



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

April 29, 2005

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

Dear [redacted]

The Appeals Board has reviewed your appeal of PBGC's February 4, 2005 determination of your guaranteed McCook Plan benefit. As explained below, we found no basis for changing PBGC's determination.

Benefit Determination and Appeal

PBGC determined your PBGC benefit is \$957.00<sup>1</sup> per month through August 1, 2005, and \$315.46 per month thereafter. Your benefit is a Joint and 50% Pop-Up Survivor Annuity. PBGC explained your \$957.00 and \$315.46 benefits will be temporarily reduced 10% until your overpayments have been repaid. You will not be charged interest on your overpayments.

In your March 12, 2005 appeal:

- You asked PBGC to pay you the McCook Plan's 70/80 Retirement benefit.<sup>2</sup>

We explain below PBGC is already paying you a 70/80 Retirement benefit. PBGC is paying less than your full benefit only because the law limits PBGC's guarantee.

- You asked PBGC to increase your McCook-only service from 3.75 years to 4 years. You asked whether the increase to 4 years would cause PBGC to pay 80% of your accrued benefit instead of 60%.

We explain below the McCook Plan benefit formula does not use your exact McCook-only service. Instead, the McCook Plan uses: (i) your combined Reynolds and McCook Service, and (ii) your benefit under a Reynolds Metals pension plan (the

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<sup>1</sup> \$1,595.00 accrued benefit x 60% guarantee

<sup>2</sup> named "70/80 Special Early Retirement" in the McCook Plan document, and described elsewhere as the "70/80 Special Pension"

"Reynolds Plan" <sup>3</sup>). Your McCook-only service, whether 3.75 years or 4 years, does not affect PBGC's 60%-guarantee of your McCook-Plan accrued benefit.

### 70/80 Retirement Benefit Calculation

#### *70/80 Lifetime Annuity Reduced by Reynolds Plan Benefit*

The 70/80 Retirement provides a lifetime annuity, including a "Pension Factor" permanent supplement, plus a \$400.00 per month temporary supplement until age 62. See Enclosure 1 pages 8-12. The total lifetime annuity is reduced by your Reynolds Plan Accrued Benefit. See Enclosure 1 pages 8. Because you earned less than 30 years service, your Reynolds Plan Accrued Benefit must be reduced if started before age 62. Thus, until age 62 the McCook Plan pays your full 70/80 lifetime annuity without a Reynolds Plan offset. See Enclosure 1 page 10 paragraph 4(a).

#### *Combined McCook Plan and Reynolds Plan Lifetime Annuity*

Your combined McCook-Reynolds lifetime annuity, before reduction for your Reynolds Plan Accrued Benefit, is **\$1,595.00** {29 years total service x (\$41.25 accrual rate <sup>4</sup> + \$13.75 Pension Factor permanent supplement <sup>5</sup>)} if paid as a Straight Life Annuity. Your total combined lifetime annuity in your Joint and 50% Pop-up Survivor Annuity form is **\$1,515.25** {\$1595.00 x .95 annuity form factor} per month.

#### *McCook Plan Lifetime Annuity Reduced for Reynolds Plan Benefit*

Your \$1,515.25 per month total lifetime annuity must be reduced by your Reynolds Plan Accrued Benefit beginning at age 62, as noted above. Your Reynolds Plan Accrued Benefit offset:

(i) is **\$1,041.56** {\$41.25 accrual rate x 25.25 years of service} if paid as a Straight Life Annuity,<sup>6</sup>

(ii) omits the \$13.75 Pension Factor permanent supplement accrual rate used to calculate your \$1,595.00 combined McCook-

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<sup>3</sup> The Reynolds Metals Company Pension Plan for Hourly Employees

<sup>4</sup> See Enclosure 1 page 8

<sup>5</sup> See Enclosure 1 page 15

<sup>6</sup> Our records indicate Reynolds Plan administrators calculated the same \$1,041.56 Reynolds Plan Accrued Benefit for you.

