



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

January 21, 2003

Beneficiary of [redacted]
[redacted]

Re: Appeal [redacted]
Pan American World Airways, Inc. ("Pan Am")
Cooperative Retirement Income Pension Plan ("CRIP")

Dear [redacted]

We are responding to [redacted] appeal of PBGC's December 22, 1998 determination of his benefit, remailed with an Appeals brochure on February 5, 1999. Based on [redacted] having \$0 average earnings, PBGC determined [redacted] benefit was \$378.00 per month if paid as a Straight Life Annuity starting June 1, 2003. Effective April 1, 1999, PBGC started paying him \$242.61 per month as a Joint and 50% Survivor Annuity.¹ Effective January 1, 2002, PBGC started paying you a \$121.30 per month Straight Life Annuity survivor benefit.

As explained below, we recalculated your late husband's average pension earnings, slightly increased his service, applied a later benefit formula, and corrected an actuarial factor. Therefore, we are applying prior Appeals Board decisions to increase your husband's benefit to \$467.17 per month and your benefit to \$233.59 (\$467.17 x 50%) per month. However, we are not changing his retirement date.

Your Appeal

In his March 10, 1999 letter, [redacted] asked PBGC for "fair and equitable treatment." We explain [redacted] benefit below. He also asked that his benefit be started effective June 1, 1993, stating he did not know how to apply for a benefit until December 22, 1998. See page 5.

Appeals Board Decisions Relevant to Your Appeal

In prior decisions, the Appeals Board has:

- found CRIP's definition of Compensation includes overtime and bonuses for participants in Pan Am's Management Workforce; and
- decided PBGC may pay CRIP's subsidized Early Retirement Benefit only if as of that date he had been employed by Pan Am within 10 years of his Normal Retirement Date.

¹ PBGC started paying your late husband \$242.61 per month on November 1, 1999 when they also issued him a second check for \$1,729.80 (\$242.61 x 7 months + \$31.53 interest).

Data Relevant to Your Husband's Appeal

PBGC's files contain the following data relevant to your husband's appeal and his Pan Am employment:

(1)	Your husband's date of birth:	<input type="text"/>
(2)	Your date of birth:	<input type="text"/>
(3)	Your husband's hire date:	6/01/1965
(4)	Date your husband resigned:	3/15/1981
(5)	CRIP's termination date:	7/31/1991
(6)	Date your husband signed his retirement application:	3/10/1999
(7)	Effective date on which your husband started receiving a CRIP benefit:	4/01/1999
(8)	Your husband's age on 4/01/1999, in years and completed months:	60 years 10 months
(9)	Your age on 4/01/1999 in years and completed months:	62 years 9 months
(10)	Date your husband died:	12/20/2001
(11)	Your husband's Normal Retirement Date:	6/01/2003

Years of Benefit Service

The full elapsed time from your husband's **June 1, 1965** hire date through **March 15, 1981** is 15-10/12 years, using CRIP's favorable rounding. Also Pan Am's records show no absences for your husband between those two dates. Therefore, we are increasing your husband's benefit service from 15-9/12 Years to **15-10/12** years.

Your Husband's Benefit

As explained below your husband's CRIP benefit was **\$467.17** per month instead of the \$242.61 PBGC paid. Your husband's Normal Retirement Benefit is the largest of his:

- Alternative I:** Monthly Basic Benefit,
- Alternative II:** Monthly Minimum Benefit, or
- Alternative III:** Monthly Updated Benefit.

1. Your Husband's Pension Earnings

We reproduced your husband's 1974-1976 and 1980 Annualized Compensation using CRIP's contribution formulas, contribution data, and Pan Am's payroll records. See column (3) below. We also calculated his annualized salary from Pan Am's salary records. See Column (2). Detailed calculations are shown in Enclosure 1. Therefore, we are applying prior Appeals Board decisions to change Average Annualized Compensation to **\$33,237.74**.

