

APPENDIX E: WAGE INCENTIVE REPLACEMENT FACTOR

Your pension benefit will include a wage incentive replacement pension if you satisfy the following requirements:

- You are no longer receiving wage incentive payments,
- You were covered under the Wage Incentive Pay Plan the day before the effective dates of the applicable 1986 union agreement, and
- You were reclassified effective June 1 or June 29, 1986, to a production level job as bargained.

If you are eligible for a wage incentive replacement benefit, your monthly benefit will be the sum of:

- Your basic monthly benefit (see “Basic Monthly Benefit Formula”),
- Your wage incentive replacement factor benefit, and
- Your supplemental monthly benefit, if any (see “Supplemental Monthly Benefit”).

Your wage incentive replacement pension will equal the wage incentive replacement factor assigned to your specific location and level, multiplied by your net credited service.

For your wage incentive factor, call the Avaya Pension Service Center. Each factor was assigned by location and grade level at the time of bargaining and does not change. However, the wage incentive replacement factor will be phased out, as described below, if you later transfer out of the eligible workgroup.

Example

If you were an employee at Omaha, formerly receiving wage incentive payments at grade level 33, who was reclassified to Production Level I, effective June 29, 1986, the assigned wage incentive replacement factor is \$4.07.

Assuming you retire with 25 years of net credited service, your wage incentive replacement benefit will equal:

Your wage incentive replacement factor	\$ 4.07
Multiplied by your net credited service	<u>x 25</u>
Your wage incentive replacement benefit	\$101.75

Your wage incentive replacement benefit will be reduced if, after you change to a production level job title, you transfer from the eligible workgroup and later retire. In this

situation, your wage incentive replacement benefit is reduced by 1/36th for each full month during the period beginning on the date you leave the eligible workgroup and ending on your retirement. The first reduction will be effective the first of the month after you leave the eligible workgroup.

Under the terms of the Plan, however, your monthly benefit when you retire *cannot* be lower -- due to phasing out of the wage incentive replacement benefit -- than your monthly benefit calculated at an earlier time.

Example

Assume you leave the eligible workgroup 12 months before retirement. In this situation, your wage incentive replacement benefit would be reduced by 1/36th for each of these 12 months, or 12/36ths.

Therefore, your wage incentive replacement benefit would be calculated as follows:

Your wage incentive replacement factor	\$ 4.07
Multiplied by your net credited service	<u>x 25</u>
	\$101.75
Multiplied by the reduction factor (24/36)	<u>x .6667</u>
Your wage incentive replacement benefit	\$ 67.84

If you transfer from the eligible workgroup after the above effective date and later transfer back to the workgroup before retirement, the wage incentive replacement factor calculation will be reduced in your pension computation for each full month that you were not part of the eligible workgroup during the 36 months before your retirement or termination of employment.