



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

September 15, 2006



Re: [redacted] Case Number 195240
LTV Steel Hourly Pension Plan (the "Hourly Plan")

Dear [redacted]:

The Appeals Board has reviewed your December 5, 2005 appeal of PBGC's August 18, 2005 determination of your benefit. As explained below, we are partially granting your appeal.

Benefit Determinations and Your First Appeal

PBGC determined your benefit is \$453.37¹ per month if paid as a Straight Life Annuity starting 2019 (rounded age 62). You may start your benefit as early as [redacted], 2017 with a reduction for beginning early.

On September 26, 2005, you questioned how PBGC calculated a \$682.63 offset for LTV's Defined Contribution Plan (the "DCP").² In particular, you asked us to compare your offset calculation with PBGC's calculations for 3 other participants. You noted you and the other 3 have similar pension data, including service and pension earnings. The other 3 have Normal Retirement Benefits between \$604.00 and \$620.00 instead of \$453.37. You stated the other 3 participants gave their permission for you to discuss their benefit calculations.

¹ \$1,048.89 benefit under oldest plan + (\$1,203.34 - \$1048.89) x 40% guaranty of benefit increase + (\$1,329.98 - \$1,203.34) x 20% guaranty of benefit increase - \$682.63 DCP offset

² The DCP was formerly the LTV Steel-USWA Pension Plan, until the DCP merged into the Hourly Plan in 1999. Effective March 31, 2002, your DCP account balance was transferred to the LTV Steel Hourly Defined Contribution Pension Plan, a non-PBGC-trusteed plan. See page 4 and Enclosure 2 to this letter.

On November 10, 2005, PBGC responded by explaining how your DCP offset was calculated. Citing privacy concerns, PBGC did not compare your \$453.37 benefit calculation with calculations of the other 3 participants you named.

Your Second Appeal

In your December 5, 2005 appeal, you questioned why PBGC's \$90,872.86 projected DCP balance is so high. You asked us to compare your DCP offset calculations for the other 3 participants you named and asked if PBGC used the same interest rates for all four of you. You enclosed copies of their PBGC benefit determination letters and Benefit Statements.

Discussion

We compared PBGC's DCP calculations for you and on the 3 other Benefit Statements you submitted. For privacy reasons, we will neither name those participants nor refer to any PBGC data for them except as shown on the Benefit Statements you already provided.

Relevant Data

Your LTV employment ended 2001. PBGC's records show you had the following DCP account balances:

Date	Account Balance
2001	\$32,498.70
2001	\$31,939.62
2001	\$31,139.12
2002	\$31,214.48
2002	\$30,773.68
2002	\$30,066.64
2002	\$29,999.04
2002	\$27,804.82
2002	\$24,282.40
2002	\$24,673.04
2002	\$23,174.54

DCP Elections before Plan Termination

The Hourly Plan held assets in separate individual participant accounts - the defined contribution portion of their benefits. Also, by law, PBGC guarantees benefits only in defined benefit

pension plans, not defined contribution plans like the DCP. Thus, shortly before the Hourly Plan terminated, participants were given choices on how their DCP balances would be paid.

Absent a valid election to the contrary, your full DCP balance was paid to you. You have stated that you, and the other 3 you named, received approximately \$23,000 each from the DCP, approximately in 2003.

DCP Balances PBGC Used

The employment of the 3 other participants you named ended on February 28, 2001, 1 day before your employment ended. The Benefit Statements you provided show PBGC used the following data:

Name (1)	DCP Balance Date (2)	DCP Balance (3)	Years to age 62 (4)	Factor for 8.5% & 5.6% interest * (5)	Projected Account at age 62 (4) x (5) (6)	Annuity Equivalent at age 62 (6)+133.1215* (7)
	/2001	\$32,499	18.333	2.7962 ³	\$90,873	\$682.63
	/2001	\$30,802	12.917	2.0817 ⁴	\$64,121	\$481.67
	/2002	\$27,037	16.417	2.4462 ⁵	\$66,138	\$496.82
	/2002	\$34,790	12.417	1.9671 ⁶	\$68,436	\$514.08

* See Favorable PBGC Assumptions on page 4.

PBGC effectively used a \$35,501.62 { \$32,498.70 x 1.085^{1 1/12} } account balance for you on the Hourly Plan's March 31, 2002 termination date.

Your DCP Offset Under the Hourly Plan Document

To calculate the DCP Annuity Equivalent offset, the Hourly Plan document requires:

(1) Start with the actual account balance at the end of the month in which the participant elects to commence payment of any portion of his DCP account.⁷

³ 1.085^{1.083} x 1.056^{17.25}

⁴ 1.085^{1.083} x 1.056^{11.834}

⁵ 1.056^{16.417}

⁶ 1.056^{12.417}

⁷ See Enclosure 1 page 35 section 3.5(b)(1)(i).

(2) From that date, accumulate ("project") the full account balance with 8.5% annual interest to the earliest unreduced pension start date, age 62 under your 40/15 Deferred Vested Pension. See Enclosure 1 pages 33-37.

(3) Convert the projected account balance with a prescribed Annuity Factor.

PBGC Benefits Determined as of Plan Termination

PBGC took control of most Hourly Plan assets when the Hourly Plan terminated March 31, 2002. However, the law prevented PBGC from taking control of DCP accounts such as yours.⁸ Thus, your DCP balance was not transferred to PBGC. Instead, when the Hourly Plan terminated, LTV transferred DCP assets on your behalf to the new LTV Steel Hourly Defined Contribution Pension Plan.⁹

The law also requires PBGC benefits to be determined as of a plan's termination date. Therefore, instead of using \$35,501.62, both the Hourly Plan and law require using the \$30,773.68 actual balance transferred from the Hourly Plan for you at plan termination.

Favorable PBGC Assumptions Used after Plan Termination

For the period after the Hourly Plan's March 31, 2002 termination, PBGC favorably substituted PBGC's own actuarial assumptions for you and your coworkers. Thus, favorably for you, PBGC both:

(i) used PBGC's 5.6% interest rate in effect when the Hourly Plan terminated, instead of 8.5%, producing a lower projected DCP balance, and

(ii) substituted PBGC's annuity factors, using 133.1215 for you instead of 103.193, creating smaller offsets.

Therefore, using your corrected actual account balance, your DCP offset is \$591.75,¹⁰ instead of the \$682.63 PBGC used.

DCP Values Grow the Most for Younger Participants

We found your DCP offset is higher than for your 3 coworkers primarily because you are youngest. A particular DCP balance is more valuable for retirement purposes to a young participant,

⁸ Employee Retirement Income Security Act of 1974 ("ERISA"), section 4021(b)(12)

⁹ The LTV Steel Hourly Defined Contribution Pension Plan was effective March 31, 2002. See Enclosure 2.

¹⁰ $(\$30,773.68 \times 1.056^{17.25}) \div 133.1215$.

because he may earn interest the longest before purchasing an annuity when he retires.

Similar Benefits Divided between Plans Differently

The Hourly Plan was designed so a participant's total benefit from all LTV sources would be a predictable amount defined in the Hourly Plan. Your total defined benefits under successive versions of the Hourly Plan were \$1,048.89, \$1,203.34 and \$1,329.98, comparable to your 3 co-workers' benefits. See footnote 1 on page 1 of this letter, or PBGC's Benefit Statement.

Because of your relative youth, LTV is providing more of your retirement benefit through the DCP than for your older coworkers. Thus, your PBGC-guaranteed Hourly Plan benefit was lowest, but the projected value at retirement of your LTV-provided DCP account balance is the highest.

Decision

Having applied Hourly Plan provisions and the law to the facts in your case, we are increasing your benefit to **\$544.25**¹¹ per month if paid as a Straight Life Annuity starting 2019. You may start your benefit as early as August 1, 2017 with a reduction for beginning early.

This letter concludes your administrative remedies with respect to PBGC's August 18, 2005 determination. You may, if you wish, seek court review of this decision with respect to the issues you raised. Thank you for your patience while we carefully reviewed your appeal.

Sincerely,



William D. Ellis
Appeals Board Member

Enclosures:

- (1) Excerpt from Hourly Plan Document (7 Pages)
- (2) IRS Form 5500 for LTV Steel Hourly Defined Contribution Pension Plan, your final LTV DCP, showing 2002 effective date

¹¹ \$1,048.89 benefit under oldest plan + (\$1,203.34 - \$1,048.89) x 40% guaranty of benefit increase + (\$1,329.98 - \$1,203.34) x 20% guaranty of benefit increase - \$591.75 DCP offset