Annualized Compensation We Calculated

Year (1)	Pan Am Annualized Salary (2)	Based on Pan Am payroll and pension contribution records (3)	Annualized Compensation we used (4)
1974	\$18,396.00	\$20,243.00	\$20,243.00
1975	\$18,396.00	\$20,261.50	\$20,261.50
1976	\$22,361.00	\$22,361.00	\$22,361.00
1977	\$25,886.00	Not Available	\$25,886.00
1978	\$29,456.22	Not Available	\$29,456.22
1979	\$33,259.54	Not Available	\$33,259.54
1980	\$37,942.76	\$37,942.76	\$37,942.76
1981	\$39,644.16	Not Available	\$39,644.16
1977-1981 Total Annualized Compensation:			\$166,188.68
1977-1981 Average Annualized Compensation:			\$33,237.74

Your Husband's Compensation

We also estimated your husband's Compensation. See Enclosure 1. We estimated your husband's **1981** (un-annualized) Compensation as **\$12,333.74** shown in his 1981 Pan Am payroll tapes. The \$12,333.74 amount is larger than \$8,259.20 we calculated from his salary records. We estimated his **1974-1980** Compensation as his Annualized Compensation in Column (4) above. We also estimated his **pre-1974** Compensation from his 1974 Annualized Compensation using National Average Wages. See Enclosure 4. Based on our estimates, your husband's benefit is largest under a formula which uses only his Annualized Compensation and does not use his Compensation. See sections 2 and 5 below and Enclosure 4.

2. Alternative I: Monthly Basic Benefit (also called the "Career Average Formula" for the Management Workforce)

Your husband's Monthly Basic Benefit is determined by adding:

- 1) For each year or fraction of a year before 1979, 1% of his Compensation up to \$3,000, plus 2% of his Compensation over \$3,000.
- 2) For each year or fraction of a year beginning in 1979, 1.25% of his Compensation up to \$4,000 plus 2% of his Compensation over \$4,000.

Because the records PBGC obtained from Pan Am do not contain data on your husband's pension earnings, PBGC was not able to calculate his Monthly Basic Benefit. The Appeals Board has verified it is unlikely that exact earnings data would improve the CRIP benefit of participants in his situation. Enclosure 4 shows we estimated your husband's **\$511.07** Monthly Basic Benefit using our estimates of his Compensation.

3. Alternative II: Monthly Minimum Benefit

The Monthly Minimum Benefit is calculated by multiplying your husband's 15-10/12 Years of Benefit Service by the applicable benefit accrual rate for his job classification. Your husband met the requirements for using the larger \$24.00 rate for all his Years of Benefit Service. See Enclosure 6. Therefore, his Monthly Minimum Benefit is **\$380.00** (15-10/12 years x \$24.00), if paid as a Straight Life Annuity starting at his age 65.

4. Alternative III: Monthly Updated Benefit

The Monthly Updated Benefit depends on Average Annualized Compensation (AAC) for the four 5-year periods ending on December 31 of 1978, 1979, 1980, and 1981.² benefit is largest using his 1977-1981 AAC. See Enclosure 5 which shows the pre-1976 earnings needed need to increase the Monthly Updated Benefit.

Updated Benefit Calculation Using 1977-1981 AAC

Your husband's Monthly Updated Benefit based on his 1977-1981 AAC is calculated by multiplying his \$33,237.74 AAC by his 15-10/12 Years of Benefit Service, then multiplied by 1.67%. Thus, his accrued Monthly Updated Benefit is **\$8,788.61** { $\$33,237.74 \times (15-10/12 \text{ years}) \times .0167$ } per year, or **\$732.38** { $\$8,788.61 \div 12 \text{ months}$ } per month, if paid as a Straight Life Annuity starting at his age 65.

² CRIP has an earlier version of the Monthly Updated Benefit which produces a smaller benefit. The earlier version uses only a 1.5% accrual rate instead of 1.67% and is further reduced based on a Social Security benefit. See Enclosure 6 page A-3.

