

## **AMO Plans: Status Update on All AMO Plans Benefits**

### ***Increase in Defined Contribution Plan Benefit Scheduled for January 1, 2015***

As Executive Director of the American Maritime Officers (AMO) Plans, I am addressing the status of the AMO Plans. A Board of Trustees comprised of an equal number of employer trustees and union trustees administers the Plans. My primary function as the Executive Director is to act in the best interest of the participants. It is also my privilege to announce a benefit change, which will be introduced later in this document.

There are no impending actions that include benefits cuts for AMO member participants being considered by the Board of Trustees. AMO member participants in the AMO Medical, Pension, Money Purchase Benefit, 401(k), Defined Contribution, Vacation, and Safety and Education Plans will not be experiencing cuts in their benefits. The AMO Plans are in a good financial position to address the future.

As the Executive Director of the AMO Plans, I made a statement to the staff of the AMO Plans that man-days would decline in the last half of the year due to the loss of the Watson Class vessels. Faced with the opening of the collective bargaining agreement covering the AMO Plans staff, I wanted to remind the staff that we are not the members of AMO, but that we are here to serve the membership of AMO. I wanted to make sure our staff was aware that the membership is at sea, away from family and friends, and our job is to provide service to those members and their families. We go home to our families and friends each night and we have our weekends free to spend with our families and friends.

While I, as the Executive Director, imposed a wage freeze and lowered the Paid Time Off of AMO Plans employees by 5 days, I did not have the power to implement the action unless I received approval through the collective bargaining process. After sending the memo to the staff, the union and I met to negotiate.

I am proud to say that the staff recognized the ebb and flow of man-days and also recognized that the future was bringing new vessels and that there will be new growth. The staff recognized that the downturn of man-days is NOW, and with a few Abstained Votes, there was unanimous acceptance of the cuts. The decision was made by the staff to make sacrifices to reduce the impact of the downturn of man-days on the AMO Plans. We as a staff are shore-side. Most of us have always been shore-side and never faced the rigors and hardships faced by our sailing members. This was a moment to show respect for that fact.

The staff looks forward to the 25 ships scheduled for delivery over the next few years. While we focused on the immediate, the year has progressed. The Great Lakes sector has two additional vessels operating and a third is scheduled to start in September. The Deep Sea sector has increased its fleet by seven vessels. Three additional vessels

should be entering the fleet around November. One of the vessels is under protest; however, when it joins the fleet, the compliment will number up to 19 officers.

The staff of AMO Plans was proactive and accepted a freeze while maintaining full service with no interruption (no strike, no slow-down) for our membership. We as a shore-side staff recognize we have a job because of the AMO membership.

The loss of the eight Watson Class vessels was a blow. The other six vessels lost this year were due to lack of cargo and age. The reduction in man-days equals 20.3 million dollars for a 12-month period. It is important to know that the majority of the dollar amount consists of PASS THROUGH contributions. Contributions that would have been paid out in Vacation Pay to the affected AMO member participants, 401(k) contributions that would have gone into the accounts of the affected AMO member participants, DC Contributions that would have gone into the accounts of the affected AMO member participants, and Money Purchase Benefit contributions that would have gone into the accounts of the affected AMO member participants. In other words, those are losses to the AMO member participants who are not working in covered employment, not losses to the AMO Plans.

### **AMO Plans**

All Plans assets are at 880 million dollars, as opposed to the all time high of 889.9 million dollars prior to 2008. Further, the Plans have no debt.

### **AMO Pension Plan (Defined Benefit Plan)**

The assets of the AMO Pension Plan are at 400 million dollars, while paying 2.6 million dollars a month to 2,194 pensioners.

Since the Plan was declared a Red Zone Plan and became a frozen plan, the assets have earned annually as follows:

2010	10%
2011	0%
2012	23.5%
2013	10.9%
07/2014	12%

The Plan has been declared a Yellow Zone Plan and continues to move toward the Green Zone, which is 80% to 100% Funded. The return on the assets has been positive and the credit balance is no longer negative but positive. The fact that the '20 and out' was preserved by the Trustees was costly. If the '20 and out' was eliminated, the Plan would have been over funded. The cost to preserve the '20 and out' was over 250 million dollars. The Trustees maintain the Plan's '20 and out' provision and removing this provision is not under consideration.

Two things impede our progress toward being 100% funded.

The first is that interest rates have continued to decline since 2009. There has been a 40% decline in interest rates. The Plan year ending 9/2014 will be the first year that interest rates will rise, thereby decreasing the liability.

The second is that a greater number of participants than was assumed by the actuary have exercised the option of the '20 and out', left the industry and retired.

The actuary is studying the adverse effects of this trend, but those effects will not be known until the completion of the valuation that will not happen until the October Board Meeting. Any actions taken by the Board of Trustees will be published.

There is no crystal ball to determine what the interest rates will be, or to determine interest earned. What is known is that we continue on the path to the Green Zone, and when the Green Zone is reached, the Trustees have options that can be considered.

The Trustees are well aware that this is an arduous process and continue to work to improve the Defined Contribution Plan while we move toward full funding of the Defined Benefit Plan.

### **The AMO Defined Contribution Plan (The DC Plan)**

The assets in our members' DC Plan accounts exceed 56 million dollars.

The Defined Contribution Plan is funded out of the Master Operating Trust. This is possible because of numerous actions taken over the past years. The Master Operating Trust must first pay all Vacation Benefits, Medical Benefits, Safety and Education Plan benefits, the Joint Employment Committee and American Maritime Officers Service. Any savings generated are then used to fund the Defined Contribution Plan.

Savings are generated as follows:

- UMR pays our Medical Claims, and because they do, we receive approximately 2.5 million dollars more in discounts.
- There are zero operating costs in Toledo and this equates to approximately 1.5 million per year.
- STAR Center Commercial Training offsets contributions required for operating expenses.

- Staff has been reduced over the past years. We now operate with 140 staff versus the past high of 202 people.

All savings generate contributions for the DC Plan.

Last year, the actions of the Trustees led to establishing a minimum contribution of 6%. Also, it equated to a minimum 25% increase for all participants.

**Effective January 1, 2015, the charts will again be increased by 10% and establish a minimum contribution of 6.6%.**

### **The AMO 401(k) Plan**

The assets held in our members' 401(k) accounts exceed 330 million dollars.

### **The AMO Money Purchase Benefit Plan**

The assets held in our members' MPB accounts exceed 72 million dollars.

### **The AMO Medical Plan**

The AMO Medical Plan maintains a reserve of 20 million dollars.

The Medical Plan provides benefits to 8,746 members, retirees, spouses, and dependents.

Over the last two years, the Affordable Care Act has been implemented. Over five hundred dependents previously not eligible for coverage are enrolled because they are under the age of 26.

Even with all of these changes, the medical costs have maintained stable levels. Costs in 2013 compared to 2012 were negative 1% (-1%). The 2014 cost compared to 2013 is also trending lower. The annual cost for medical runs at approximately 45 million dollars.

If we were not receiving the discounts through UMR and secondary network discounts, that figure would be 67 million dollars.

### **The AMO Vacation Plan**

The AMO Vacation Plan continues to pay vacation benefits at 75 million dollars a year.

### **The Safety and Education Plan**

STAR Center continues to operate at the highest standards and is prepared to handle all training requirements of the STCW imposed by the Coast Guard final rulemaking.

The facilities have implemented a preventative maintenance schedule and upgrades to make the compound more accessible and enjoyable for all members and their families.

The staff of the AMO Plans remains committed to the purpose of serving all AMO members and their families.

**Steven Nickerson**  
**Executive Director**  
**AMO Plans**