



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

SEP 16 2004

Re: Lockwood Corporation Retirement Plan
("Lockwood Plan"), Case #: 165918

Dear

The Appeals Board has reviewed your appeal of PBGC's August 24, 1998 (remailed March 26, 2004) determination of your benefit under the Lockwood Plan. As explained below, the Board changed PBGC's determination by finding that you are entitled to a normal retirement benefit of \$410.09 per month as a Straight Life Annuity.

PBGC determined that you are entitled to a monthly benefit of \$315.46, if payments began April 1, 2004 (the first of the month following your 65th birthday) as a Straight Life Annuity. PBGC also included a benefit statement, showing the information PBGC used to calculate your benefit.

You appealed PBGC's determination because you believe your monthly benefit should be \$410.09, instead of \$315.46. According to your letter, when McCall Industries, Inc. purchased Lockwood, McCall increased the initial benefit service percentage of all Lockwood employees to 10%. You said PBGC did not take this increase into account in determining your PBGC benefit. To support your appeal, you included a copy of the prior Plan Administrator's benefit calculation, a letter from McCall notifying you of your benefit amount, and a Social Security Administration *Potential Private Pension Benefit Information* notice, all of which show the \$410.09 amount.

Discussion

Effective January 1, 1976, Lockwood, an associated company of Alaska Interstate Company, adopted the Alaska Interstate Company Retirement Plan ("Alaska Plan"). Section 2.01 of the Alaska Plan provides for a normal retirement benefit equal to the sum of:

- (i) 10% of a Participant's Final Monthly Compensation ("FMC"), plus
- (ii) 1% of the Participant's FMC multiplied by the Participant's Credited Service.

In 1981, Alaska Interstate Company sold some of its associated companies, including Lockwood, to McCall. Effective January 1, 1981, McCall established the McCall Industries, Inc. Retirement Plan ("McCall Plan") as a restatement of the Alaska Plan. Section 2.01(1) of the McCall Plan provides for a normal retirement benefit equal to the sum of:

- (a) 2% of a Participant's FMC multiplied by the Participant's Benefit Service (not to exceed 10 full years), plus
- (b) 1% of the Participant's FMC multiplied by the Participant's Benefit Service in excess of 10 full years,

provided, however, that in no event shall the amount so determined be less than the Participant's Accrued Retirement benefit under the Alaska Interstate Retirement Plan as of December 31, 1980.

Effective July 31, 1986, the McCall Plan froze all benefit accruals and made participants 100% vested in their accrued benefits as of this date. In 1988, as part of the restructuring of McCall, the McCall Plan changed its name to the Lockwood Corporation Retirement Plan. The Lockwood Plan terminated, effective August 15, 1994, and PBGC subsequently became trustee.

The benefit formulas under the McCall (renamed Lockwood) Plan and the Alaska Plan are equivalent for participants with 10 or more years of benefit service. The Lockwood Plan formula results in a lower benefit, however, for participants with fewer than 10 years of benefit service. The records PBGC's auditors obtained from the former Plan Administrator contained no evidence that the original McCall Plan was amended to continue the Alaska Plan benefit formula for active Alaska Plan participants who became participants in the McCall Plan. Consequently, PBGC applied the provisions in effect when the Plan terminated to determine your \$315.46 per month PBGC benefit.

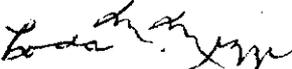
Based on a review of Plan documents, company correspondence and benefit calculation worksheets prepared by Plan officials before the Plan terminated, the Appeals Board concluded that the McCall Plan Administrator used the Alaska Plan formula, with its initial 10% accrual, to compute the benefits of participants who worked for Lockwood before January 1, 1981. PBGC's files also include a 1988 letter from the then-Manager of Administrative Services at an associated company, which said the 10% was added to pension calculations "regardless of how long someone was with the Company."

Decision

Based on the information described above, the Appeals Board found that your benefit should be determined under the Alaska Plan formula in effect on December 31, 1980. As a result, you are entitled to a normal (age 65) benefit of \$410.09 per month as a Straight Life Annuity. This is the same amount the former Plan Administrator calculated for you.

If you have questions or wish to begin receiving your benefit, please call PBGC's Customer Contact Center at 1-800-400-7242.

Sincerely,



Linda M. Mizzi
Member, Appeals Board