

The following article is distributed by Steven F. Nickerson, Executive Director, AMO Pension Plan. Because of the volume of phone calls and inquiries the most efficient form of communication is email. Please email your questions regarding pensions to amopension@amoplans.com. Please do not rely on answers to questions that are word of mouth, general knowledge or from anyone other than the Pension Department.

The following is an outline of events that occurred at the AMO Pension Board Meeting held the week ending June 26th, 2009. A more detailed explanation of the individual events listed in the outline and discussion related to why the events are occurring will follow in the next two weeks. In response to the many questions that have been asked, a Q & A will also be published now that answers can be more definitive.

VERY IMPORTANT

To members who have been concerned that they have to meet the deadline of 9/1/2009 in order to take their “20 and Out Pension”, there is no longer a deadline of 9/1/2009. You will be kept apprised of all deadlines during the year 2010. Members can continue to sail, and when and if a Rehabilitation Plan is adopted that changes the requirements of the “20 and Out Pension”, you will have plenty of time to make a decision. Further, you should be aware that the Trustees have determined that an effective date of pension can be elected even if a member is on a rotation and at sea. You will not receive credit beyond the effective date of pension; however, you will not be required to leave a vessel in the middle of a rotation in order to have the effective date.

The timeline of events has been established as follows:

- I. October 1, 2009
 - A. The Actuary will file our Pension Plan as a Red Zone Plan effective October 1, 2009.
 - B. Effective October 1, 2009, Lump Sum Distributions will not be allowed to be paid, as mandated by law.

C. The Pension Plan will continue to operate as in the past for all other benefits through 12/31/2009.

1. Service will be accrued through the earlier of 12/31/2009 or Pension Effective Date.

- a. For Vesting and Eligibility purposes; and
- b. For Calculation of Benefit purposes

2. "20 and Out Pensions" will continue to be paid based on eligibility for the pension and if a participant formally retires.

II. Frozen Plan Effective January 1, 2010

A. The Trustees have taken action to Freeze the Plan effective January 1, 2010.

B. Effective January 1, 2010, service will continue to accrue for eligibility and vesting purposes only. For example, a participant who has 10 years as of the end of 2009 will begin to accrue his 11th year of service in 2010 for eligibility purposes.

C. Effective January 1, 2010, service will not accrue for benefit calculation. For example, a participant who has 19 years as of the end of 2009 and accrues his 20th year of service for eligibility purposes will be paid a pension based on 19 years previously accrued for benefit calculation.

D. The action of freezing the Plan is necessary to stabilize the funding of the Plan. Continued accrual of benefits will compound the funding problem and make it impossible to reorganize the funding status to an acceptable level.

- E. This measure is temporary and until such time as the actuary informs the Trustees that we can begin to accrue service for calculation purposes.
- F. “20 and Out Pensions” will be allowed to be paid based upon eligibility and formal retirement. If the Rehabilitation Plan is adopted and the “20 and Out Pension” provision cannot be maintained, notice will be provided prior to the event so that decisions regarding retirement can be made.

III. Rehabilitation Plan

- A. The Trustees must adopt a “Rehabilitation Plan” to encompass all facets and steps to be taken to rehabilitate the Pension Plan.
- B. The Trustees can only recommend the “Rehabilitation Plan” and present it to the Parties to Collective Bargaining.
- C. The Collective Bargaining Parties then will meet and agree to adopt the “Rehabilitation Plan” into the collective bargaining agreement or reject the “Rehabilitation Plan” and not amend their collective bargaining agreement.
- D. The “Rehabilitation Plan” cannot take effect until at least 70% of the Collective Bargaining Agreements are amended to incorporate the “Rehabilitation Plan” into their Collective Bargaining Agreement.
- E. The “Rehabilitation Plan” will have to deal with the Funding Requirement of the Subsidy of Early Retirement (20 & Out Pension” provision”). To re-establish the Funding, the provision will be temporarily eliminated until Funding allows for its re-instatement. This is what is known at this time and is subject to the actual finalization of a “Rehabilitation Plan”.

