

APPENDIX F: PENSION BAND DIFFERENTIALS

You are eligible for a pension band differential benefit if:

- As bargained in 1986,
 - You were actively employed either in a workgroup covered under the manufacturing grade level consolidation plan or as a service center or field operations employee in the material management services organization, and
 - Your job title was changed and reclassified to a lower pension band on June 1, 1986, June 29, 1986 or June 30, 1986.
- As bargained in 1989,
 - You were a salaried graded employee on the 12 level salaried graded classification plan, and
 - Your job title was changed and reclassified to a lower pension band on May 28, 1989, in the company's five-tier plan.

If you are eligible for the pension band differential benefit, your basic monthly pension benefit (see "Basic Monthly Benefit Formula") will include your pension band differential multiplied by all net credited service before the reclassification and for all subsequent periods of service during which you remain in the same eligible workgroup.

The pension band differential equals the difference between the monthly benefit amounts in effect on the date of the reclassification for:

- The pension band for the grade/level to which you were assigned immediately before such reclassification, and
- The pension band for the grade/level to which you are reclassified.

Note: The monthly benefit amounts described above are those that were applicable to such pension bands as of October 1, 1985 for employees reclassified in 1986, and as of October 1, 1988 for employees reclassified in 1989.

The pension band differential benefit will not apply to service after you:

- Leave the bargaining unit,
- Transfer to a different location,
- Transfer to a job at the same location which is outside the eligible workgroup, or

- Move within the eligible workgroup to a job title with a pension band monthly benefit amount, which when added to the pension band differential, is equal to or greater than the current monthly benefit amount of your pension band before you were reclassified in June 1986 or on May 28, 1989.

Example of Pension Band Differential Benefit

An employee, age 52 with 20 years of net credited service, was reclassified as bargained on May 28, 1989, with an associated change in pension band from 110 to 108:

Monthly benefit for pension band 110 (effective October 1, 1988)	\$ 23.63
Monthly benefit for pension band 108 (effective October 1, 1988)	<u>- 22.19</u>
Pension band differential =	\$ 1.44

If this same employee remained in the same eligible workgroup and retired at age 62 in May 1999 with 30 years of net credited service, the basic monthly pension benefit would be:

Monthly benefit for pension band 108	\$ 33.65
Multiplied by your net credited service	<u>x 30</u>
Monthly Benefit	\$1,009.50
Pension band differential	\$ 1.44
Multiplied by net credited service	<u>x 30</u>
Pension Band Differential Benefit	\$ 43.20
Monthly Benefit	\$1,009.50
Plus Pension Band Differential Benefit	<u>+ 43.20</u>
Total Basic Monthly Benefit	\$1,052.70

Example of Pension Calculation for an Employee Who Leaves the Eligible Workgroup Prior to Retirement

If the employee in the previous example left the eligible workgroup on May 31, 1998 – a year before retirement – with no change in pension band, the pension band differential in the previous example would have been multiplied by 29 years of net credited service.

The basic monthly pension benefit in this case would be:

Monthly benefit for pension band 108*	\$ 33.65
Multiplied by net credited service of 30 years	x <u>30</u>
	\$1,009.50
Pension band differential	\$ 1.44
Multiplied by net credited service of 29 years	x <u>29</u>
	\$ 41.76
Total Basic Monthly Benefit	\$1,009.50
	+ <u>41.76</u>
	\$1,051.26

*Note: under the Demotion Rule, since the current monthly benefit (\$39.39) for your pension band when you retire was greater than your frozen monthly benefit of \$23.63 (based on band 110), it is used for all years of net credited service not subject to the pension band differential.

Example of Pension Calculation for an Employee Eligible for a Pension Band Differential Who Moves Within the Eligible Workgroup

Assume the employee moves within the eligible workgroup and the pension band associated with the new position is:

- Higher than the one to which the employee was reclassified on May 28, 1989, and
- Lower than the one from which the employee was reclassified on May 28, 1989.

Assume the employee was reclassified on May 28, 1989 from pension band 110 to pension band 108, and is subsequently promoted ten months before retirement to a job title in the covered workgroup with pension band 109. The pension of this employee, who retires in March 2004 with 25 years of service, would be computed using:

- The promotion rules that apply for a promotion less than 12 months before retirement, and
- The rules that apply to the pension band differential.

The pension band differential does not apply to service after the employee's move because \$40.83 (the sum of the monthly benefit for pension band 108 (\$39.39) plus the

pension differential (\$1.44) is greater than \$35.85 (the monthly benefit amount for pension band 110).

The basic monthly pension benefit in this case would be:

Monthly benefit for pension band 108	\$ 39.39
Multiplied by net credited service of 25	<u>x 25</u>
	\$984.75
Pension band differential	\$ 1.44
Multiplied by net credited service of 25 years	<u>x 25</u>
	\$ 36.00
Total Basic Monthly Benefit	\$984.75
	<u>+ 36.00</u>
	\$1,020.75