited to a Participant's accounts for the limitation year under this Plan and any other defined contribution plan maintained by an Employer:

   a) employer contributions; and

   b) employee contributions.

An Employee who is in qualified military service (within the meaning of Internal Revenue Code Section 414(u)(1)) shall be treated as receiving compensation from the Employer during such period of qualified military service equal to (i) the compensation the Employee would have received during such period if the Employee were not in qualified military service, determined based on the rate of pay the Employee would have received from the Employer but for the absence during the period of qualified military service, or (ii) if the compensation the Employee would have received during such period was not reasonably certain, the Employee's average compensation from the Employer during the twelve month period immediately preceding the qualified military service (or, if shorter, the period of employment immediately preceding the qualified military service).

ARTICLE V. VESTING AND PAYMENT OF BENEFITS

A. Vesting

Each Participant's account shall be fully vested and nonforfeitable at all times.

B. Eligibility for Payment

1. A terminated Employee shall be eligible to elect distribution of his or her Account, in accordance with this Article V, 60 days subsequent to termination of employment.

2. If a Participant dies before benefits commence, a Beneficiary shall be immediately eligible to elect distribution of the deceased Participant's Account, in accordance with the terms and conditions of this Article V.

3. Distribution to a Terminated Participant on Account of Hardship

   Distribution of all or a portion of an Account of a Participant may take place, with the approval of the Plan Administrator or Designee, prior to the sixtieth day after the termination of said Participant if made on account of an immediate and heavy financial need and consented to by the Participant's spouse. Distribution of Plan assets to a terminated Participant on account of immediate and heavy financial need can only be made if the distribution is for:

   a) expenses for (or necessary to obtain) medical care incurred by the Participant, by the Participant's spouse, or by any of the Participant's dependents (as defined in Code §152 and, for taxable years beginning on or after January 1, 2005, determined without regard to 152(b)(1), (b)(2) and (d)(1)(B)), that would be deductible under Code §213 (determined without regard to whether the expenses exceed 7.5% of adjusted gross income);

b) costs directly related to the purchase of a principal residence for the Participant (excluding mortgage payments);

c) payment of tuition, related educational fees, and room and board expenses, for up to the next 12 months of post-secondary education for the Participant, or the Participant's spouse, children or dependents (as defined in Code §152 and, for taxable years beginning on or after January 1, 2005, determined without regard to 152(b)(1), (b)(2) and (d)(1)(B));

d) payments necessary to prevent the eviction of the Participant from the Participant's principal residence or the foreclosure on the mortgage of that residence;

e) payments for burial or funeral expenses for the Participant's deceased parent, spouse, children, or dependents (as defined in Code §152 and, for taxable years beginning on or after January 1, 2005, determined without regard to 152(b)(1), (b)(2) and (d)(1)(B));

f) expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Code §165 (determined without regard to whether the loss exceeds 10% of adjusted gross income); or

g) any need prescribed by the Revenue Service in a revenue ruling, notice or other document of general applicability which satisfies the safe harbor definition of hardship.

4. Notwithstanding the foregoing, in the event that a Domestic Relations Order qualifying as such is received and approved by the Plan Administrator as specified in Paragraph G of Article VIII, benefits shall be payable to the Alternate Payee in accordance with the terms and conditions of such order.

5. Distribution Standard for Immediate and Heavy Financial Need.

A distribution on account of an immediate and heavy financial need may not be made to the extent that such emergency is or may be relieved:

a) Through reimbursement or compensation from insurance or otherwise, or

b) By liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship.

Distributions made under Subparagraph 3 of this Paragraph B may not exceed the amount reasonably necessary to satisfy the emergency need (which may include any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution). In no event shall the distribution exceed the value of the Participant's account. Any money remaining in the account shall be distributed in accordance with the provisions of this Plan.

C. Distribution Requirements

1. General Rule

a) The requirements of this paragraph shall apply to any distribution of a Participant's interest and shall take precedence over any inconsistent provisions of the Plan. Unless otherwise specified, the provisions of this article apply to calendar years beginning on and after January 1, 1989.

b) All distributions required under this paragraph shall be determined and made in accordance with the Treasury Regulations under Code Section 401(a)(9), including the minimum death incidental benefit requirement of Treasury Regulation § 1.401(a)(9)-2.

