



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

December 16, 2002

Re: Appeal   
Pan American World Airways, Inc. ("Pan Am")  
Cooperative Retirement Income Pension Plan ("CRIP")

Dear

We are responding to your appeal of PBGC's January 29, 1998 determination, re-mailed to you on July 24, 2000, that you were entitled to receive \$125.58 per month, if paid as a Straight Life Annuity starting May 1, 2005 (age 60).<sup>1</sup> Effective October 1, 2000, PBGC started paying you \$89.61 per month, as a Straight Life Annuity. As explained below, you have not presented a basis for changing PBGC's determination.

PBGC determined your benefit applying the CRIP benefit formula to your combined service at National Airlines, Inc. ("National") and at Pan Am. Your benefit is larger under CRIP's formulas than under the benefit formula in the pension plan you participated in at National. Also, PBGC fully guarantees your benefit, so CRIP's underfunding has no effect on what PBGC is paying you.

Your Appeal

In your July 31, 2000 and August 1, 2000 letters, you stated you did not receive PBGC's determination in 1998 because PBGC mailed its letter to New York while you lived in Florida. You concluded your benefit should be made retroactive to May 1, 1995, your Earliest Retirement Date. See section 8 on page 7.

You asked that no action be taken on your appeal until PBGC fully explains your benefit calculation and then gives you time to perfect your appeal. You stated you "may have been improperly denied payment of a 'subsidized' early retirement benefit." You also stated the following:

- your time to perfect your appeal should be extended indefinitely, pending resolution of the Pineiro lawsuit;

---

<sup>1</sup> PBGC's letter also erroneously said, "You will not receive an additional benefit under Section 4022(c) of ERISA because PBGC did not collect any money for these benefits from the plan sponsor." We explain in this letter that PBGC is already paying your full CRIP benefit.

- your appeal should be consolidated with the appeals of all participants in CRIP and two other Pan Am pension plans;
- PBGC should supply you with calculations, and copies of records and other documents which relate to the determination of your benefit;
- PBGC should recuse itself from making any determination of your benefit and appoint an independent trustee to make such a determination;
- PBGC did not use sufficient qualified personnel to perform benefit calculations, and your benefit calculations were not reviewed by Milliman, USA, PBGC's actuarial contractor.

You believe your average pension earnings to have been understated. In particular, you believe your compensation should include overtime and bonuses. You questioned whether the accrual of CRIP benefits was frozen as of December 31, 1983.

Additional Documents Relevant to Your Appeal

Enclosure 6 to this letter is a copy of the portion of CRIP document that governs the calculation of your benefit. On September 18, 2000, PBGC's Disclosure Officer sent you a copy of your PBGC benefit file.

Appeals Board Decisions Relevant to Your Appeal

In prior decisions the Appeals Board has:

- decided not to delay deciding appeals such as yours pending the resolution of the Pineiro lawsuit;
- found that for participants in Pan Am's IUFA Workforce, CRIP's definition of Compensation includes overtime and bonuses for years up to and including 1978, but not for later years;
- decided that CRIP requires calculating Normal Retirement Benefits using compensation and service frozen as of December 31, 1983;<sup>2</sup>
- decided that PBGC may pay CRIP's subsidized Early Retirement Benefit only if the conditions for that benefit were met as of CRIP's July 31, 1991 termination date. Thus, a participant could qualify for the subsidized benefit only if (among other conditions) as of that date she had been employed by Pan Am within 10 years of her Normal Retirement Date.

---

<sup>2</sup> However, PBGC determines any eligibility for CRIP's subsidized Early Retirement Benefit using your employment through CRIP's July 31, 1991 termination date.

- found that CRIP's administrators and PBGC correctly used the factors in CRIP's "50.7% Table" to adjust Vested Separation benefits such as yours for starting early even though these factors are more generous than CRIP states.

These decisions are explained in Enclosure 2.

Data Relevant to your Appeal

PBGC's files contain the following data relevant to your appeal and to your Pan Am and National employment:

(1)	Your date of birth:	
(2)	Your re-hire date at National:	3/02/1979
(3)	Date National merged with Pan Am:	1/07/1980
(4)	Effective date on which CRIP's benefit accruals were "frozen":	12/31/1983
(5)	Your final 5-year Average Annualized Compensation as of 12/31/83:	\$14,493.07
(6)	Your total Years of Benefit Service as of 12/31/83:	5 years 4 months
(7)	CRIP's termination date:	7/31/1991
(8)	Date your employment ended:	12/04/1991
(9)	Date you started receiving your benefits:	10/01/2000
(10)	Your age on 10/1/2000, in years and completed months:	55 years 5 months
(11)	Your Normal Retirement Date:	5/01/2005

You have not questioned the 4-9/12 Years of Benefit Service Pan Am calculated for you through CRIP's December 31, 1983 freeze.

