

# PACIFIC COAST SHIPYARDS PENSION FUND

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April 1, 2008

**TO: PARTICIPANTS, ALTERNATE PAYEES, BENEFICIARIES,  
SPONSORING UNIONS, CONTRIBUTING EMPLOYERS,  
DEPARTMENT OF LABOR & PENSION BENEFIT GUARANTY  
CORPORATION**

**FROM: BOARD OF TRUSTEES  
PACIFIC COAST SHIPYARDS PENSION FUND**

**RE: ACTUARY'S CERTIFICATION OF CRITICAL STATUS &  
REHABILITATION PLAN**

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On April 1, 2008 the Plan's Consulting Actuary certified to the Board of Trustees that the Plan was in, "critical status" as defined in the Pension Protection Act of 2006 (hereinafter the "Act").

The Act instructed the Secretary of the Department of Labor to issue a Form Notice for use in such cases. The Secretary has failed to issue the required Form Notice. The Secretary's failure to act does not relieve the Trustees' obligation to fulfill their duties under the Act. This Notice and its attachments reflect the Trustees' good faith attempt to fulfill their obligations under the Act. The Trustees reserve their right to amend this Notice and/or attachments when and if the Department of Labor and/or any other federal regulatory agency or officer promulgates regulations and/or guidance under the Act and/or as otherwise warranted.

If you are a Pensioner, Spouse of a Participant or Alternate Payee who commenced receipt of pension benefits prior to April 1, 2008 neither the certification of critical status nor the Rehabilitation Plan attached hereto and discussed below should result in any reduction of your current monthly benefit.

All vested active and inactive participants should see no reduction in their monthly pension benefit accrued as of April 1, 2008 payable in the form of a normal retirement benefit at normal retirement age which is age 62. The 36 month guarantee would not apply to those monthly benefits under the Default Schedule of the attached Rehabilitation Plan.

However, participants, alternate payees and beneficiaries who have not commenced benefits as of April 1, 2008 shall see significant reductions in future accruals, an elimination of all subsidized early retirement benefits, an elimination of all disability benefits and an elimination of all death benefits other than required joint and survivor annuities unless the collective bargaining

parties agree to significant increased hourly contributions as calculated by the Actuary. The benefits which would be eliminated are typically referred to as "adjustable benefits" under the Act. The attached ERISA section 204 (h) Notice provides specific examples of the reduction of future accruals and elimination of adjustable benefits. The minimum required additional contributions to avoid these benefit reductions are set forth in the attached Rehabilitation Plan as "Attachment B, Alternative Schedule." These additional contributions would not result in any benefit accruals and would be devoted solely to improving the funding condition of the Plan.

If the collective bargaining parties do not agree to these additional contributions by January 1, 2009 the Board of Trustees must implement the Default Schedule to the attached Rehabilitation Plan. Individuals who commenced receipt of some forms of benefits on and after April 1, 2008 would see their monthly benefit reduced no later than January 1, 2009 in accord with the Default Schedule. The collective bargaining parties could agree to the Default Schedule prior to January 1, 2009 which might result in an earlier imposition of the Default Schedule.

Under the Default Schedule employers would be required to pay some increased contributions. These contributions would not result in any benefit accruals nor would they prevent the imposition of the benefit reductions and eliminations set forth in the Default Schedule and described in the attached ERISA Section 204 (h) Notice.

For benefits first commenced on and after April 1, 2008 the Trustees are reserving the right to a retroactive reduction of benefits if the Default Schedule is implemented. The law is clear as to prospective reductions of these benefits first commenced on and after April 1, 2008 upon implementation of the Default Schedule. The Act is ambiguous as to retroactive reductions of benefits first commenced on and after April 1, 2008 upon implementation of the Default Schedule. Retroactive reductions for benefits first commenced on and after April 1, 2008 will be imposed after implementation of the Default Schedule only to the extent of applicable federal regulations and/or guidance. Prospective reductions of benefits first commenced on and after April 1, 2008 will be imposed upon implementation of the Default Schedule unless prohibited by applicable federal law, regulations or guidance.

Some Participants may have commenced receipt of benefits prior to April 1, 2008 and subsequently returned to Covered Employment or some other form of suspendible employment. Absent contrary federal regulations, guidance and/or legislation the pension payable prior to April 1, 2008 should not be subject to the Default Schedule. Additional credits earned by a Participant who retired, returned to Covered Employment and earned additional benefits and for which those additional benefits had not commenced as of April 1, 2008 would be subject to the Default Schedule as to those additional benefits accrued subsequent to a return to Covered Employment.

A potential merger of this Plan into one or more larger Plans is described in the attached Rehabilitation Plan. To date no other Plan has expressed any interest in accepting the assets and liabilities of this Plan. The Board of Trustees believe that there is currently little chance of any such merger.

Attached to this Notice you will find: (1) an ERISA 204 (h) Notice describing the benefit reductions and eliminations of the Default Schedule, (2) a copy of the Rehabilitation Plan and its Schedules, (3) a Notice to contributing employers, (4) a letter to the Secretary of Labor and (5) a letter to the Pension Benefit Guaranty Corporation.

Congress is considering as of the date of preparation of this Notice, but had not enacted of that date, technical corrections to the Pension Protection Act of 2006. If Congress enacts additional legislation, updates to this Notice and its attachments shall be provided as warranted.

Should you have any questions whatsoever in terms of the foregoing, please contact the Fund Office at the address shown at the top of this Notice. Any questions which cannot be resolved by the Fund Offices shall be promptly referred by the Fund Offices to the Board of Trustees.

You may also direct questions or comments on this Notice and its attachments to the nearest office of the Employee Benefit Security Administration, U.S. Department of Labor, listed in your telephone directory or to its central office located at 200 Constitution Avenue, N.W., Washington, DC 20210. A description of the Pension Benefit Guaranty Corporation and the benefits it guarantees can be found at Pages 32 and 33 of your Summary Plan Description.