

**AMENDED RETIREMENT PROGRAM
OF
PUGET SOUND PILOTS**

TABLE OF CONTENTS

PREAMBLE..... 2

SECTION I 3

NAME AND DEFINITIONS..... 3

 1.1 Organization 3

 1.2 Plan 4

 1.3 Active Pilot..... 4

 1.4 Participant..... 4

 1.5 Retired Pilot 4

 1.6 Years of Service 5

 1.7 Target Net Income 5

 1.8 Active Pilot's Net Share 6

 1.9 Retirement Base 7

 1.10 Normal Retirement Date and Early Retirement..... 8

 1.11 Disability 8

 1.12 Disabled Pilot..... 9

SECTION II 10

PARTICIPATION..... 10

 2.1 Current Active Pilot 10

 2.2 Active Pilots Who Begin Service with the Organization After the
 Amendment Effective Date 10

 2.3 Incorporation by Individual Participants 11

SECTION III 11

BENEFITS..... 11

 3.1 Generally, 11

 3.2 Retirement Benefits 12

 3.3 Disability Benefits 13

 3.4 Death Benefits 14

 3.5 Employees of Pilot Corporations of Individual Active Pilots 16

SECTION IV 16

MISCELLANEOUS..... 16

 4.1 Amendments..... 16

 4.2 Right to Benefits 17

AMENDED RETIREMENT PROGRAM
OF
PUGET SOUND PILOTS

PREAMBLE

WHEREAS, on the first day of March, 1982, Puget Sound Pilots adopted a Pension Program; and,

WHEREAS, on the first day of January, 1988, Puget Sound Pilots amended such Pension Program; WHEREAS, Puget Sound Pilots amended the Pension Program effective July 1, 2001 to increase benefits accruing after July 1, 2001 ("Amendment Effective Date");

WHEREAS, Puget Sound Pilots again desire's to amend the plan effective August 8, 2006.

NOW, THEREFORE, such Pension Program, to continue to be known as the " Amended Retirement Program of Puget Sound Pilots", is hereby amended to read as follows:

Recognizing that monies for an unfunded Retirement Program have been made available in the Washington State Puget Sound Pilotage District Tariff to

Revised August 8, 2006

Puget Sound Pilots, we, the undersigned, are desirous of establishing a fair and equitable plan utilizing these funds.

Further, that this expense for the unfunded Retirement Program is specifically designated for this purpose and is therefore, not part of an Active Pilots' income.

Further, that this expense is calculated each year based on the previous year's actual retirement expenditures. No special accounting will be required other than the total amount distributed to retirees.

We, therefore, mutually agree, effective August 8, 2006, to amend the Amended Retirement Program of Puget Sound Pilots in accordance with the following Rules and Regulations:

SECTION I

NAME AND DEFINITIONS

1.1 Organization

The term "Organization" shall mean Puget Sound Pilots and its successors and assigns.

Revised August 8, 2006

4

1.2 Plan

The term "Plan" shall mean the Amended Retirement Program of Puget Sound Pilots as set forth herein.

1.3 Active Pilot

The term "Active Pilot" shall mean any person belonging to the organization and actively engaged in the Organization's business in accordance with the By-laws and Operating rules of the Organization on or after March 1, 1982.

1.4 Participant

The term "Participant" shall mean an Active Pilot or an Active Pilot who has elected Early Retirement.

1.5 Retired Pilot

The term "Retired Pilot" shall mean an Active Pilot who retires under the Plan after satisfying the requirements of Section 1.10 and all provisions of the By-laws and Operating rules of the Organization.

1.6 Years of Service

The term "Years of Service" shall mean the period of time used to calculate the extent of a participant's benefits under the Plan. A Year of Service is determined by dividing the total number of days for which a share of the Organization's receipts were received by an Active Pilot by 365. Any remainder of 183 or more days but less than 365 days shall count as one-half (1/2) a Year of Service. Any remainder of 182 or fewer days shall not be taken into account in determining years of service. In the event an Active Pilot terminates service with the Organization and then later resumes service with the Organization, then, notwithstanding the above, all prior time will count in any determination of present Years of Service. In any event, however, the number of days used to determine Years of Service shall not be counted past the date the Active Pilot attains the statutory age of retirement.

