



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



JUN 24 2005

Re: Case 197454, Special Metals Corporation
(SMC) Salaried Employees Pension Plan (the Plan)

Dear

The Appeals Board reviewed your appeal of PBGC's April 22, 2005 determination that PBGC would pay you a benefit as a level certain and life annuity with a survivor benefit instead of the increasing certain and life annuity with survivor benefit (escalator annuity) that you were receiving from SMC. For the reasons stated below, the Appeals Board changed PBGC's determination by deciding that PBGC will pay your benefit as an escalator annuity.

As a result of the Appeals Board's decision, PBGC will adjust your estimated benefit in the near future. After PBGC completes its audit of the Plan's records and calculates final PBGC benefit amounts, PBGC will send you a formal benefit determination of the monthly amounts you will receive as an escalator annuity.

Discussion

The record shows that you began receiving a benefit under the Plan in accordance with your election of an escalator annuity under which you would receive the following monthly benefits:

From 7/1996 through 6/1997	\$100.72	From 7/2004 through 6/2005	\$906.48
From 7/1997 through 6/1998	\$201.44	From 7/2005 through 6/2006	\$1,007.20
From 7/1998 through 6/1999	\$302.16	From 7/2006 through 6/2007	\$1,107.92
From 7/1999 through 6/2000	\$402.88	From 7/2007 through 6/2008	\$1,208.64
From 7/2000 through 6/2001	\$503.60	From 7/2008 through 6/2009	\$1,309.36
From 7/2001 through 6/2002	\$604.32	From 7/2009 through 6/2010	\$1,410.08
From 7/2002 through 6/2003	\$705.04	From 7/2010 through 6/2013	\$1,410.08
From 7/2003 through 6/2004	\$805.76	From 7/2013 until death	\$1,410.08

Under the escalator annuity form, if you should die before June of 2013, your designated beneficiary or beneficiaries would receive the remainder of the scheduled payments on a monthly basis through the June 2013 payment. The escalator annuity form also provides a monthly benefit to your spouse, if you die first, equal to 36% of the June, 2013 amount, which benefit would not become payable before July of 2013.

PBGC's records indicate that (1) you received the scheduled amounts through June of 2004, (2) you received \$805.76 per month for the months of July and August of 2004, (3) you started receiving an estimated level monthly annuity amount of \$1,141.35 in September of 2004, and (4) your estimated level monthly annuity amount was increased to \$1,234.68 in February of 2005. The records also show that you received a special lump-sum backpayment check of \$470.86 in February 2005, representing the difference between \$1,141.35 and \$1,234.68 for the months of September 2004 through January 2005, including interest.

Your May 9, 2005 appeal of PBGC's April 22, 2005 determination reviewed correspondence that you have had with PBGC since August 18, 2004, when PBGC first told you that you would be receiving a level annuity instead of an escalator annuity. Your appeal letter discussed, paragraph by paragraph, the contents of PBGC's determination letter. In particular, with respect to paragraph #6, you said that PBGC's "leveling process is flawed and does not satisfy the annuity contract, which guarantees \$1,410.08 per month from 07-01-09 for the remainder of my life."

Your appeal letter offered an alternative leveling method under which PBGC would pay you \$1,410.08 for the rest of your life starting on July 1, 2005. You asked the Appeals Board to approve your alternate leveling method.

Decision

While the Appeals Board decided that the Board cannot approve the leveling method proposed in your appeal letter, the Board decided, based on the facts and circumstances of your case, that PBGC will pay your benefit in the form of an escalator annuity.

The Appeals Board will forward a copy of this decision to PBGC's Benefits Administration & Payment Department (BAPD), the group responsible for paying benefits and issuing benefit determinations. BAPD will then adjust your estimated benefit so as to pay your benefit in the escalator annuity form.

In the meantime, if you need other information from PBGC, please call the Customer Contact Center at 1-800-400-7242 and ask to speak to the Authorized Representative for the Plan.

Sincerely,

A handwritten signature in cursive script that reads "Michel Louis". The signature is written in dark ink and is positioned below the word "Sincerely,".

Michel Louis
Appeals Board Member