Reynolds benefit, thus increasing your PBGC-payable McCook Plan benefit,

(iii) is **\$989.48** { $\$1,041.56 \times .95$  annuity form factor} per month if paid in the Joint and 50% Pop-up Survivor Annuity form you chose under the McCook Plan.

Thus, your McCook Plan 70/80 Retirement lifetime annuity is **\$1,515.25** per month before age 62, and **\$525.77** { $\$1,515.25 - \$989.48$ } per month beginning September 1, 2005.

*Total 70/80 Retirement Benefit with \$400 Supplement*

Your 70/80 Retirement benefit includes a \$400.00 per month temporary supplement payable until age 62, as noted above. See Enclosure 1 pages 11-12 paragraph (9). Therefore, your total McCook Plan 70/80 Retirement benefit is **\$1,915.25** { $\$1,515.25 + \$400.00$ } per month before age 62, and **\$525.77** per month after reaching age 62.

*Your Benefit Service*

The McCook Plan defines service as the total quarters in which a participant receives any pay from the Company. You asked PBGC to apply the McCook Plan service formula to your benefit. PBGC applied that formula in:

(i) Calculating your total service as 29 years from your May 21, 1973 hire date until the McCook Plan's March 31, 2002 termination date, and

(ii) Calculating your Reynolds Plan service as 25.25 years from your May 21, 1973 hire date until Reynolds sold the assets of its McCook Metals division in June 1998.

PBGC calculated your McCook-only service from June 16, 1998 to March 31, 2002 as 3.75 { $29 - 25.25$ } years instead of 4 years. See Enclosure 2. However, the exact amount of your McCook Plan service does not affect your McCook Plan benefit calculation. Instead, your benefit depends only on your total 29 years total service and your 25.25 years Reynolds-only service. Also, your McCook-only service, whether 3.75 or 4 years, is not used when determining the limits on PBGC's guarantee. Please see below. Therefore, increasing your McCook-only service to 4 years does not affect your McCook Plan benefit or your PBGC benefit.

Limits on PBGC's Guarantee

The law requires PBGC to apply two limits to your guaranteed benefit, because the McCook Plan was not sufficiently funded for PBGC to pay all benefits:

(i) PBGC may not guarantee any portion of your benefit beyond the amount of your Normal Retirement Benefit payable as a Straight Life Annuity.<sup>7</sup> Therefore, only **\$1,595.00** of your \$1,915.25 pre-age 62 benefit is guaranteeable.

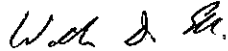
(ii) The McCook Plan was effective January 1, 1999, between 3 and 4 years before the McCook Plan's March 31, 2002 termination date. Under the law's "phase-in" rules,<sup>8</sup> PBGC may guarantee only **\$957.00**<sup>9</sup> { $\$1,595.00 \times 60\%$ } of your guaranteeable pre-age 62 benefit, and **\$315.46** { $\$525.77 \times 60\%$ } of your age-62 benefit. The \$957.00 and \$315.46 benefits the Appeals Board decided are the same as PBGC determined.

### Decision

Having applied plan provisions and the law to the facts in your case, we found no basis for changing PBGC's determination. If you have any questions about your benefit, please contact PBGC's Authorized Representative at 1-800-400-7242.

This letter concludes your administrative remedies with respect to PBGC's February 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) Excerpts from McCook Plan document (19 pages)
- (2) Benefit Statement enclosed with PBGC's February 4, 2005 determination (3 pages)

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<sup>7</sup> See 29 Code of Federal Regulations ("CFR") §4022.21(a). Regulation §4022.21(a) has certain exceptions which do not apply to you.

<sup>8</sup> The "phase-in" rules apply if a plan terminates less than 5 years after either its effective date or its adopted date. See section 4022(b)(7) of the Employee Retirement Income Act of 1974 as amended ("ERISA"), and 29 CFR §4022.24 and §4022.25.

<sup>9</sup> Your \$957.00 pre-age 62 benefit includes \$909.15 ( $\$1,515.25 \times 60\%$ ) of your \$1,515.25 McCook Plan permanent lifetime annuity and \$47.85 { $\$957.00 - \$909.15$ } of your \$400 70/80 pre-age 62 supplement.