



Memo

March 30, 2005

To: Trustees – Central PA Teamsters DB Plan

From: William P. Bishop, FCA

Subject: Updated Rule of 82-85 Combined Minimum Monthly Benefit Analysis

Background

The Plan currently provides a Combined Minimum Monthly Benefit (CMMB) of \$3,100 for participants who retire from covered employment at age 57 or later with 25 or more years of Benefit Service. This memo analyzes the extension of the CMMB, on a revenue-neutral basis, to participants who retire prior to meeting the 57 & 25 requirement, but after meeting an alternative age + service threshold (e.g. a “Rule of 82”, where age plus service must be at least 82 years). The CMMB benefit for participants who meet the current 57 & 25 eligibility requirement is unchanged at \$3,100.

The table below shows the age/service combinations needed to meet four eligibility conditions: Rule of 82, Rule of 83, Rule of 84, and Rule of 85. Notice that a participant who meets the Rule of 82 at age 57 or higher is already eligible for the current CMMB.

Age	Years of Benefit Service			
	Rule of 82	Rule of 83	Rule of 84	Rule of 85
50	32	33	34	35
51	31	32	33	34
52	30	31	32	33
53	29	30	31	32
54	28	29	30	31
55	27	28	29	30
56	26	27	28	29

RULE OF 85

		YEARS OF SERVICE											
		25	26	27	28	29	30	31	32	33	34	35+	
AGE	50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10
	51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.10
	52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.10	0.05
	53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.15	0.10	0.10	0.10
	54	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.15	0.10	0.10	0.10	0.10
	55	0.00	0.00	0.00	0.00	0.00	0.20	0.20	0.10	0.10	0.10	0.10	0.10
	56	0.00	0.00	0.00	0.00	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10

Analysis

In order for a plan change to be “revenue-neutral,” the relationship between expected benefits and expected contributions must remain constant. In other words, if a plan amendment increases (decreases) the present value of future benefits, it must increase (decrease) the present value of future contributions by the same amount in order to be revenue-neutral on a Plan basis. **The impact of plan changes on costs outside of the Plan (e.g., post-retirement health care costs) is not considered for purposes of this analysis.**

If a less stringent eligibility requirement is applied to the CMMB, it will encourage retirement at earlier ages, which will in turn decrease the value of future contributions because expected future service will be reduced. Therefore, the CMMB benefit must be reduced from the full \$3,100 level for Rule of 82-85 participants in order for liabilities to decrease by the same amount that future contributions decrease.

On this basis, we have determined revenue-neutral CMMB amounts for the Rule of 82-85 eligibility conditions, based on the modified retirement rate assumptions discussed above. Of course, there could be a cost (or benefit) to the Plan to the extent that actual retirement experience differs from these assumptions.

The following table shows the UDATED, revenue-neutral CMMB for each eligibility condition.

Eligibility Condition	Combined Minimum Monthly Benefit
Rule of 82	\$2,350
Rule of 83	\$2,450
Rule of 84	\$2,600
Rule of 85	\$2,750