1.7 Target Net Income and Net Income

The term Target Net Income shall mean the projected annual income for an Active Pilot, excluding all expenses as determined by the Washington State Board of Pilotage Commissioners ("Commission") at the Tariff Hearings for the current tariff year. The term Net Income shall mean the annual net income per pilot calculated by dividing the Net Balance of Pooled Revenue of the Organization for a year by the Working Pilot Roster. The Working Pilot

Revised August 8, 2006

6

Roster is the number of total annual duty days divided by the number of days in the year. Net Balance of Pooled Revenue is the total pilotage tariff revenue minus the sum of: Organization expenses; payments under any retirement plan; transportation charges collected under the tariff; and the Working Pilot Roster multiplied by the Individual Business Expense Allowance. The Individual Expense allowance for any year shall be the amount set by the Washington State Board of Pilotage Commissioners (or the Organization's Board of Directors in the event it is not set by the Pilotage Commission) to cover the average cost to a pilot of: medical, disability, license and civil defense insurances; the state pilot license fee; physical exam; subsistence and lodging; business communication and navigation and office supplies.

1.8 Active Pilot's Net Share

The term "Active Pilot's Net Share" shall mean that share of the Organization's pooled monthly receipts of an Active Pilot on full share who was on duty or on earned time off each day during the month after deductions have been made for pooled expenses, including the benefits paid under the Plan. An Active Pilot's Net Share will be shown in the Earnings Column on the Monthly Distribution Sheet. For purposes of this Section 1.8, an Active Pilot on full share is an Active Pilot entitled to one day credit for each day on

Revised August 8, 2006

duty or on earned time off under the By-Laws and Operating Rules of Puget Sound Pilots.

1.9 Retirement Base

The term "Retirement Base" shall mean an amount equal to the average of the last three (3) years' Target Net Income as defined in section 1.7, which shall include the current tariff year and the two immediately preceding tariff years prior to an Active Pilot's retirement. If the Commission does not set a Target Net Income prior to the beginning of any tariff year (July 1 to June 30), Net Income for the calendar year in which that tariff year begins shall be substituted for Target Net Income in determining this average. If such Net Income is not yet known at the time of retirement for the final year of the three year average, it shall be assumed to be same as the prior year Net Income until such time as it is known. At that time, any adjustments in the retirement benefits shall be made retroactively without interest. Any retroactive adjustments shall be spread over three months. Should a pilot have less than three full years of service, the average shall be determined from the actual number of full years of service. For those Pilots retired before December 31, 1987, the Retirement Base shall be \$105,425.00.

1.10 Normal Retirement Date and Early Retirement

- (a) The term "Normal Retirement Date" shall mean the actual date on which a Participant retires after having satisfied all of the following requirements:
- (1) Completed at least one (1) Year of Service
 - (2) Given written notice to the Organization of the Active Pilot's intention to retire at least six (6) months prior to such Normal Retirement Date.
- (b) The term "Early Retirement" shall mean a retirement wherein an Active Pilot has elected to retire and is not yet receiving benefits under this Plan.

1.11 Disability

- (a) "Disability" shall mean any medically determinable physical or mental impairment which renders an Active Pilot incapable of satisfactorily performing the duties of a pilot; wherein the inability to perform the duties of a pilot may be expected to result in death, or be of long, continued, and indefinite duration.
- (b) In no case, however, shall an Active Pilot be deemed to be disabled if the Active Pilot's physical or mental impairment: (1) was contracted, suffered or incurred while the Active Pilot was engaged in a felonious

criminal enterprise: or, (2) resulted from an intentional, self-inflicted injury.

