



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

October 31, 2011



Re: Appeal 2010-0334, Case 210859-00
Rockford Product Correlated Pension Plan (the "Plan")

Dear Mr. 

The Appeals Board has reviewed your appeal of PBGC's May 7, 2010 determination of your Plan benefit.

Summary of Our Decision



PBGC determined you are entitled to receive \$509.77¹ per month, the same as you currently receive. The \$509.77 amount reflects reductions for your accounts in two other Rockford Products Corporation ("RPC") benefit plans:

(1) a \$903.81² reduction for your account balance in the Rockford Products Corporation Savings and Retirement Plan (the "S&RP"), and

(2) a \$33.15³ reduction for your account balance in the Rockford Products Corporation Employee Stock Ownership Plan (the "ESOP").

We decided PBGC must redetermine your S&RP reduction. This will result in a substantial increase to your current \$509.77 payments.

Background

You were born on . You retired  2006 with a Joint 66 2/3% Survivor ("J&2/3S") annuity. Plan

¹ [\$19.71 average wage x 2,080 hours x 1.25% x 35.00 years ÷ 12 mos/year - \$33.15 ESOP - \$903.81 S&RP] x 0.9138 J&2/3S annuity form

² \$144,868.65 estimated S&RP value on 10/31/2006 ÷ 160.2863 annuity factor
Voluntary employee contributions to the S&RP do not affect this reduction.

³ 2/3 x \$7,971.30 ESOP balance ÷ 160.2863 annuity factor for age 63 3/12.

administrators estimated and started paying your current \$509.77 per month pension.⁴

RPC filed for bankruptcy on July 25, 2007. Your facility closed December 17, 2007. The Plan terminated December 17, 2007, without assets sufficient to provide all benefits. The Plan was only 40%⁵ funded and was underfunded by more than \$5 million. Consequently, under the pension law ERISA, PBGC became the Plan's statutory trustee on June 3, 2008. PBGC guarantees pension benefits as provided in a pension plan or otherwise required by ERISA, subject to legal limits. PBGC is guaranteeing your full Plan benefit.

After PBGC became the Plan's trustee, PBGC has continued paying you the same \$509.77 J&2/3S annuity that you were receiving.

PBGC's Determination and Your Appeal

On May 7, 2010, PBGC determined you are entitled to the same \$509.77 amount that Plan administrators had estimated in early [redacted] 2006. You appealed on May 26, 2010. You claim the \$509.77 amount you have been receiving is only an estimate. You explain RPC's bankruptcy prevented you from receiving your "Company Match." You ask that your benefit be recalculated using a value of \$0 for your Company Match.

Discussion

New Determination Must Use a New S&RP Value On October 31, 2006

We agree the \$509.77 amount of your current payments was an estimate. We found:

- "Company Match" is a term used to describe an S&RP account that held RPC's contributions to the S&RP.
- Plan worksheets that are dated October 3, 2006 and underlie your \$509.77 calculation state: "Payments subject to change as Company Match amount becomes available on 12/1/2006."⁶
- PBGC's Actuarial Case Memo states, "the prior administrator put participants into pay using estimated S&RP account

⁴ On October 3, 2006, Plan administrators calculated your benefit would provide \$557.85 per month if paid as a Straight Life Annuity starting [redacted] 2006. See Enclosure 1 to this letter. The \$557.85 amount is actuarially equivalent to your current \$509.77 { $\$557.85 \times 0.9138$ J&2/3S} payments.

⁵ $\$14,106,236 \text{ assets} \div (\$14,106,236 + \$20,740,408 \text{ unfunded benefits})$

⁶ See Enclosure 1 and footnote 4.

balances and updated the benefit amount once the revised account balances were available.”⁷

• The Plan requires your S&RP reduction to be determined as of the next “accounting date” following your “settlement date.”⁸
Also,

(i) Your “settlement date” is your [] 2006 retirement date (because your employment ended on [] 2006, after you reached age 62).⁹

(ii) Your next accounting date was the [] 2006 “regular accounting date.”¹⁰

For these reasons, we decided PBGC must redetermine your benefit after correcting the RPC share price required for valuing your SRP account on October 31, 2006.

\$509.77 Payment Will Increase After Correcting RPC Values In S&RP

PBGC has already decided the correct value of RPC shares on [] 2006 is \$0.¹¹ By correcting your S&RP reduction to use the same RPC share price PBGC is using for others (\$0), your S&RP reduction (\$903.81) will be largely diminished. Therefore, your \$509.77 estimated benefit-amount will substantially increase.

⁷ From section 3 page 4 of the Actuarial Case Memo dated January 29, 2010.

⁸ The S&RP reduction is determined “as of the accounting date coincident with or next following the participant’s settlement date,” under Plan § 4.5(a). See Enclosure 2 page 12.

⁹ For a non-disabled participant whose employment ended before age 62, the Settlement Date is the date employment terminated. For a participant whose employment ended on or after age 62, the Settlement Date is the retirement date. See Section 4.1 of the ESOP document, Enclosure 3 page 11. The Settlement Date is described the same way in Section 5.1 of the S&RP document amended and restated November 1, 1989.

¹⁰ Under section 5.3 of the ESOP, on page 14 of Enclosure 3: (i) The “regular accounting date” is defined to be the last day of a plan year, and (ii) “Special accounting” dates were possible if established by a management committee appointed by RPC management. The “committee” is defined in section 11.1, on page 46 of Enclosure 3.

The regular accounting date following your retirement is October 31, 2006, the end of the Plan year in which you retired.

¹¹ RPC officials formally valued RPC shares as of October 29, 2006, the end of Rockford’s fiscal year, following Section 6.8 of the S&RP document. The October 29, 2006 valuation date and the October 31, 2006 regular accounting date are sometimes used interchangeably. Regardless of which date better describes the October 2006 regular accounting date (October 29 or October 31), PBGC has already decided the RPC share price on that regular accounting date is \$0.

ESOP Reduction Based On Value Preceding October 1, 2006

The ESOP reduction is based on:

- (i) a participant's RPC shares in the ESOP, and
- (ii) RPC-share values on the accounting date "immediately preceding" his settlement date.¹²

Therefore, your ESOP reduction is based on your ESOP account's value on the accounting date immediately preceding your [] 2006 settlement date.

We Cannot Change Your \$33.15 ESOP Reduction

The RPC share price (\$7.90) on the October 31, 2005 regular accounting was not changed on any accounting date (regular or special) preceding [] 2006.¹³ Thus, on [] 2006, your ESOP value had been not affected on any accounting date by the decline in the RPC share price (to \$0) that PBGC decided to use as of the October 31, 2006 regular accounting date. Therefore, we found no basis for changing the \$33.15 ESOP reduction that Plan administrators calculated for you on [] 2006.

Decision

Having applied Plan provisions to the facts in your case, we decided PBGC must use the actual value of your S&RP account on October 31, 2006 to determine your Plan benefit. PBGC has already decided for other Plan participants that the value of RPC stock (such as was held in your S&RP account) was \$0 on October 31, 2006. Therefore, your current \$509.77 payments will be substantially increased when your S&RP reduction is redetermined.

PBGC will redetermine your benefit amount in accordance with this decision. Your new determination will include a new 45-day right to appeal. When PBGC's new determination becomes final, you may, if you wish, seek U.S. District Court review of this decision with respect to the issues you have raised.

¹² The ESOP reduction is determined "as of the accounting date coincident with or immediately preceding the participant's settlement date," under Plan § 4.5(b). See Enclosure 2 page 12.

¹³ Instead, the \$7.90 share price was used as late as September 13, 2006, the end of an "open window" period when terminated employees could redeem their ESOP shares. The "open windows" are explained in the Appendix to this letter.

PBGC's records show your ESOP account held [] shares of RPC stock on October 31, 2006. The ESOP reduction used for your current payments is based on [] shares ($\$7,971.30$ ESOP value \div $\$7.90$ share price). See footnote 3.

Thank you for your patience while we carefully reviewed your May 26, 2010 appeal. If you have questions about your new determination, please contact PBGC's Authorized Plan Representative at 1-800-400-7242.

Sincerely,



William D. Ellis
Appeals Board Member