- F. Notification will be provided prior to such an event so that all participants are allowed to make an informed decision as to whether to formally retire.

IV. Default Plan

- A. If the “Rehabilitation Plan” recommended by the Trustees is not incorporated into the Collective Bargaining Agreements a “Default Plan” will be mandated by law as of October 1, 2012.
- B. The measures of the “Default Plan” could be more extreme than a “Rehabilitation Plan”. Because of the extended timeline taken before measures are enacted to correct the Funding Status of the Plan, the Funded Status of the Plan could be even more critical.

V. Accrual of Future Benefits

- A. Effective January 1, 2010, the Frozen Plan will not allow for benefit accrual on an ongoing basis and accrual will not resume until such time as the Funded Status of the Plan allows for the accrual of benefits.
- B. The Funded Status of the Plan will improve based on contributions received, the performance of the assets under investment, and reduction of benefits. The performance of the stock market is an ongoing economic issue outside the control of the Trustees. Contributions are subject to collective bargaining and the results of collective bargaining are not known at this time. Therefore, based on the actuarial report, the Trustees determined that benefit accruals must stop at this time (January 1, 2010).
- C. Based on the actuarial report, it is unknown how long the accrual of benefits will be suspended. There is concern over the indefinite timeline and there is a need for a vehicle to provide ongoing benefits. Therefore,

the Trustees are considering a Defined Contribution Plan as a vehicle to accrue ongoing benefits.

- D. As the Parties to Collective Bargaining respond, the Plan will be in a position to determine what course of action to take as the year ends and 2010 begins. The concern is that if suspension of benefit accruals becomes an indefinite, a vehicle needs to be provided to allow for ongoing benefits. The Parties to Collective Bargaining must agree on a course of action.
- E. More information will be provided as discussions continue and action is taken.

VI. Actions Considered by the Board of Trustees

- A. The Trustees are willing for “20 and Out Pension” eligible participants to retire and apply for their pensions. Further, the Trustees are willing for these eligible participants to suspend their monthly pension while under covered employment and return to work.
- B. The issue is not whether the Trustees will allow this to happen, but whether the IRS will allow for retirement and continuation of work when participants are not of “normal” retirement age. At this time, it is unknown if the IRS will allow for retirement and continuation of work at age 55, or if a greater or lesser age will be allowed or imposed.
- C. The retirement age question will be asked of the IRS and the Plan will continue to operate until the end of 2009 or until a “Rehabilitation Plan” is adopted.
- D. The “20 and Out Pension” provision is still intact and there is no longer a 9/1/2009 effective date of pension. The “20 and Out Pension” provision will continue until the adoption of the “Rehabilitation Plan” for at least 70% of the contracts. Participants will be notified well in advance of any exclusion of the “20 and Out

Pension” provision in order to allow participants to make an informed decision.

VII. Communication

- A. Communications will follow with a more detailed explanation of the items addressed in this outline.
- B. Now that more details can be provided, answers to previous questions will be published.
- C. Any further developments by action of the Trustees or the adoption of a “Rehabilitation Plan” by the Parties to Collective Bargaining will be published.

VIII. Applications for Pensions

- A. The Pension Department is in the process of opening a file on each member who is currently eligible for a “20 and Out Pension”, or will be in the near future.
- B. We request that any member eligible for a “20 and Out Pension” complete and submit an application for “20 and Out Pension” so that the Pension Department has an application on file and can begin the audit process.
- C. At this time you should request a 1/1/2010 pension effective date and respond “Unknown” to the question, “What is your last day of employment?”
- D. With an application on file, the Pension Department can complete the process and you will have the opportunity to adjust the effective date as information unfolds. Your Pension will not become effective until you sign the ‘Irrevocable Letter of Intent’, even if that date is after the pension effective date.