- (c) Disability shall be determined by a licensed physician selected by the Organization's Board of Directors, who shall certify the findings and conclusions of his or her examination of the Active Pilot to such Board of Directors. If the Active Pilot does not agree with the findings and conclusions of such physician, such pilot shall have the right to be examined by such Pilot's own physician. If the physician selected by the Organization and the Active Pilot's physician fail to agree as to whether such pilot is disabled, a third physician shall be selected by such two physicians and the determination of any two of the three physicians shall be final and conclusive on all interested parties.

1.12 Disabled Pilot

The term "Disabled Pilot" shall mean an Active Pilot who suffers a Disability as defined in Section 1.11.

SECTION II
PARTICIPATION

2.1 Current Active Pilot

Each Active Pilot on the Amendment Effective Date of this Plan must elect to become a participant of the Plan. The election shall be in writing and filed with the Organization immediately upon execution of this Plan; provided, however, that any Active Pilot who signed the original Pension Program of March 1, 1982 or the Amended Retirement Program of Puget Sound Pilots as amended in 1988, shall not have to make further election, but shall automatically continue to be a participant of this Plan.

**2.2 Active Pilots Who Begin Service with the Organization
After the Amendment Effective Date**

Each Active Pilot who begins service with the Organization after the Amended Effective Date must elect to become a Participant of the Plan. The election shall be in writing and filed with the Organization immediately upon beginning service with Puget Sound Pilots. The provisions of Section 2.1 shall apply to each such Active Pilot.

2.3 Incorporation by Individual Participants

Pilot corporations of individual Active Pilots must elect to become participants of the Plan immediately upon becoming a member of the Organization. Years of Service of a corporation shall include any Years of Service accrued by a shareholder prior to incorporation, and of a shareholder in case of disincorporation.

SECTION III

BENEFITS

3.1 Generally,

- (a) All benefits shall be calculated and paid on a monthly basis.
- (b) All benefits shall be paid from the first day of the month following the Participant's retirement, death or disability, whichever is applicable, and payments shall commence within a reasonable time after the first day of such month; provided that, all Retirement Benefits shall commence only after all vacation days, respite days, and credits received for extra days of work while on respite days or vacation, as defined in Rule 17 of the Operating Rules of Puget Sound Pilots, have been exhausted. Payments shall continue to the end of the month in which benefits terminate for any reason whatsoever.

Revised August 8, 2006

- (c) With the Exception of the restoration of Years of Service under Section 1.6, all benefits under the Plan, whether in pay status or not, shall be forfeited if the person or their successor, entitled or to be entitled thereto, engages in piloting any vessel, with or without compensation, on the Organization's Pilotage Ground without first obtaining written consent of the Puget Sound Pilots' Board of Directors and signed by the President thereof, to engage in such piloting.

3.2 Retirement Benefits

- (a) A Retired Pilot shall be entitled to receive a retirement benefit equal to one and one-half percent (1.5%) of the Retired Pilot's Retirement Base multiplied by the number of that Pilot's Years of Service.
- (b) If in any month, an Active Pilot's Net share falls ten percent (10%) or more below the prorated Target Net Income, the Retired Pilot shall receive a like percentage reduction in retirement benefits. This reduction shall be applied to the retired pilot's retirement benefit. If in any month there is no Commission set Target Net Income in effect and an Active Pilot's Net share falls fifteen (15%) or more below the average of the previous three (3) years Net Income prorated on a monthly basis, then the Retired Pilot shall receive a like percentage reduction in

retirement benefits. This reduction shall be applied to the retired pilot's retirement benefit.

- (c) A retirement benefit shall continue to the Retired Pilot for the Retired Pilot's life.

