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

APR 28 2004



Re: Avtex Fibers, Inc. Retirement Plan for Salaried Employees (the "Salaried Plan") [Case No: 105746] and Avtex Fibers, Inc. Retirement Plan for Hourly Employees (the "Hourly Plan") [Case No: 105748]

Dear

The Appeals Board has reviewed your appeal of PBGC's April 3, 2000 corrected determination of your Salaried Plan benefit. For the reasons stated below, the Appeals Board found that you are entitled to \$374.15 per month from the Salaried Plan and \$44.75 per month from the Hourly Plan, for a total from both plans of \$418.90.

Benefit Determinations and Appeal

In a corrected benefit determination dated November 20, 2002, PBGC found that you were entitled to an Hourly Plan benefit of \$90.95 per month payable as a Straight Life Annuity. You did not appeal this determination.

On April 3, 2003, PBGC sent you a corrected benefit determination under the Salaried Plan, which said you were entitled to \$327.95 per month payable as a Straight Life Annuity. PBGC's April 3, 2003 determination noted in detail that your *total* benefit entitlement from both the Hourly Plan and the Salaried Plan is \$418.90 per month. PBGC's determination also noted that this amount is the same amount shown in a May 15, 1990 letter to you from Kathy Maffei, the Pension Manager for Avtex Fibers, Inc. (see Enclosure 1.) The determination advised you that because you had been overpaid, your Salaried Plan benefit would be reduced \$3.61 per month until the total overpayment, without interest, was repaid.

In your April 7, 2003 letter to the Appeals Board, you said your total monthly benefit from the Salaried Plan should be \$367.00 per month and your total benefit from the Hourly Plan should be \$90.95 per month. You claimed that at one time your Salaried Plan benefit was \$418.90 per month and your Hourly Plan benefit was \$108.68, and you do not understand why PBGC has now reduced these amounts.

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History

PBGC files contain the following personal data, which you do not contest in your appeal: (1) date of birth -- [redacted] (2) date of hire -- June 3, 1958, (3) date transferred from Hourly Plan to Salaried Plan -- December 1, 1966, (4) date your employment with Avtex ended -- November 30, 1989, and (5) date of retirement -- July 1, 1990. The Salaried Plan was amended to freeze benefit service as of March 31, 1984; therefore, your service after that date does not count in computing your benefit. The Hourly and Salaried Plans both terminated, effective June 30, 1988, and PBGC subsequently became trustee.

Discussion

PBGC's files also show that, at the time of your retirement, you were eligible to receive benefits from both the Hourly and Salaried Plans. For participants like you, it was apparently plan practice for the Company to combine the benefits from both Plans into a single monthly payment. However, PBGC determines your guaranteed benefit amount *separately* for each Plan. This has apparently led to some confusion as to the total amount payable by PBGC.

The Summary Salaried Plan Description in effect when the Salaried Plan terminated provides:

"A Member will receive credit for service as an hourly employee of the Company in computing his retirement benefit under the [Salaried] Plan. The Member's retirement benefit . . . will be reduced by the actuarial equivalent value of any benefit the Member is entitled to under any plan . . . for the benefit of hourly employees." [Emphasis supplied.]

Thus, the Salaried Plan first credits you for all your years of service and then subtracts your Hourly Plan benefit. In this way, the Salaried Plan reflects your service as a salaried employee and the Hourly Plan your service as an hourly employee.

The files show that you have received a number of previous PBGC benefit determinations under both Plans. As part of our review, we looked at both your Salaried Plan and Hourly Plan benefit calculations. We applied the Salaried Plan's terms in effect at your date of retirement. Because the Hourly Plan's terms in effect at the date of your transfer to salaried employment, December 1, 1966, were not available, we looked at the later available Hourly Plan documents and the former Plan Administrator's calculation of your Hourly Plan benefit.

Your Salaried Plan benefit is calculated as a percentage of monthly average compensation multiplied by years of service (1% x Final Average Compensation x Total Years of Service). The Salaried Plan formula was applied to the facts in your case and is detailed in Enclosure 2. Please note that your Salaried Plan benefit is \$418.90 per month prior to application of the Hourly Plan benefit offset (see Line (5) of Enclosure 2). The Hourly Plan formula is based on a benefit rate

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(\$7.50) multiplied by your years of service as an Hourly Plan participant. PBGC's most recent hourly calculation of \$90.95 per month was based on a date of hire of July 1, 1951; however, this date is inconsistent with other PBGC records and your own statements on the matter. (PBGC used your correct hire date of June 3, 1958 to compute your Salaried Plan benefit.)

By correcting your date of hire to June 3, 1958, your years of service as an Hourly Plan participant decreases and correspondingly, your Hourly Plan benefit decreases from \$90.95 to \$44.75 per month ($\$7.50$ [benefit rate] x Years of Service as an hourly participant x Early Retirement Factor = $\$44.75$). See Line (7) of Enclosure 2. Because the Hourly Plan benefit serves as an offset to your Salaried Plan benefit, the Appeals Board found that your Salaried Plan benefit increases from \$327.95 to \$374.15 per month ($\$418.90 - \$44.75 = \$374.15$). See Line (8) of Enclosure 2.

As a consequence of correcting an error in your Hourly Plan benefit calculation, you have been underpaid under the Salaried Plan and overpaid under the Hourly Plan. If the result is a net underpayment, PBGC will pay your underpayment in a lump sum with interest. If the result is a net overpayment, PBGC will recover any overpayments without interest by reducing your monthly benefit by not more than 10%.

Decision

Having applied the Plan's terms and PBGC's policies to the facts in this case, the Appeals Board found that you are entitled to \$374.15 per month from the Salaried Plan and \$44.75 per month from the Hourly Plan, for a total from both plans of \$418.90. As a result, you have been underpaid under the Salaried Plan and overpaid under the Hourly Plan.

We will send a copy of this decision to PBGC's Insurance Operations Department, the office responsible for determining and paying benefits, who will correct your Hourly and Salaried Plan benefit amounts. They will also contact you directly concerning your net overpayment or underpayment.

This is the Agency's final action with respect to this matter, and you may, if you wish, seek court review. If you have any questions, please call PBGC's Customer Contact Center at 1-800-400-7242.

Sincerely,

Linda M. Mizzi
Member, Appeals Board

Enclosures (2)