2. Required Beginning Date

The entire interest of a Participant must be distributed or begin to be distributed no later than the Employee's required beginning date. The required beginning date of a Participant is the later of the first day of April of the calendar year following the calendar year in which the Participant attains age 70-1/2 or the date of actual retirement.

D. Benefit Commencement Date

1. Payments to a Participant or Beneficiary who meets the requirements of Paragraph B of this Article V shall commence as soon as administratively feasible following the benefit commencement date. The benefit commencement date is the first date on which one of the following occurs:

a) A Participant or Beneficiary meets the requirements of Paragraph B of this Article V and has made a complete application for payment;

b) A Participant or Beneficiary has elected to defer receipt of the Account in accordance with Subparagraph 2 of this Paragraph D, the date specified has been attained, and the Participant or Beneficiary has made a complete application for payment;

c) A Participant attains Normal Retirement Age and has not made an application for payment or elected to defer receipt of the Account in accordance with Subparagraph 2 of this Paragraph D to a date later than Normal Retirement Age; or

d) A Beneficiary does not make an application for benefits and five years have elapsed since the Participant's death.

e) Notwithstanding any other provisions of Paragraph C. of Article V., a Participant, Beneficiary, or Alternate Payee who meets the requirements of Paragraph B of this Article V, and whose Account has a balance of $1,000 or less, must take payment of his or her Account.

f) A Participant requests a direct trustee-to-trustee to another State of Alaska plan as permitted in paragraph E of this Article V.

2. A Participant or Beneficiary may elect to defer receipt of payment to a date later than the date specified in Paragraph B of this Article V in accordance with the following:

   a) A Participant may defer to any date up to April 1 of the year after attaining age 70 1/2;

   b) A spouse Beneficiary may defer to any date on or before December 31 of the year in which the Participant would have attained age 70 1/2. Payments must be made over a period no longer than the life expectancy of the spouse.

   c) A non-spouse Beneficiary must receive a distribution (1) of the entire amount by December 31 of the calendar year that contains the fifth anniversary of the Participant's death, or, (2) if the distribution is started by December 31 of the calendar year following the year of the Participant's death, it can be made payable over the life or life expectancy of the Beneficiary.

3. Payments to an Alternate Payee shall commence as soon as administratively feasible for an Alternate Payee who meets the requirements of Paragraph B, subparagraph 4 of this Article V and has made a complete application for payment.

4. Notwithstanding Article V, a Particiapant or Beneficiary who would have been required to receive minumum distributions for 2009 but for the enactment of section 401(a)(9)(H) of the Code ("2009 RMDs"), and who would have satisfied that requirement by later receiving distributions that are (1) equal to the 2009 RMDs or (2) one or more payments in a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancy) of the Participant and the Participant's designated Beneficiary, or for a period of at least 10 years ("Extended 2009 RMDs"), will receive those distributions for 2009 unless the Participant or Beneficiary chooses not to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distributions described in the preceding sentence. In addition, notwithstanding Article V.E.2, and solely for the purposes of applying the direct rollover provisions of the Plan, 2009 RMDs and Extended 2009 RMDs will be treated as eligible rollover distributions.

E. <u>Form of Payment</u>

1. A Participant may elect to receive his or her Account in the form of (i) a total or partial lump-sum as described in subparagraph (a); (ii) an annuity described in subparagraphs (b), (c), (d), or (e), or (iii) a partial lump-sum plus an annuity described in subparagraphs (b), (c), (d), or (e), defined as follows:

   a) Lump Sum—The payment of all or, on and after January 1, 2005, any part of a Participant's Account balance in a payment amount of a single distribution. The Participant may designate the time and amount of each payment;

   b) Period Certain Annuity—An annuity payable in a fixed number of monthly installments for a duration of 60, 120 or 180 months;

   c) Life Annuity with a Period Certain—An annuity payable until the later of (i) the first day of the month in which the annuitant's death occurs, or (ii) the date on which the payment of a fixed number of monthly installments is completed. The duration of the installments shall be 120 or 180 months;

d) Single Life Annuity—An annuity payable monthly until the first of the month in which the annuitant's death occurs;

e) Joint and Survivor Annuity—An annuity payable monthly to the Participant until the first of the month in which the Participant's death occurs. Following the Participant's death, a survivor annuity equal to 50% or 100% of the Participant's benefit (as previously elected by the Participant) shall be paid monthly to the joint annuitant for the remainder of his or her lifetime.

f) Effective on and after January 1, 2005, a Participant may not elect more frequently than two (2) times in any calendar year to receive a partial Account payment or the commencement of an annuity purchased with a partial Account payment.