3.3 Disability Benefits

(a) Subject to the provisions of Section 3.1 and to the limitations of Section 3.3 (b), an Active Pilot who becomes disabled as defined in Section 1.12 shall be entitled to receive the greater of:

- (1) A disability benefit equal to ten percent (10%) of the disabled pilot's retirement base, or
 - (2) A disability benefit equal to one and one-half percent (1.5%) of the Disabled Pilot's Retirement Base multiplied by the number of the Disabled Pilot's Years of Service.
- (b) The disability benefit determined in Section 3.3 (a) shall be reduced by any amount received by the Disabled Pilot from a disability insurance policy or other insurance policy the premiums of which have been paid by the Organization.

14

- (c) The disability benefit determined in Section 3.3 (a) above shall continue to the Disabled Pilot for the rest of the Disabled Pilot's life as long as the Disabled Pilot remains disabled according to Sections 1.11 and 1.12.

3.4 Death Benefits

- (a) Upon the death of an Active Pilot, shareholder of a Pilot corporation, Retired Pilot, Pilot on early retirement, or Disabled Pilot, the surviving spouse shall be entitled to receive a death benefit for life, or until such surviving spouse remarries. The death benefit shall be payable only if such surviving spouse and the Active Pilot, shareholder of a Pilot corporation, Retired Pilot, Pilot on early retirement, or Disabled Pilot shall have been married throughout the five (5) year period immediately preceding the earlier of the Active Pilot, shareholder of a Pilot corporation, Retired Pilot, Pilot on early retirement, or Disabled Pilot's death, Normal Retirement Date, Early Retirement Date, or disability.
- (b) The death benefit payable to the surviving spouse of a Retired Pilot who dies on or after the Amendment Effective Date having five (5) or more years of service shall be an amount equal to one-half (1/2) the benefit such deceased Retired Pilot, Pilot on early retirement, or Disabled Pilot was receiving, or, in the case of a deceased Active Pilot who dies on or

Revised August 8, 2006

after the Amendment Effective Date, one-half (1/2) the retirement benefit the Active Pilot would have been entitled to receive had the Active Pilot retired on the date of the Active Pilot's death, without regard to the requirements for retirement provided in Section 1.10, but in any event the benefit shall not be less than five percent (5%) of the applicable retirement base of the deceased pilot.

- (c)** Except in the case of a Disabled Pilot, the death benefit payable to the surviving spouse of a Retired Pilot who dies on or after the Amendment Effective Date having less than five (5) years of service shall be the same retirement benefit such deceased Retired Pilot or Pilot on Early retirement was receiving, or in the case of a deceased Active Pilot who dies on or after the Amendment Effective Date, the same retirement benefit the Active Pilot would have been entitled to receive had the Active Pilot retired on the date of the Active Pilot's death and had the percentage in Section 3.2(a) above been 1.5% at the time of the pilot's death, without regard to the requirements for retirement provided in Section 1.10, but in any event the benefit shall not be more than five percent (5%) of the applicable retirement base of the deceased pilot.
- (d)** Surviving spouses accruing and/or receiving death benefits under the Plan prior to the Amendment Effective Date, shall, starting on the

16

Amendment Effective Date, receive a twenty percent (20%) increase in the amount of such benefits.

- (e) In the event the surviving spouse remarries, payments for retirement benefits to the surviving spouse, as provided for in this Section, shall cease effective on the date of remarriage.

3.5 Employees of Pilot Corporations

A pilot corporation of an individual Active Pilot may designate the employees to receive the benefits coming to that corporation. If the Active Pilot employee of the pilot corporation becomes deceased then the provisions of Section 3.4 shall apply.

SECTION IV

MISCELLANEOUS

4.1 Amendments

- (a) This Plan may be amended to provide additional benefits or to liberalize any other provision relating to benefits by a vote of at least two-thirds (2/3) of all Active Pilots.

Revised August 8, 2006

- (b) Amendments reducing benefits or otherwise adversely affecting anyone receiving benefits under this Plan may be made only upon a vote of at least two-thirds (2/3) of all Active Pilots and those persons receiving benefits.

4.2 Right to Benefits

No right to benefits shall exist against any individual herein.