



Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026
www.pbgc.gov

August 10, 2005

Re: Case Number 196153
McCook Metals, LLC Pension Plan for Hourly Employees
(the "McCook Plan")

Dear

The Appeals Board has reviewed your appeal of PBGC's March 15, 2005 (remailed May 4, 2005) determination of your guaranteed McCook Plan benefit. We are increasing the portion of your guaranteed benefit beginning March 1, 2014, from \$79.62 to \$98.86 per month.

Discussion

PBGC determined your guaranteed benefit is \$642.57 per month before age 62, and \$79.62 per month beginning March 1, 2014. Your McCook Plan benefit is reduced at age 62: (i) when a partially-guaranteed temporary supplement ends, and (ii) for a Reynolds Plan¹ benefit payable beginning at age 62. Your guaranteed benefit is a Joint and 50% Survivor Pop-Up Annuity. Your guaranteed benefit will be temporarily reduced by less than 10% until your overpayments have been repaid.

In your May 12, 2005 appeal:

- You questioned why PBGC continued overpaying you for 9 months.
To prevent economic hardship, PBGC pays estimated benefits while PBGC obtains and audits the records needed to calculate an accurate benefit. Until PBGC calculated your estimated benefit, PBGC continued paying you the \$1,417.39 benefit the McCook Plan administrators had calculated.
Your PBGC benefits are lower than your McCook Plan benefit because of the legal limits explained in PBGC's Benefit Statement. We regret the inconvenience caused by PBGC taking 9 months to calculate your \$642.57 guaranteed benefit.
- You stated reducing your benefit is neither fair nor legal.
We found PBGC used too large of a reduction at age 62 for your Reynolds Plan benefit. The McCook Plan document requires reducing for the Reynolds Plan benefit you had earned on

¹ Reynolds Metals Company Pension Plan for Hourly Employees. See page 3 for Reynolds Plan points of contact.

June 16, 1998. Reynolds administrators confirmed your accrued benefit under the Reynolds Plan is \$897.50² instead of the \$931.25³ amount PBGC used. Therefore, we recalculated your guaranteed McCook Plan benefit beginning at age 62 as \$98.86⁴ per month.

PBGC must apply limitations given by law when guaranteeing your McCook Plan benefit. Your total Reynolds-McCook benefit is: (a) 45%⁵-guaranteed and payable only under the McCook Plan until age 62, and (b) 94%-provided $\{(\$98.86 + \$852.63^6) \div \$1,017.39\}$ together by PBGC and the Reynolds Plan thereafter.

The law and PBGC's regulation require PBGC to seek repayment of your overpayments.⁷ To minimize economic hardship: (i) PBGC is not charging interest on your overpayments, and (ii) PBGC is limiting your temporary reduction for recoupment to 9.44%.⁸

- You questioned how PBGC calculated your overpayment total. PBGC's calculations are shown in Enclosure 1 to this letter. You were overpaid \$6,973.38 $\{(\$1,417.39 - \$642.57) \times 9 \text{ months June 2002 through February 2003}\}$.
- You stated a PBGC representative advised you on the telephone that filing an appeal would not help you.

We regret any such advice you were given. We will consider any timely written appeal specifically explaining why a PBGC determination may be wrong.

² \$35.90 pension factor x 25 years Reynolds Plan service

³ \$37.25 pension factor x 25 years Reynolds Plan service

⁴ $(\$37.25 \text{ pension factor} \times 28.75 \text{ years total service} - \$897.50 \text{ Reynolds Plan benefit}) \times .95 \text{ annuity form adjustment} \times 60\% \text{ "phase-in" guaranteed benefit limit}$

⁵ $\$642.57 \div \$1,417.39$

⁶ $\$897.50 \times .95$, assuming you receive your Reynolds Plan benefit as a Joint and 50% Survivor Pop-up annuity starting at age 62

⁷ 29 Code of Federal Regulations "CFR" section 4022.81 and §4022.82(a)(2)(i)

⁸ $(\$642.57 - \$581.78) \div \$642.57$.

Whom to Contact

If you have any questions about your Reynolds Plan benefit, you may call 1-888-ALCOA123 or the Alcoa Retirement Service Center at 1-800-231-8151. Representatives at the Alcoa Retirement Service Center are available, Monday through Friday, from 8:00 a.m. to 5:00 p.m. Eastern Standard Time, excluding holidays. You may also write to:

Alcoa Retirement Service Center
P.O. Box 4844
Chesapeake, VA 23327-4844.

If you have any questions about your McCook Plan benefit, please contact PBGC's Authorized Plan Representative at 1-800-400-7242.

Decision

Having applied the law and PBGC's regulations to the facts in your case, we are denying your appeal. Your guaranteed benefit must be temporarily reduced to repay your overpayments. However, we are increasing the portion of your guaranteed benefit beginning March 1, 2014, from \$79.62 to \$98.86 per month.

This letter concludes your administrative remedies with respect to PBGC's May 4, 2005 determination. You may, if you wish, seek court review of PBGC's determination with respect to the issues you raised. Thank you for your patience while we carefully reviewed your appeal.

Sincerely,



William D. Ellis
Appeals Board Member

Enclosures:

- (1) PBGC recoupment calculation summary dated March 11, 2005
- (2) Copy of the Benefit Statement PBGC enclosed with its determination of your benefit (4 pages)