2. This subparagraph applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this part, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution that is equal to at least $200 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

a) For purposes of this subparagraph, an "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Internal Revenue Code; the portion of any distribution that is not includible in gross income, except to the extent provided below; any hardship distribution described in Section 401(k)(2)(B)(i)(iv) of the Internal Revenue Code received after December 31, 1998; any hardship distribution described in Section 402(c)(4) of the Code received after December 31, 2001; and any other distribution(s) reasonably expected to total less than $200. Effective January 1, 2008, an Eligible Rollover Distribution shall also mean a qualified rollover contribution to a Roth IRA within the meaning of Code Section 408A.

A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or an individual retirement annuity described in Section 408(a) or (b) of the Code or to a qualified plan described in Section 403(b) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

b) For purposes of this subparagraph, an "eligible retirement plan" is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, a qualified plan described in Section 401(a) of the Code, and on and after January 1, 2002, a tax sheltered annuity plan described in Section 403(b) of the Code or a governmental plan described in Section 457(b) of the Code, which agrees to separately account for amounts transferred into such plan from this Plan that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, prior to January 1, 2002, an eligible retirement plan is an individual retirement account or an individual retirement annuity. Effective January 1, 2008, an Eligible Retirement Plan shall also mean a Roth IRA described in Code Section 408A.

c) For purposes of this subparagraph, a distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the Alternate Payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse. Effective January 1, 2007, and notwithstanding anything in the Plan to the contrary that otherwise would limit a Distributee's election under this Section, and to the extent allowed under the applicable provisions of the Code and the Treasury Regulations, a Distributee who is a Beneficiary, but not a surviving spouse, spouse or former spouse who is an alternate payee, may elect, at the time and in the manner prescribed by the Administrator, to have all or any part of his or her Account that qualifies as an Eligible Rollover Distribution paid in a direct trustee-to-trustee transfer to an Eligible Retirement Plan that is an individual retirement plan described in clause (i) or (ii) of Code Section 402(c)(8)(B). If such a transfer is made, (i) the transfer shall be treated as an Eligible Rollover Distribution (ii) the individual retirement plan shall be treated as an inherited individual retirement account or individual retirement annuity (within the meaning of Code section 408(d)(3)(C), and (iii) Code Section 401(a)(9)(B) (other than clause (iv) thereof) shall apply to such individual retirement plan.

d) For purposes of this subparagraph, a "direct rollover" is a payment by the Plan to the eligible retirement plan specified by the distributee.

e) A Participant may make a direct rollover contribution to this Plan from another "qualified retirement plan." For purposes of this subparagraph, a "qualified retirement plan" is any tax qualified retirement plan under Code Section 401(a) or any other plan from which distributions are eligible to be rolled over into this Plan pursuant to the Code, Treasury Regulations or other IRS guidance. To qualify as a direct rollover contribution under this subparagraph, the direct rollover contribution must be transferred directly from the qualified retirement plan.

The Plan Administrator may refuse to accept a direct rollover contribution if the Plan Administrator reasonably believes the direct rollover contribution (i) is not being made from a proper plan; (ii) could jeopardize the tax-exempt status of the Plan; or (iii) could create adverse tax consequences for the Plan or the Employer. Prior to accepting a direct rollover contribution, the Plan Administrator may require the Participant to provide satisfactory evidence establishing that the direct rollover contribution meets the requirements of this subparagraph.

This Plan does not accept indirect rollover contributions.

f) Effective January 1, 2006, in the event of a mandatory distribution greater than $1,000 in accordance with the provisions of Article V, Paragraph D, if a Participant does not elect to have such distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover or to receive the distribution directly in accordance with Article V, then the Plan Administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Plan Administrator.

