

AMO Pension Plan

January 19, 2012, Meeting with Actuary

The return on the Pension Plan investments was flat for the plan year October 01, 2010 – September 30, 2011. The last two months of the plan year negated all returns made in the first 10 months. Also, approximately 40 participants below the age of 50 applied for their monthly pension annuity which was well above normal causing a negative impact on the actuarial calculation of the Plan's accrued liability. These two issues have also caused the actuary to amend the 2017 full funding year which was previously projected. The results of the plan year ending September 30, 2011 could cause an extension of full funding by as much as five years.

The Pension Plan actuary is currently working with the Trustees to review all data and potential actions to help mitigate the effects of the 2011 plan year and enable the plan to get back on track to full funding status. Primary to any action will be the preservation of the 20 and out benefit. The goal continues to be for the Pension Plan to reach full funding so that the Defined Contribution Plan can reach the second chart of percentages for funding of the individual accounts.

The membership will be kept informed of actions to be taken.

AMO Pension Plan October 01, 2010 – September 30, 2011 Financial Review

As stated to the AMO membership, with the defined benefit AMO Pension Plan operating under a rehabilitation strategy intended to bring the Plan out of "critical" funding status as defined by the Pension Protection Act of 2006, the following is a current update as to the progress of funding the Plan.

With the turbulent year in the financial markets, the defined benefit AMO Pension Plan fell short of the Plans assumed rate of return on investments in fiscal 2011, which ended at midnight on September 30. The AMO Pension Plan was tracking very favorably for the first 10 months of the fiscal year compared to the 7.5 percent annual rate of return assumed by the Plan's actuaries. However, with the negative effects relating to the European sovereign debt crisis and the threat of a world wide recession, the financial markets tumbled resulting in the Plan having negative returns of 5.2% in August and 7.1% in September to end the fiscal year with a 0.0% return or exactly flat.

The overall performance of the Plan is measured by "benchmarks" assigned to the various investment asset classes held by the Plan. "Benchmarks" are the overall average performance of the asset class measured by a variety of indexes. Had the AMO Pension Plan's performance in fiscal 2011 been equal to the performances of the assigned benchmarks, the Plan's rate of return would have been 0.79 percent.

The AMO Pension Plan's U.S. equities asset class – large cap, mid-cap and small cap stocks – had a negative return of 0.10 percent outperforming the negative 0.42 percent benchmark by 0.32 percent.

The Plan earned 1.83 percent from its fixed income or bonds asset class underperforming the benchmark of 5.26 percent by 3.43 percent.

The Plan's other investments asset class – international and emerging market stocks, commodities and real estate investment trusts – had a negative return of 3.74 percent outperforming the negative 5.26 percent benchmark by 1.52 percent.

Seven out of 14 AMO Pension Plan investment managers surpassed their benchmarks in all investment classes in the fiscal year with 4 other investment managers missing their respective benchmarks by less than .40 percent.

At the end of fiscal 2011 on September 30, the AMO Pension Plan was funded at 57.9 percent, with an estimated \$501 million in accrued vested benefit liabilities and assets valued at approximately \$290 million.

At the end of fiscal 2010 on September 30, the AMO Pension Plan was funded at 60.2 percent with \$497 million in accrued vested benefit liabilities and assets valued at \$300 million. The funded percentage and accrued vested benefit liabilities vary slightly from what was reported last year as these are no longer estimates.

In fiscal 2011, the AMO Pension Plan paid \$31 million in monthly benefits to Plan participants and survivors.