

Memorandum to Pension Plan Participants

Due to the severe worldwide recession, the collapse of investment markets in 2008-9 and the enactment of the Pension Protection Act (PPA), your AMO Pension Plan is required by law to take action to restore stability in the Plan. This memo is designed to give participants a quick snapshot as to if or how you and the Plan may be affected.

How does this affect me, a participant of the AMO Pension Plan?

- Active AMO participants who are eligible for a monthly benefit and retire before January 1, 2011 – no effect.
- Active AMO participants who are eligible for a 20-year regular monthly pension as of January 1, 2011 (regardless of age) – you will have an additional 60 days to declare your retirement with no effect, provided you have an application on file prior to January 1, 2011.
- Retirees or a survivor of a deceased participant receiving a monthly benefit – no effect.
- Vested participants that no longer work in covered employment (inactive participant) and you retire before January 1, 2010 – no effect.
- All other participants, both active and inactive, will be subject to the benefit adjustments called for in the Rehabilitation Plan.

How did the PPA affect the AMO Pension Plan?

- By PPA standards, as of October 1, 2009 our Plan is considered a “Red Zone” plan, which means that currently or within the next 7 years, our Plan will be less than 65% funded.
- Because we are a Red Zone Plan, the Plan was required to eliminate the Lump Sum option as of September 30, 2009.
- Prior to the adoption of a required Rehabilitation Plan, by joint union-employer trustee action, the Plan was amended to freeze benefit accruals effective January 1, 2010.
- Besides the actions listed above, the trustees were required to adopt a Rehabilitation Plan.

What is a Rehabilitation Plan?

- In plain words, it is a 10-year plan that restores stability and funding of a plan through benefit and contribution adjustments.
- The intention of your union-employer trustees is to have full funding of our Plan completed much sooner than 10 years.

The following is the Rehabilitation Plan and Rehabilitation Schedule adopted by Trustees of the AMO Pension Plan, which must be negotiated as part of future AMO collective bargaining agreements.

American Maritime Officers Pension Plan Rehabilitation Plan

Introduction

The joint union - employer trustees of the American Maritime Officers Pension Plan have adopted a rehabilitation plan to restore stability to the retirement fund. This rehabilitation plan was required by federal law — specifically, the Pension Protection Act of 2006.

A rehabilitation plan was necessary because the AMO Pension Plan was considered in “Critical Status” for the fiscal year that began on October 1, 2009. Under the 2006 law, a defined benefit retirement plan reaches “critical” status — also known as the “Red Zone” — if, among other things, it is projected to have an accumulated funding deficiency within a specified period. As of September 30, 2009, the AMO Pension Plan is projected to have an accumulated funding deficiency occur within the next seven plan years. The AMO Pension Plan had been driven to this point by the severe worldwide recession, the collapse of investment markets in 2008 and persistent market instability, and difficult funding requirements under the Pension Protection Act.

Under the law, rehabilitation plans for retirement funds in “critical” status must be based on reasonable actuarial projections and reasonably anticipated experience. The law provides that a rehabilitation plan may take up to ten years to restore stability to a retirement fund. However, the trustees intend to make every effort to move the plan out of critical status as soon as possible.

Rehabilitation Plan Measures

This mandatory rehabilitation plan includes a schedule of benefit reductions and employer contribution rates that must be negotiated by all deep-sea, Great Lakes and inland waters vessel operating companies as part of future AMO collective bargaining agreements. The trustees believe that these measures will address the AMO Pension Plan’s funding requirements.

The trustees have exclusive authority to modify the schedule of benefit reductions and contribution rates in their discretion, and to determine when the schedule has been adopted in a labor contract or in a similar agreement addressing contributions to the AMO Pension Plan.

