

## BENEFIT ACCRUAL

*Your “Accrued Benefit” will be determined under a formula that multiplies your Creditable Service times the annual accrual percentage effective when the Creditable Service was earned, and then multiplies that resulting percentage by your Final Average Wage Base. This section of the SPD will explain the parts of that formula, which describes a benefit payable at your Normal Retirement Date. Then, the following Sections will explain how you become “vested” in your benefit and the different times at which you can begin receiving benefit payments from the Plan.*

Specifically, all benefits paid by the Plan are determined by adding together three amounts:

1.25%	X	CREDITABLE SERVICE FROM 1.25% PERIOD	X	FINAL AVERAGE WAGE BASE
+				
1.50%	X	CREDITABLE SERVICE FROM 1.50% PERIOD	X	FINAL AVERAGE WAGE BASE
+				
1.75%	X	CREDITABLE SERVICE FROM 1.75% PERIOD	X	FINAL AVERAGE WAGE BASE

Let’s examine each component of the Plan’s benefit formula:

### 1. ANNUAL ACCRUAL RATE

Prior to October 1, 2003, the Plan’s annual accrual rate was 1.75% for all employers. The rate was 1.25% for all employers from October 1, 2003, through June 30, 2009.

Beginning July 1, 2009, an employer may elect for its employed Participants’ accrual rate to be 1.25, 1.50, or 1.75%. The employer may change that election as of each subsequent July 1. As noted above, the applicable accrual rate will be multiplied by Creditable Service accrued while

the rate was in effect. Those totals will be added together to determine what percentage of your Final Average Wage Base (at Normal Retirement Date) the Plan will replace upon your retirement or termination. Consider the following examples:

- If you retire on your Normal Retirement Date on September 1, 2009, with seven years of Creditable Service accrued while a 1.75% accrual rate was in effect and six years of Creditable Service while a 1.25% accrual rate was in effect, and no Creditable Service at 1.50%, the Plan will annually replace 19.75% of your Final Average Wage Base. This 19.75% is determined by multiplying 1.75% x 7 (which equals 12.25%), multiplying 1.25% x 6 (which equals 7.50%), and adding together 12.25% and 7.50%.
- If you retire on your Normal Retirement Date with 20 years of Creditable Service at 1.75%, two years at 1.50%, and 10 years at 1.25%, the Plan will annually replace 50.5% of your Final Average Wage Base (1.75% x 20, 1.50% x 2, and 1.25% x 10).

Note that these replacement percentages are based on an assumption that you receive an Individual Member Benefit (that is, an annuity payable to the participant for the remainder of only his or her life) beginning at your Normal Retirement Date. Your monthly benefit will be smaller if you receive a different form of benefit (discussed later in the “Forms of Payment” section) and may differ depending upon when you start benefits.

### 2. CREDITABLE SERVICE

You receive one month of Creditable Service for each month that you receive an Hour of Service after you begin to participate in the Plan. As explained above, your Creditable Service will be multiplied by the accrual rate in

effect when you perform that Creditable Service.

***QUESTION: Is there a limit on the amount of Creditable Service I can accumulate?***

ANSWER: No, as of April 1, 1988, there is no limit on the years and months of Creditable Service you may accumulate. Those who retired before April 1, 1988, were limited to 30 years of Creditable Service.

### **3. FINAL AVERAGE WAGE BASE**

Your employer reports to the Plan your compensation and service. From this, your average monthly wage for that year is calculated and is added to your 10-year wage history as a "Wage Base." When you retire, your Final Average Wage Base is determined by adding together the four highest Wage Bases from your 10-year wage history and dividing by four.

***QUESTION: How is my Wage Base calculated?***

ANSWER: Beginning April 1, 2009, your Wage Bases will be calculated by starting with your wages subject to federal income tax withholding; adding back in certain pre-tax deductions you may have made into a 401(k) plan, a section 125 Cafeteria Plan, a 403(b) plan, or a 457 plan; and subtracting payments received from a deferred compensation plan if you are a Highly Compensated Employee. This annual amount is then converted to a monthly amount by dividing the total by the number of months for which you received Participating Service. Prior to April 1, 2009, Wage Bases were calculated by starting with W-2 Box 1 wages, adding back in the same pre-tax deductions described above, and subtracting three amounts: (1) payments received from a deferred compensation plan; (2) moving expenses; and (3) other non-cash payments.

***QUESTION: When does my new Wage Base become effective each year?***

ANSWER: Your new Wage Base generally becomes effective on March 31 following the

year in which the compensation was earned. For example, your 2009 calendar year Wage Base will be added to your 10-year wage history on March 31, 2010.

A special rule applies if you terminate employment between December 31 and March 30. If that happens, your Wage Base for the year just ended on December 31 will be added to your 10-year wage history. For example, if you terminate your employment on December 31, 2009, your 2009 calendar year Wage Base will be added to your 10-year wage history. If, however, your last day of work is December 30, 2009, or earlier, you will not have a 2009 calendar year Wage Base added to your 10-year wage history.

When a new Wage Base is added to your wage history, it replaces the earliest Wage Base that was previously a part of your 10-year history if you had at least 10 previous Wage Bases.

***QUESTION: What happens if I have less than 10 annual Wage Bases in my 10-year wage history?***

ANSWER: This answer is best illustrated with examples. Let's say you have six annual Wage Bases. Your Final Average Wage Base will be the average of the highest four of those six. If, instead, you have only three annual Wage Bases, your Final Average Wage Base will be the average of those three.