



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

October 15, 2004

Re: [redacted] Case Number 130705
Eastern Airlines, Inc. Fixed Benefit Retirement
Income Plan for Pilots (the "Plan")

Dear [redacted]

The Appeals Board has reviewed your appeal of PBGC's September 30, 1998 revised determination of your benefit. As explained below:

- i) PBGC has decided not to reduce the \$1,076.75 monthly benefit you currently receive. You will not be required to repay PBGC for past overpayments.
- ii) The Appeals Board decided PBGC is responsible for paying your full \$1,076.75 benefit. PBGC will ensure you receive your \$1,076.75 benefit, either directly from PBGC or combined with payments from Prudential.

PBGC's 1998 Determination

PBGC calculated your Plan benefit as \$1,497.03 per month until reaching age 65, and \$1,129.83 (\$1,497.03 - \$367.20) per month thereafter.¹ However, Plan assets were insufficient to pay your full benefit. Further, PBGC determined your asset-provided PBGC-payable monthly benefit should not include \$65.94 for a benefit Prudential would pay you directly. PBGC concluded your PBGC benefit is \$1,185.93 per month until reaching age 65, and \$872.19 per month thereafter.

Under a 1997 ALPA-PBGC Settlement Agreement, PBGC made you a larger Settlement Offer:

PBGC would pay you \$1,230.49 per month until reaching age 65, and \$904.96 per month thereafter if you limit any appeal to only issues relating solely to your factual circumstances.

Under the Settlement Offer, your PBGC overpayments totaled \$20,201.48 through December 31, 1998.²

¹ Eastern calculated \$1,489.52 per month before age 65, and \$1,122.32 (\$1,489.52 - \$367.20) per month beginning at 65.

² (\$1,489.52 - \$1,230.49) x 11 months, 11/1/1990 - 9/30/1991
+ (\$1,429.94 - \$1,230.49) x 87 months, 10/1/91 - 12/31/1998

Your Appeal

In your October 27, 1998 and December 19, 1998 letters:

- You requested documentation on the highest 42 consecutive-month earnings PBGC used.

Eastern calculated your highest consecutive 42-month earnings total was \$396,233.22 for July 1983 through December 1986. Please see Enclosure 1. PBGC increased your highest total to \$398,230.75, for September 1983 through February 1987, to include back-pay awarded but not fully paid after Eastern's bankruptcy. See Enclosure 2. Thus, PBGC calculated your highest Average Annual Earnings as \$113,780.21 ($\$398,230.75 \div 3.5$ years).

- You asked for documentation on \$8,681.50 PBGC used for your "Employee Contribution (Prudential) Balance" on the Plan's October 5, 1990 termination date.

PBGC calculated **\$8,681.50** from \$9,363.57 shown on a Prudential listing as your "employee contributions as of September 30, 1991." Please see Enclosure 3. PBGC assumed \$8,681.50 was the value of a benefit Prudential would pay you. Thus, PBGC converted the \$8,681.50 value to an **\$65.94** per month annuity offset to your PBGC-payable benefit.

As explained below, the Board determined Prudential is not paying the benefit PBGC assumed. Also, your contribution balance fell to \$0 in 1995.

Discussion

Participants' Contributions

Plan benefit depend on Contributions, which are: i) contributions participants made before June 1, 1965, ii) "special employee contributions" Eastern made on participants' behalf from June 1, 1965 to February 28, 1986, and iii) credited interest.

In exchange for a permanent benefit reduction, the Plan would have allowed you to withdraw your contributions before you retired. After retiring March 1, 1990, you could no longer withdraw your contributions. However, you were still guaranteed monthly benefits totaling your March 1, 1990 contribution balance. Plan records show your contributions and interest totaled \$87,704.40 as of December 31, 1988.

PBGC calculated your contribution balance:

- was approximately the same \$87,704.40 two months later when you retired March 1, 1990,³

³ The Plan froze interest on special contributions effective January 1, 1989. Thus, PBGC's approximation understated interest

- was \$75,788.24 (\$87,704.4 - \$1,489.52 benefit x 8 months) on the Plan's October 5, 1990 termination date, and
- could be divided into \$8,681.50 for your Prudential benefit plus \$67,106.74 (\$75,788.24 - \$8,681.50) remaining special contributions on October 5, 1990.

Plan benefits depleted your contribution balance to \$0 in 1995, approximately 53⁴ months after the Plan's termination.

Prudential Held Some Participants' Contributions

Some contribution balances were held in a Plan contract with the Prudential. Also, Prudential has paid a contribution balance to at least one other participant who retired after the Plan's 1990 termination date.

PBGC Reduced for a \$65.94 Benefit Prudential Is Not Paying

PBGC's records show:

- Prudential paid all of your \$1,489.52 benefit until PBGC took control of Plan assets shortly after the Plan's termination date,
- Prudential provided a death benefit for you ending in 1995, and
- Prudential has neither provided you any other benefit, nor acknowledged any obligation to pay you any other benefit.

The Appeals Board concluded PBGC mistakenly reduced your PBGC benefit \$65.94 per month for a benefit Prudential is not paying.

PBGC Will Not Reduce Your Current \$1,076.75 Benefit

Restoring the \$65.94 Prudential offset PBGC used to your Settlement Offer benefits produces less than PBGC has been paying you. Also, your appeal does not reject PBGC's Settlement Offer because you presented factual circumstances relating specifically to you. Given your facts and circumstances, PBGC has decided not to reduce your current \$1,076.75 per month PBGC benefit.

Decision

PBGC has decided not to reduce the \$1,076.75 benefit you currently receive. You will not be required to repay PBGC for past overpayments. PBGC will ensure you receive your \$1,076.75 benefit,

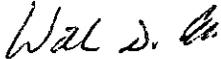
2 months only on your own contributions. However, your own contributions, made before June 1, 1965, comprise a small part of your total contributions through February 1986. Thus, PBGC's approximation method does not significantly affect the fact that your contribution balance fell to \$0 in 1995.

⁴ \$75,788.24 ÷ \$1,429.94 per month

either directly from PBGC or combined with payments from Prudential.

This letter concludes your administrative remedies with respect to PBGC's September 30, 1998 determination. We appreciate your patience during our careful review of your appeal.

Sincerely,



William D. Ellis
Appeals Board Member

Enclosures:

- 1) Eastern worksheet showing your monthly earnings March 1979 through December 31, 1988 freeze
- 2) Appeals Board worksheet: i) adjusting your monthly earnings for a back-pay award, and ii) calculating your \$398,230.75 highest total consecutive 42 months earnings (2 pages)
- 3) Prudential record showing \$9,363.57 as your employee contribution balance as of September 30, 1991