3. A Participant may request that the Plan Administrator transfer all or a portion of his or her Account in a direct trustee-to-trustee transfer to a defined benefit governmental plan defined in Code Section 414(d) allowed to receive such a transfer for the purpose of purchasing permissive past service credits as defined in Code Section 415(n)(3)(A) under the receiving plan as allowed by that plan.

4. Any form of payment elected shall be the Actuarial Equivalent of the value of the Participant's Account as of the benefit commencement date.

5. Plan Distributions on Account of Death

a) Upon the death of a Participant whose payments have commenced, a Beneficiary shall receive further payments only to the extent provided in accordance with the form of payment that was being made to the deceased Participant. The remaining portion of such interest will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

b) Distribution beginning after death. If the Participant dies before distribution of his or her interest begins, distribution of the Participant's entire interest shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death except to the extent that an election is made to receive distributions in accordance with (i) or (ii) below:

(i) if any portion of the Participant's interest is payable to a designated Beneficiary, distributions may be made over the life or over a period certain not greater than the life expectancy of the designated Beneficiary commencing on or before December 31 of the calendar year immediately following the calendar year in which the Participant died;

(ii) if the designated Beneficiary is the Participant's surviving spouse, the date distributions are required to begin in accordance with (i) above shall not be earlier than the later of (A) December 31 of the calendar year immediately following the calendar year in which the Participant died and (B) December 31 of the calendar year in which the Participant would have attained age 70 1/2.

If the Participant has not made an election pursuant to this subparagraph by the time of his or her death, the Participant's designated Beneficiary must elect the method of distribution no later than the earlier of (A) December 31 of the calendar year in which distributions would be required to begin under this section, or (B) December 31 of the calendar year which contains the fifth anniversary of the date of death of the Participant. If the Participant has no designated beneficiary, or if the designated Beneficiary does not elect a method of distribution, distribution of the Participant's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

c) For purposes of subparagraph 5(b) above, if the surviving spouse dies after the Participant, but before payments to such spouse begin, the provisions of subparagraph 5(b), with the exception of paragraph (ii) therein, shall be applied as if the surviving spouse were the Participant.

d) For purposes of this subparagraph, any amount paid to a child of the Participant will be treated as if it had been paid to the surviving spouse if the amount becomes payable to the surviving spouse when the child reaches the age of majority.

e) For the purposes of this subparagraph 4, distribution of a Participant's interest is considered to begin on the Participant's required beginning date (or, if subparagraph 4(c) above is applicable, the date distribution is required to begin to the surviving spouse pursuant to subparagraph 4(c) above). If distribution in the form of an annuity irrevocably commences to the Participant before the required beginning date, the date distribution is considered to begin is the date distribution actually commences.

f) Unless otherwise specified, the provisions of this paragraph apply to calendar years beginning on and after January 1, 1989.

F. Changing Elections

A Participant or Beneficiary may change any

1. form of payment election, or

2. election to commence benefits, or

3. joint annuitant designation at any time, prior to the issuance of a lump-sum payment or prior to the issuance of an initial annuity payment. Changes will not be allowed on or after the issuance of such payment.

G. Failure to Elect a Form of Payment

If a Participant who is not married, or a Beneficiary in the case of the Participant's death, fails to elect a form of payment prior to the benefit commencement date, the Account shall be paid in the form of a Lump Sum. If a married Participant fails to elect a form of payment prior to the benefit commencement date, the Account shall be paid in the form of a 50% Joint and Survivor Annuity, with the Participant's spouse as the joint annuitant.

H. Late Contributions

Contributions pursuant to Article III made on behalf of a terminated Employee after the benefit commencement date shall not affect the form or amount of payments already being made to the Participant or a Beneficiary. If that Participant is not currently employed by the Employer, these contributions shall be paid directly to the Participant or Beneficiary as soon as administratively feasible.

I. Reemployment After Benefits Have Commenced

Annuity benefits which are being paid to a Participant shall not be affected by the Particiapant's subsequent employment with the Employer. Partial lump sum withdrawals paid to a participant will cease upon reemployment.