CRIP requires using a 1977-1981 AAC for Members like your husband who terminated employment in 1981 and retired in a later year. See Enclosure 6 page 6, CRIP 0525

5. Your Husband's Normal Retirement Benefit

Your husband's Normal Retirement Benefit is **\$732.38** per month under the Monthly Updated Benefit. The \$732.38 is larger than the estimated \$511.07 Monthly Basic Benefit and the \$380.00 Monthly Minimum Benefit.

6. Reduction for Your Husband Starting His Benefit Early

To qualify for the subsidized Early Retirement Benefit, CRIP requires working for Pan Am within 10 years of Normal Retirement Date, age 65 for your husband. This CRIP requirement applies regardless of whether his employment ended voluntarily or involuntarily. Because he had not reached age 55 when his Pan Am employment ended on March 15, 1981, PBGC is unable to pay him CRIP's subsidized Early Retirement Benefit. See Enclosures 2 and 3.

Under CRIP's Vested Separation Benefit, your husband's benefit must be reduced for starting early using the factors in CRIP's 45.2% Table. The applicable factor for a participant such as your husband who began receiving benefits at age 60 years 10 months is **0.6920**. See Enclosure 3.

7. Reduction for Joint and 50% Survivor ("J&50%S") Annuity Form

Your husband's benefit is a J&50%S annuity. Based on your husband's age and your age when he started receiving his benefit, CRIP's applicable actuarial factor is **0.9218**, slightly lower than the 0.9275 factor PBGC used. Therefore, his benefit should have been **\$467.17** ($\$732.38 \times 0.6920 \times 0.9218$) per month.

8. Your 50% Survivor Annuity

Your survivor's benefit under your husband's J&50%S annuity is **\$233.59** ($\$467.17 \times 50\%$).

Alternate Retirement Date

asked to be allowed to make his retirement retroactive to 1993. However, PBGC maintained Pan Am's former pension office after Pan Am's 1991 bankruptcy through the end of 1992, when the office moved nearby. Mail and telephone calls were forwarded to the new pension office beyond the June 1993 date which your husband asked for a retroactive retirement date.

PBGC's policy does not allow making a retirement date retroactive in circumstances such as these. Therefore, your husband did not present a basis for changing his retirement date.

Please note, if your husband had started his benefit in June 1993, his benefit would have been reduced using a .452 factor instead of .692. Therefore, your husband's and your benefits would

be approximately 65% (.452 ÷ .692) of the benefit decided in this letter. Thus, PBGC is paying approximately the same value even though your benefits started in 1999 instead of 1993.

Where to Submit Any New Evidence

PBGC will always – even after an appeal is closed – consider any new, specific evidence you present showing that you or your husband may be entitled to a different benefit. Please send any such information to:

PBGC Authorized Plan Representative
1175 Peachtree Street, N.E.
100 Colony Square, Suite 500
Atlanta, GA 30361

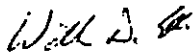
You may also contact PBGC's Authorized Plan Representative at 1-800-400-7242 extension 2000.

Decision

Applying prior Appeals Board decisions to the facts in your case, we are increasing your husband's benefit to \$467.17 per month and your benefit to \$233.59 (\$467.17 x 50%), retroactive to April 1, 1999. PBGC's Authorized Plan Representative will contact you regarding paying your and your husband's past underpayments.

This letter concludes your administrative remedies with respect to PBGC's December 22, 1998 determination. You may, if you wish, seek court review of PBGC's determination with respect to the issues your husband raised. We appreciate your and your late husband's patience during this careful review of his appeal.

Sincerely,



William D. Ellis
Appeals Board Member

Enclosures:

- 1) Pension Earnings Constructed from Pan Am Data
- 2) Explanation of Certain Appeals Board Rulings Involving the Pan Am "CRIP Plan" (7 pages)
- 3) Summary of CRIP's provisions (2 pages)
- 4) Worksheet showing our estimate of your husband's Monthly Basic ("Career Average") Benefit
- 5) Worksheet showing our calculation of your husband's Monthly Updated Benefit based on our estimations of his Compensation
- 6) 1980 CRIP document, Appendix A-1 (14 pages)