However, the trustees will generally consider the rehabilitation schedule to have been adopted under the following circumstances:

There is satisfactory evidence that the schedule has been written into collective bargaining agreements for the terms of the contracts. In cases of other employers contributing to the AMO Pension Plan outside of seagoing collective bargaining agreements — contributions made to the Plan by AMO on behalf of union officials and

representatives, for example — the trustees are satisfied that the schedule is in effect under a specific agreement.

If a collective bargaining agreement expires and the union and employer cannot reach an agreement consistent with the rehabilitation schedule, the schedule will apply automatically 180 days after that contract's expiration date.

Effective Date of the Rehabilitation Plan Schedule

Because of the fluid nature of the maritime industry, the trustees have agreed not to apply the schedule of benefit reductions to active participants before January 1, 2011.

Benefits for individuals who retire or resign their jobs on or after January 1, 2011 will be based on the schedule. This will apply to individuals who are working in covered employment and who are eligible for benefits and to individuals who have vested rights to pension benefits but who leave their jobs before they are eligible to receive these benefits.

The only exception will be for permanent employees who are not covered by collective bargaining agreements or other agreements that include the schedule. Under the Pension Protection Act, these individuals must be covered by an agreement specifically adopting the rehabilitation schedule before the schedule can apply to them.

Active participants eligible for a 20-year regular monthly pension (regardless of age) as of December 31, 2010 will have a 60-day grace period following the effective date of the rehabilitation schedule during which the rehabilitation schedule will not apply. The pension benefits for these individuals will not be reduced provided that they have a pension application on file with the Plan office as of December 31, 2010. They will then have the 60 days to formally retire if they wish to do so.

Active participants who are eligible for monthly benefits and who retire before January 1, 2011 or before the date the rehabilitation schedule is adopted by their employer will not be subject to the benefit reductions called for in the rehabilitation schedule.

In the context of the rehabilitation schedule, an active participant is defined as a person working in covered employment — or available to work in covered employment — who has at least one day of covered employment in the 12 months preceding the effective date of retirement or the effective date of the rehabilitation schedule, whichever is earlier.

Inactive Vested Participants

The rehabilitation schedule will not apply to:

- Individuals who no longer work in covered employment, but who have vested rights to pension benefits through previous covered employment. However, these individuals must retire before January 1, 2010.

Benefits for inactive but vested participants who retire after the rehabilitation schedule is in place will be calculated in accordance with the schedule.

Individuals Already Retired

Individuals who retire with monthly benefits from the AMO Pension Plan before January 1, 2010 will not have their benefits reduced or interrupted. Nor will the survivors of deceased participants in the Plan have their benefits reduced or interrupted if their monthly benefits began before January 1, 2010.

Annual Standards for Meeting the Rehabilitation Requirements

Because actual experience can be less favorable than what had been anticipated through reasonable assumption, the trustees of the AMO Pension Plan have developed annual standards to confirm the retirement fund's status and allow the AMO Pension Plan to emerge from "critical" status (the "Red Zone") as quickly as possible.

Specifically, the AMO Pension Plan's actuary will review the rehabilitation schedule and its effect each year during the 10-year period, report all findings to the trustees and consult with the trustees to revise the rehabilitation strategy if necessary each year.

All recommended revisions will be presented to the union and to deep-sea, Great Lakes and inland waters employers for adoption through collective bargaining. All schedules of reduction in benefits and employer contribution rates written into collective bargaining agreements will apply until the contracts expire.

Other Issues in Brief

- *A National Security Consideration*

The joint union-employer trustees of the American Maritime Officers Pension Plan believe firmly that senior experienced AMO members must remain in their jobs so that they are available to man private sector and government-owned and chartered strategic sealift ships in national security emergencies.

For this reason, the trustees have asked the Internal Revenue Service to allow certain retired AMO members to return to covered employment at sea with suspension of their

monthly retirement benefits while working. Without IRS approval of the return-to-work option, the AMO Pension Plan could lose its status as a tax-qualified retirement plan. This would apply only to active AMO members eligible for 20-year pensions (regardless of age) as of December 31, 2010 who choose to retire during the 60-day grace period following the effective date of the rehabilitation schedule.