National's Pension Plan

After Pan Am's merger with National on January 7, 1980, you participated simultaneously in both the Pan American World Airways, Inc. Flight Attendant's Pension Plan for Former Employees of National Airlines, Inc.<sup>3</sup> (the "National TWU Plan"), and in CRIP.

---

<sup>3</sup> In National TWU Plan documents and records this plan's name is often abbreviated as "Pan American World Airways, Inc. Flight Attendant's Pension Plan." The National TWU Plan was formerly named

CRIP-1445-117-117-3

As with CRIP, the Appeals Board has found the National TWU Plan was amended to calculate Normal Retirement Benefits using service frozen as of December 31, 1983. The National TWU Plan merged with CRIP effective on January 1, 1989.

Your Benefit Amount

Application of the Appeals Board's decisions to the facts in your case, as explained below, shows your benefit is \$89.61 per month. Your Normal Retirement Benefit is the largest of your:

- Alternative I: Monthly Basic Benefit,
- Alternative II: Monthly Minimum Benefit,
- Alternative III: Monthly Updated Benefit, or
- Alternative IV: National TWU Plan Benefit.

**1. Your Pension Earnings**

Pan Am's records show your 1979 - 1983 pension earnings as in the table below. In reviewing the appeals of participants similarly-situated to you, the Appeals Board has reconciled Pan Am's Annualized Compensation data with all available sources, including detailed hourly wage rate histories contained in computerized Pan Am databases. The Board has concluded CRIP's **Annualized Compensation** records are consistent with all available sources and should be used to determine the benefits of participants such as you.

As explained below, your benefit is largest under a formula which uses your service instead of your pension earnings. Therefore, for simplicity, we calculate your benefit by increasing your Compensation to equal your Annualized Compensation if your Annualized Compensation is larger. See Enclosures 4 and 5.

Year	Compensation	Annualized Compensation	5-Year Total	5-Year Average
1979	unavailable	\$9,063.00		
1980	unavailable	\$12,078.00		
1981	\$12,808.25	\$14,030.52		
1982	\$18,916.99	\$19,221.90		
1983	\$18,002.66	\$18,071.95	\$72,465.37	\$14,493.07

the "National Airlines, Inc. Flight Attendant's Pension Plan," and was first effective on January 1, 1976. (CRIP 1445)

32295410-117-1107-9

**2. Alternative I: Monthly Basic Benefit** (also called the "Career Average Formula" for the IUFA Workforce)

Your Monthly Basic Benefit is determined by the following:

For each year or fraction of a year starting in January 1, 1979, through December 31, 1983, 1.5% of your Compensation up to \$6,000, plus 2% of your Compensation over \$6,000.

CRIP's administrator's records do not show they calculated a Monthly Basic Benefit for you, nor do PBGC's records show your Compensation for years before 1981. Using Pan Am's records of your pension earnings, we estimated your Monthly Basic Benefit as \$108.28 if paid as a Straight Life Annuity starting at age 60. See Enclosure 4.

**3. Alternative II: Monthly Minimum Benefit**

Your Monthly Minimum Benefit is calculated by multiplying your 5-4/12 Years of Benefit Service by the applicable benefit accrual rate for your job classification. The former CRIP administrators' pension records (Enclosure 1) show you completed 6/12 year (6 months) of service in jobs classified under the \$24.00 benefit accrual rate, and 4 10/12 years (58 months) of service in jobs where the \$23.50 benefit accrual rate applies. Therefore, your accrued Monthly Minimum Benefit is \$125.58 { \$24.00 x 6/12 year + \$23.50 x 4 10/12 years }, if paid as a Straight Life Annuity starting at age 60.

**4. Alternative III: Monthly Updated Benefit**

Your Monthly Updated benefit is calculated: i) using your service and Average Annualized Compensation on various dates between December 31, 1979 and December 31, 1983, and ii) adding your Monthly Basic Benefit from Enclosure 4 for the years remaining through 1983. Using your December 31, 1979 AAC, and you're 1 4/12 Years of Benefit Service through that date, we have calculated your largest Monthly Updated Benefit is \$112.46 { \$9,063.00 x 1 4/12 year x .01667 + 12 months + \$95.67<sup>4</sup> Monthly Basic Benefit } if paid as a Straight Life Annuity at age 60. See Enclosure 5 for a complete calculation of your Monthly Updated Benefit.

**5. Alternative IV: National TWU Plan Benefit** (maximum possible amount)

Your benefit cannot be less than the benefit you had earned under the National TWU Plan when the two plans merged on January 1,

---

<sup>4</sup> \$95.67 = { (\$331.44 + \$354.44 + \$250.61 + \$211.56 from Enclosure 4) ÷ 12 months }

1989. As shown below, we estimated your benefit under the National TWU Plan using:

- the National TWU Plan document effective on January 1, 1979;
- a Summary Plan Description, dated January 1, 1979, of the National TWU Plan that National produced for participants similarly-situated to you;
- worksheets that CRIP's administrators used to calculate the National TWU Plan benefits of participants who retired effective in 1983, the year in which the accrual of National TWU Plan benefits was effectively frozen.