J. Return of Overpayments and Interest on Overpayment Amounts

A Participant, Beneficiary, or Alternate Payee shall remain responsible for repayment to the Plan of any excess amounts received pursuant to a distribution should it be determined that the Participant, Beneficiary, or Alternate Payee is not entitled to the entire amount he or she actually received.

The Participant, Beneficiary, or Alternate Payee shall also pay interest on amounts overpaid at a prescribed rate of interest at seven percent.

ARTICLE VI. BENEFICIARIES

A. Designation

A Participant may designate a Beneficiary, on a form provided for that purpose by the Plan Administrator or the Plan Administrator's designee, to receive Plan distributions payable following the Participant's death as described in Paragraph E, subparagraph 5 of Article V. Any Beneficiary designation, whether filed with the Plan Administrator or the Plan Administrator's designee before, on or after January 1, 2006, is subject to the rules under Subparagraphs 1 through 3 below. A Participant may change or revoke a Beneficiary designation without notice to the Beneficiary or Beneficiaries at any time by filing a new designation with the Plan Administrator or the Plan Administrator's designee. Any new Beneficiary designation is subject to the spousal consent rules described below.

1. If a Participant who was married at the time of death designated a nonspouse Beneficiary, the actuarial equivalent value of the benefit payable to such Beneficiary shall not exceed 50% of the Participant's Account balance. The spouse to whom the Participant is married at the time of the Participant's death shall automatically be deemed the Beneficiary for the remaining 50% of the Account balance unless the spouse specifically consents to the nonspouse Beneficiary designation in the manner prescribed in Subparagraph 2 below. If the spouse consents in this manner, a married Participant may designate a nonspouse Beneficiary for the entire benefit or any portion of the benefit which is payable in an available form of payment contained in this Plan except to the extent a qualified domestic relations order filed with the Administrator provides for payment to a former spouse or other dependent of the Participant unless the Participant filed a revocation of Beneficiary accompanied by a written consent to the revocation from each person entitled under the qualified domestic relations order.

2. The spouse's consent to the Beneficiary designation must be contained in a writing signed by both the Participant and the Participant's spouse, must specifically acknowledge the effect of the consent, and must be witnessed by a Plan representative or notary public. Any consent by a spouse shall be effective only with respect to such spouse.

3. Except as provided by the express terms of a qualified domestic relations order, which has been accepted by the Plan Administrator or the Plan Administrator's designee, the dissolution of a marriage between the Participant and his or her spouse will automatically revoke a Beneficiary designation in favor of that former spouse executed by the Participant before the dissolution unless the Participant, subsequent to the dissolution, specifically reaffirms the former spouse as a Beneficiary on the form provided for that purpose by the Plan Administrator or the Plan Administrator's designee.

B. Failure to Designate a Beneficiary

If upon the death of a Participant there is no valid designation of Beneficiary on file with the Plan Administrator or the Plan Administrator's designee, a divorce or annulment has revoked the Beneficiary designation naming the Participant's spouse as a Beneficiary, or the Beneficiary is deceased, then benefits shall be paid in the following order of succession:

1. Payments shall be made to the surviving spouse, if the spouse survives the Participant for 30 days;

2. If there is no surviving spouse, payments shall be made in equal parts to the surviving children, including adopted children, who survive the Participant for 30 days;

3. If there are no surviving children, payments shall be made in equal parts to the surviving parents who survive the Participant for 30 days; or

4. If there are no surviving parents, payments shall be made to the Participant's estate.

C. Payments to Beneficiaries

The Plan Administrator or the Plan Administrator's designee may request proper proof of the Participant's death and may require the Beneficiary to provide evidence of his or her right to receive a distribution from the Plan in any form or manner the Plan Administrator or the Plan Administrator's designee may deem appropriate. The Plan Administrator's or the Plan Administrator's designee's determination of the Participant's death and of the right of the Beneficiary to receive payment under the Plan shall be conclusive. If a distribution is to be made to a minor or incompetent Beneficiary, payments may be made to the person's legal guardian, conservator, or custodian in accordance with the Uniform Gifts to Minors Act or similar law as permitted under the laws of the state where the Beneficiary resides. The Plan Administrator, the Plan Administrator's designee and the Trustee will not be liable for any payments made in accordance with this Paragraph C of Article VI, and they are not required to make any inquiries with respect to the competence of any person entitled to benefits under the Plan.

ARTICLE VII. AMENDMENT AND TERMINATION

A. Amendment

The Plan Administrator shall have the right to amend this Plan, at any time and from time to time, in whole or in part. Such power to amend includes the right, without limitation, to make retroactive amendments referred to in Section 401(b) of the Internal Revenue Code. However, such right to amend the Plan shall be subject to the provisions of Paragraph C of this Article VII. Further, no amendment of the Plan shall permit any assets of the Plan to be used to pay premiums or contributions of the Employer under any other plan maintained by the Employer.

B. Termination

Although the State of Alaska has established the Plan with the bona fide intention and expectation that it will continue the Plan indefinitely, the State of Alaska may in its sole and absolute discretion terminate the Plan in whole or part at any time without liability whatsoever for such termination. If the Plan shall be terminated, all investments shall remain in force until all Participants' Accounts have been completely distributed in accordance with the Plan.

The Employers are under no obligation or liability to continue participation in the Plan. Employers in their sole and absolute discretion may discontinue participation with no liability whatsoever except liability to the State of Alaska under the terms of the Participation Agreement.

The Employers shall not be under any obligation or liability whatsoever to continue making contributions for any given length of time. The Employers may in their sole and absolute discretion discontinue contributions in whole or part without any liability whatsoever for such termination except liability to the State of Alaska under the terms of the Participation Agreement.

C. Nonreversion

1. The corpus or income of the trust or custodial account may not be diverted to or used for other than the exclusive benefit of the Participants or their Beneficiaries.

2. If Plan benefits are provided through the distribution of annuity or insurance contracts, any refunds or credits in excess of Plan benefits (on account of dividends, earnings, or other experience rating credits, or surrender or cancellation credits) will be paid to the trust or custodial account.

3. Any contribution made by the Employer because of a mistake of fact must be returned to the Employer within one year of the contribution.

4. The Plan Administrator shall have no right to modify or amend the Plan retroactively in such a manner as to reduce the benefits of any Participant accrued to date under the Plan by reason of contributions made by the Employer prior to the modification or amendment except to the extent permitted by law.

ARTICLE VIII. MISCELLANEOUS

A. Limitation of Rights; Employment Relationship

Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund or Account, nor the payment of any benefits, shall be construed as giving any Participant or other person any legal or equitable right against the State of Alaska, Employer, the Investment Provider, the Plan Administrator or the Record Keeper, except as provided in the Plan or, in the case of the Employers other than the State of Alaska, as provided in the Participation Agreement and, in no event, shall the terms of employment of any Employee be modified or in any way be affected by the Plan.

B. Transfer of Assets of Plan

In no event shall this Plan be merged or consolidated with any other plan, nor shall there be any transfer of assets or liabilities from this Plan to any other plan, unless immediately after such merger, consolidation or transfer, each Participant's benefits, if such other plan were then to terminate, are at least equal to or greater than the benefits which the Participant would have been entitled to had this Plan been terminated immediately before such merger, consolidation, or transfer.

C. Safeguard Provision

Neither the State of Alaska, Employer, Investment Provider, Record Keeper, or the Plan Administrator, shall recognize any attempt to alienate amounts held on behalf of, or payable to, an Employee or other person who is or who might become eligible for benefits under the Plan. Such amounts are not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge of any kind, either voluntary or involuntary, before being received by the person entitled to the amount under the terms of the Plan. An attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of a right to amounts held under the plan is void. Except as provided in AS 09.38.065, amounts held on behalf of, or payable to, an Employee or other person who is or who might become eligible for benefits under the Plan are exempt from garnishment, execution, or levy.

D. Interpretation; Severability

1. The Plan hereby created shall be construed, administered and governed in all respects in accordance with the Internal Revenue Code and other pertinent federal laws, and the laws of the State of Alaska, provided, however, that if any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with the Plan being a qualified defined contribution plan within the meaning of Section 401(a) of the Internal Revenue Code. In the case of any conflict between language of this Plan and of any Insurance Contract, this Plan shall control. If any provision of this Plan shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Plan shall continue to be fully effective.

2. This Plan is also intended to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") and is intended to be construed in accordance with EGTRRA and guidance issued thereunder.

3. If a provision of EGTRRA is mandatory as it applies to the qualification of this Plan, then that provision is adopted, and to the extent provisions of the Plan exist that are inconsistent with such mandatory EGTRRA requirements, the mandatory requirements of EGTRRA shall supersede the provisions of this Plan, to the extent the provisions of this Plan as written are inconsistent with EGTRRA.

4. If a provision of EGTRRA is optional with respect to the Plan, then only those provisions herein specifically adopted are part of this Plan.

E. Plan Administration

The Plan Administrator shall establish rules and regulations for administration of the Plan, and shall be responsible for its interpretation. A determination by the Plan Administrator shall be conclusive and binding upon all interested parties. The Plan Administrator shall have the sole discretion, authority and responsibility to interpret and construe the Plan document (including ambiguous provisions thereof) and to determine all factual and legal questions under the Plan, including but not limited to the entitlement of Employees, Participants and Beneficiaries and the amounts of their respective interests. The Trustee and other interested parties may act and rely upon all information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary. No rule, regulation or interpretation shall discriminate in favor of persons who are highly compensated employees.

F. Form of Election

Any election or any alteration or revocation of a prior election by a Participant, Beneficiary, or Alternate Payee for any purpose under this Plan shall be on forms or made in a manner prescribed for that purpose by the Plan Administrator. To be effective, the forms required or the required action for any purpose under this Plan must be completed and filed in accordance with the requirements set forth herein, and in accordance with rules, regulations and/or procedural policies prescribed by the Plan Administrator. To be effective, an election must be received by the Plan Administrator or the Plan Administrator's designee, such as the Record Keeper, prescribed for the purpose of receiving the election information.

G. Domestic Relations Orders

Notwithstanding the nonalienation provisions in paragraph C "Safeguard Provision," the Plan Administrator may direct that benefits be paid to someone other than a Participant or Beneficiary pursuant to a valid qualified domestic relations order, executed by the Judge of a competent court in accordance with applicable state law, and which has been accepted by the Plan Administrator.

The Plan Administrator shall determine whether an order meets the requirements of this section within a reasonable period after receiving an order. The Plan Administrator shall notify the Participant and any Alternate Payee that an order has been received and indicate to the Alternate Payee and Participant when the Plan has accepted the order. A separate account for the Alternate Payee portion shall be established as soon as administratively feasible after the order has been accepted by the Plan.

H. Participant Loans

This Plan contains no provision for the effecting of loans of individual Account balances to Participants.

I. Qualified Military Service

1. Notwithstanding any contrary provisions of this Plan, with respect to qualified military service, contributions shall be made and benefits and service credit be provided in accordance with Section 414(u) of the Internal Revenue Code, as required by the Uniformed Services Employment and Reemployment Rights Act ("USERRA").

2. An Employee whose employment is interrupted by qualified military service under Code section 414(u) or who is on a leave of absence for qualified military service under Code section 414(u) may elect to make additional Employee Contributions upon resumption of employment with the Employer equal to the maximum Employee Contribution that the Employee could have elected during that period if the Employee's employment with the Employer had continued (at the same level of Compensation) without the interruption or leave, reduced by the Employee Contribution, if any, actually made for the Employee during the period of the interruption or leave. This right applies to five years following the resumption of employment, if sooner, for a period equal to three times the period of the interruption or leave.

3. Effective January 1, 2009, an Employee whose employment is interrupted by qualified military service or who is on a leave of absence for qualified military service and who receives a differential wage payment within the meaning of Code Section 414(u)(12)(D) from the Employer, will be treated as an Employee of the Employer and the differential wage payment will be treated as Compensation.

4. Effective January 1, 2007, death benefits payable under the Plan shall be paid in accordance with Code section 401(a)(37), which provides that in the case of a Participant who dies while performing qualified military service (as defined in Code section 414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan had the Participant resumed and then terminated employment with the Employer on account of death.

Signed this 27 day of January, 2009.

By:_____

Pat Shier, Director,
Division of Retirement and Benefits,
Alaska Department of Administration

I/2239298.4

State of Alaska

Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Toll Free (800) 821-2251
In Juneau (907) 465-4460
Fax (907) 465-3086
TDD (907) 465-2805

alaska.gov/drb