In a letter to AMO Plans counsel on October 20, the IRS said it would “make every effort to process (the request) as expeditiously as possible.”

- ***Benefit Accruals***

By action of the Trustees, the AMO Pension Plan has been amended to freeze benefit accruals, beginning January 1, 2010. No additional pension benefits will be earned from that date.

Individuals with less than five years of service as of December 31, 2009 will continue to earn credits for vesting — as required by law —but benefits will not increase beyond amounts applicable on December 31, 2009.

Covered employment between January 1, 2010 and January 1, 2011 will count toward eligibility for 20-year regular pensions, early retirement pensions and disability pensions under these circumstances:

- When the union and employers negotiate an agreement consistent with the rehabilitation plan before January 1, 2011, employment will count toward eligibility for these pensions.
- When the union and employers have not negotiated an agreement consistent with the rehabilitation plan before January 1, 2011, employment will not count toward eligibility for these pensions.

Covered employment after January 1, 2011 will count toward eligibility for an actuarially reduced early retirement pension and disability pensions when an agreement consistent with the rehabilitation plan is in effect before January 1, 2011; when no such agreements are in place before January 1, 2011, employment will not count toward eligibility for an actuarially reduced early retirement pension and disability pensions until an agreement is negotiated.

November 10, 2009

REHABILITATION SCHEDULE

The Rehabilitation Schedule is a supplement to, and forms a part of, the Pension Plan Document, and controls over any conflicting provision in the Plan Document, except to the extent that the Trustees modify any of the benefits described herein by amending the Plan Document. This Schedule is part of the Plan's rehabilitation plan. A modification or amendment to the Schedule automatically modifies or amends any inconsistent provisions in the body of the rehabilitation plan document. This Schedule and the Plan Document may be amended or modified by the Trustees at any time and in any manner consistent with the requirements of ERISA and the Internal Revenue Code.

The benefit changes described in this Schedule will apply to Plan participants as set forth in the Rehabilitation Plan.

Benefit Adjustments

This schedule reduces "adjustable benefits" as that term is defined in ERISA Section 305. Notwithstanding any contrary provision in the Plan Document, the following benefit adjustments will apply upon the effective date of this Schedule, as determined under the provisions of the Rehabilitation Plan.

A. Adjustments to Early Retirement Benefits, Retirement Type Subsidies and Disability Benefits

1. *Early Retirement subsidy provided under the 20-Year Regular Pension:* The early retirement subsidy provided under the 20-Year Regular Pension (or any other service-related pension) is eliminated. Benefits payable prior to age 65 will be equal to the actuarial equivalent of the normal retirement benefit payable at age 65 as a single life annuity based on the Participant's actual age on the Pension Effective Date. The formula for determining actuarial equivalence is shown on Chart 1.

Notwithstanding the foregoing, active participants eligible for a 20-year regular monthly pension (regardless of age) as of December 31, 2010 will have a 60-day grace period following the effective date of the rehabilitation schedule during which the rehabilitation schedule will not apply. The pension benefits for these individuals will not be reduced provided that they have a pension application on file with the Plan office as of December 31, 2010. They will then have the 60 days to formally retire if they wish to do so.

2. *Standard Early Retirement Pension:* The standard Early Retirement Pension is modified by reducing the percentage of the normal retirement benefit amount that the Participant will receive if he retires before age 65. The standard Early Retirement Pension will be reduced to the actuarial equivalent of the Participant's normal retirement benefit payable at age 65,

as a single life annuity based on the Participant's actual age on the Pension Effective Date. The formula for determining actuarial equivalence is shown on Chart 1.

3. *Disability Pension:* Effective January 1, 2011, the eligibility requirements for a Disability Pension are modified. In order for a Participant to be eligible for a Disability Pension the Participant must have 20 years of pension credit under the AMO Plan, excluding any past service credit or credit under a Reciprocal Agreement, and must be eligible for Social Security Disability benefits. In addition, the ability to change from a Regular Pension to a Disability Pension based upon a subsequent disability is eliminated. Calculation of the amount of the Disability Pension will not be changed so that a participant with 20 or more years of pension credit will receive an unreduced benefit.
4. *Cost of Living Adjustments:* Cost of living adjustments are eliminated for Participants who retire after the effective date of the Schedule.

B. Benefit Payment Options:

1. *Lump-sum Distributions:* Lump-sum distributions in excess of \$1,000 were eliminated effective October 1, 2009 (i.e., the present value of the Participant's accrued benefit may not exceed \$1,000 to be eligible for a lump-sum distribution).
2. *60-month Guarantee:* The 60-month guarantee is eliminated for Participants who retire after the effective date of the Schedule.
3. *Pop-up Options:* The 50%, 75% and 100% Joint and Survivor Annuity Pop-Up Options are eliminated for Participants who retire on or after July 1, 2010.

C. Pre-Retirement Survivor Benefits:

1. *Pre-Retirement Survivor Benefits:* All pre-retirement survivor benefits other than the 100%/75%/50% pre-retirement surviving spouse benefit are eliminated.

The plan of benefits may be amended for any further benefit changes required for the Plan to continue meeting the requirements to maintain its tax qualification under the Internal Revenue Code and comply with other applicable law.

Contribution Rates

The employer contribution rates under the Schedule shall be the rates required under the existing collective bargaining agreements, including contribution increases scheduled to take effect in the future under the various agreements and amendments thereto.

Chart 1

Actuarial Equivalent Early Retirement Factors (From Normal Retirement Age 65)

Age		Months											
Years	0	1	2	3	4	5	6	7	8	9	10	11	
50	0.286	0.287	0.289	0.291	0.293	0.295	0.297	0.298	0.300	0.302	0.304	0.306	
51	0.308	0.310	0.312	0.314	0.316	0.318	0.320	0.322	0.324	0.326	0.328	0.330	
52	0.332	0.334	0.336	0.338	0.340	0.342	0.345	0.347	0.349	0.351	0.353	0.356	
53	0.358	0.360	0.363	0.365	0.367	0.370	0.372	0.374	0.377	0.370	0.382	0.384	
54	0.386	0.389	0.392	0.394	0.397	0.400	0.402	0.405	0.407	0.410	0.413	0.415	
55	0.418	0.421	0.424	0.427	0.430	0.432	0.435	0.438	0.441	0.444	0.447	0.450	
56	0.453	0.456	0.459	0.462	0.465	0.469	0.472	0.475	0.478	0.481	0.484	0.488	
57	0.491	0.494	0.498	0.501	0.505	0.508	0.512	0.515	0.519	0.523	0.526	0.530	
58	0.533	0.537	0.541	0.545	0.549	0.553	0.556	0.560	0.564	0.568	0.572	0.576	
59	0.580	0.584	0.589	0.593	0.597	0.602	0.606	0.610	0.615	0.619	0.623	0.628	
60	0.632	0.637	0.641	0.646	0.651	0.656	0.661	0.666	0.670	0.675	0.680	0.685	
61	0.690	0.695	0.700	0.706	0.711	0.717	0.722	0.727	0.733	0.738	0.744	0.749	
62	0.754	0.760	0.766	0.772	0.778	0.784	0.791	0.797	0.803	0.809	0.815	0.821	
63	0.827	0.833	0.840	0.847	0.854	0.861	0.867	0.874	0.881	0.888	0.894	0.901	
64	0.908	0.916	0.923	0.931	0.938	0.946	0.954	0.961	0.969	0.977	0.984	0.992	
65	1.000												

Interest rate: 6.00%

Mortality table: GAM-71 Male Mortality