**Estimated National TWU Plan Benefit**

<u>Employment Period</u>	<u>Estimated Service</u>		<u>Accrual Rate</u>		<u>Annual Accrued Benefit</u>
Before 1976	0 months	x	\$14	=	\$0.00
1/76 - 12/31/83	<u>64 months</u>	x	\$17	=	<u>\$1,088.00</u>
Total:	64 months <sup>5</sup>				\$1,088.00

Therefore, your TWU Plan benefit would have been no more than \$90.67 per month (\$1,088.00 ÷ 12 months), if paid as a Straight Life Annuity starting at age 65, your Normal Retirement Age under the TWU Plan.

**6. Your Normal Retirement Benefit**

Your Normal Retirement Benefit is \$125.58 per month under the Monthly Minimum Benefit. This amount is larger than your \$112.46 Monthly Updated Benefit, your estimated \$108.28 Monthly Basic Benefit and your estimated \$90.67 TWU Plan benefit.

**7. Reduction for Starting Your Benefit Early**

To qualify for the subsidized Early Retirement Benefit, CRIP requires working for Pan Am within 10 years of the Normal Retirement Date, which for you is at age 60. This CRIP requirement applies regardless of whether your employment ended voluntarily or involuntarily. Because you had not reached age 50 when your employment ended on December 4, 1991, PBGC is unable to pay you CRIP's subsidized Early Retirement Benefit. Under CRIP's Vested

---

<sup>5</sup> For simplicity, and to verify your National TWU Plan benefit is less than your CRIP Monthly Updated Benefit, this estimate of your National TWU Plan benefit assumes you earned the same amount of service under both the National TWU Plan and CRIP.

Separation Benefit, your Normal Retirement Benefit must be reduced for starting early using the factors in CRIP's 50.7% Table.

In your August 1, 2000 PBGC Application for Pension Benefits, you asked that your benefit be started October 1, 2000. The applicable factor from the 50.7% Table at age 55 years 5 months is .7134. Therefore, your benefit is \$89.59 per month ( $\$125.58 \times .7134$ ), based on the October 1, 2000 retirement date. PBGC will continue to pay you the slightly higher \$89.61 amount you are currently receiving.

#### **8. Your Request for An Earlier Benefit Start Date**

You have asked for the opportunity to make your benefit retroactive to May 1, 1995, because PBGC's 1998 letter shows PBGC did not have your correct [redacted] address. PBGC had Pan Am's Florida address for you, [redacted] until after PBGC's Authorized Plan Representative (the "PAR") moved to its current Atlanta locations in 1996. The PAR notified participants of its moves from New York, and participants's mail was forwarded to the PAR after its moves. Also, participants could still contact the former Pan Am's office in Rockleigh NJ until 1997. Under these circumstances, it is PBGC's policy to require participants such as you to apply for their benefits in advance, such as you did in August 2000.

Therefore, you have not presented a basis for making your benefit start retroactive before the October 1, 2000 date you chose in August 2000. Also, if your benefit were effective on the May 1, 1995 date you requested, your \$89.59 benefit would have been further actuarially reduced to \$63.67  $\{\$125.58 \times .5070\}$ . Because of the reduced amount, you receive the full value of your benefit regardless of which benefit start date applies to you.

#### Where to Submit Any New Evidence

PBGC will always - even after an appeal is closed - consider any new, specific evidence you present showing you may be entitled to a different benefit. Please send any such information to:

PBGC Authorized Plan Representative  
1175 Peachtree Street, N.E.  
100 Colony Square, Suite 500  
Atlanta, GA 30361

You may also contact PBGC's Authorized Plan Representative at 1-800-400-7242 extension 2000.

#### Decision

Given the Appeals Board's decisions on appeals which have raised the same issues you have raised, you have not presented a

basis for changing PBGC's determination. This letter concludes your administrative remedies with respect to PBGC's January 29, 1998 determination. You may, if you wish, seek court review of PBGC's determination with respect to the issues you have raised. We appreciate your patience during this extensive review of your appeal.

Sincerely,

*William D. Ellis*

William D. Ellis  
Appeals Board Member

Enclosures:

- 1) Pan Am's "Personnel Master" database record for you
- 2) Explanation of Certain Appeals Board Rulings Involving the Pan Am "CRIP Plan" (8 pages)
- 3) Summary of CRIP's provisions (2 pages)
- 4) Estimate calculation of your Monthly Basic Benefit
- 5) Complete calculation of your Monthly Updated Benefit
- 6) CRIP document, Section I, Appendix F (5 pages)

cc: