

SELECTED DEFINED BENEFIT PENSION REFORM ISSUES
October 28, 2005

ISSUE	ADMINISTRATION	H.R.2830	FINANCE	HELP	S.1783
FUNDING					
<i>Averaging & Smoothing</i>	<ul style="list-style-type: none"> •Interest rate - 90 days •Assets - market value 	<ul style="list-style-type: none"> •Interest rate - 3 yr •Assets - 3 yr & within 90-110% of market 	<ul style="list-style-type: none"> •Interest rate - 3 mo. •Assets - 3 mo. + one day 	<ul style="list-style-type: none"> •Similar to HR 2830 	<ul style="list-style-type: none"> •Interest rate - 12 mo. •Assets - mkt value or 12 mo
<i>Credit Rating & “At Risk” Liability</i>	<ul style="list-style-type: none"> •Plans in companies with below investment grade credit rating •Assumes all retire at earliest eligibility with most valuable form of payment; includes additional load of \$700 per participant and 4% of liability 	<ul style="list-style-type: none"> •Plans where prior yr funded percentage < 60% •Assumptions similar to Administration 	<ul style="list-style-type: none"> •Plans in companies below investment grade for 3 yrs with no uptick in rating •Assumptions similar to Administration w/o load factors •Does not apply if funded status ≥ 100% 	<ul style="list-style-type: none"> •Plans < 60% funded •Retirement assumptions limited to those eligible to retire within 5 years. No load factors 	<ul style="list-style-type: none"> •Plans in companies below investment grade and declining for two years. •Retirement assumptions includes those eligible to retire within 7 years •Does not apply if funded status ≥ 93%
<i>Credit Balances (“Prefunding Balance”)</i>	Eliminate	<ul style="list-style-type: none"> •Retain pre-2006 balance •Balance based on actual asset return; •Unavailable if <80% funded; •Assets reduced by balance for most purposes 	<ul style="list-style-type: none"> •Retain pre-2006 balance •Balance based on actual asset return; •Assets reduced for funding calculation 	<ul style="list-style-type: none"> •Similar to Finance except offset of cash contribution limited if less than 80% funded 	<ul style="list-style-type: none"> •Same as HELP

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<i>Assumptions</i>	<ul style="list-style-type: none"> •Corporate bond yield curve compiled by Treasury Department •Update mortality (no specifics provided) •Lump sum utilization included in liability 	Similar to Adm. except <ul style="list-style-type: none"> •Segmented yield curve •Mortality specified; plan specific OK with IRS approval 	<ul style="list-style-type: none"> •Present law corporate rate for 2006 •Similar to Administration for 2007 & later 	<ul style="list-style-type: none"> •Present law corporate rate for 2006 •Similar to H.R.2830 for 2007 & later 	<ul style="list-style-type: none"> •Present law corporate rate for 2006 •Similar to H.R.2830 for 2007 & later
<i>Funding Target</i>	<ul style="list-style-type: none"> •100% of target liability (two targets—based on credit rating of sponsor) 	<ul style="list-style-type: none"> •Similar to Adm. except targets based solely on plan's funded status 	<ul style="list-style-type: none"> •Similar to Adm. except targets based on credit rating of sponsor and funded status of plans 	<ul style="list-style-type: none"> •Similar to H.R.2830 	<ul style="list-style-type: none"> •Similar to Finance with certain modifications
<i>Amortization</i>	<ul style="list-style-type: none"> •7 year •Losses only, no gains 	<ul style="list-style-type: none"> •Similar to Adm. 	<ul style="list-style-type: none"> •Similar to Adm •Losses & gains 	<ul style="list-style-type: none"> •10 year •Losses only, no gains 	<ul style="list-style-type: none"> •Similar to Adm.
<i>Transition</i>	<ul style="list-style-type: none"> •None for funding •Yield curve - 3 yr 	<ul style="list-style-type: none"> •Funding - 5 yr if not paying DRC •Yield curve - 3 yr •Mortality - 5 yr 	<ul style="list-style-type: none"> •Similar to Adm. except begins in 2007 & 3 yr funding target phase in 	<ul style="list-style-type: none"> •Similar to H.R.2830 except 10 yrs for funding 	<ul style="list-style-type: none"> •Begins in 2007 •Funding - 3 yr •Yield curve - 3 yr •Mortality - 5 yr
<i>Maximum Deductible Contribution</i>	<ul style="list-style-type: none"> •130% target liability plus future increases 	<ul style="list-style-type: none"> •150% of liability (incl. at risk liability) •Partial combined plan limit exemption 	<ul style="list-style-type: none"> •180% of liability (incl. at risk liability) plus future increases •Repeal combined plan limit 	<ul style="list-style-type: none"> •Similar to Finance 	<ul style="list-style-type: none"> •Similar to Finance
OTHER PROVISIONS					
<i>Airlines</i>	<ul style="list-style-type: none"> •No proposal 	<ul style="list-style-type: none"> •No proposal 	<ul style="list-style-type: none"> •14 year amortization if freeze plan 	<ul style="list-style-type: none"> •Similar to Finance (managers' amendment expected) 	<ul style="list-style-type: none"> •Similar to Finance but managers' amendment expected

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<i>Premiums</i>	<ul style="list-style-type: none"> •Flat - \$30 indexed •VRP - set by PBGC; applies to less than 100% funded, includes nonvested benefits 	<ul style="list-style-type: none"> •Flat - Similar to Adm •VRP - Rate set by Congress; vested benefits only 	<ul style="list-style-type: none"> •Similar to H.R.2830 	<ul style="list-style-type: none"> •Similar to H.R.2830; not indexed 	<ul style="list-style-type: none"> •Similar to H.R.2830, not indexed
<i>Benefit Restrictions</i>	<ul style="list-style-type: none"> •Restrictions on lump sums, benefit accruals; abolish shut down benefits 	<ul style="list-style-type: none"> •Similar to Adm 	<ul style="list-style-type: none"> •Modifies restrictions; retains shut down benefits with guarantee restriction 	<ul style="list-style-type: none"> •Additional modifications 	<ul style="list-style-type: none"> •Similar to Finance and HELP
<i>Increased Disclosure</i>	<ul style="list-style-type: none"> •To the government •By the government (4010 data) •To the participant 	<ul style="list-style-type: none"> Similar to Adm except •4010 trigger changed to funded status •Additional participant notices 	<ul style="list-style-type: none"> Similar to Adm except •4010 trigger changed to investment grade •Consolidates participant notices 	<ul style="list-style-type: none"> Similar to H.R.2830 with modifications 	<ul style="list-style-type: none"> Similar to H.R.2830 and Finance with modifications
HYBRID PLANS					
<i>Age Discrimination</i>	<ul style="list-style-type: none"> •Validate hybrid plan designs on prospective basis 	<ul style="list-style-type: none"> •Validate DB plan designs effective June 29, 2005 	<ul style="list-style-type: none"> •Validate hybrid plan designs effective July 26, 2005 	<ul style="list-style-type: none"> •Validate future and existing hybrid plan designs 	<ul style="list-style-type: none"> •Similar to Finance, effective August 1, 2005
<i>Conversions</i>	<ul style="list-style-type: none"> •5-year hold harmless; prospective only 	<ul style="list-style-type: none"> •No special provisions 	<ul style="list-style-type: none"> •5-yr hold harmless or provide either choice or greater of to select group; prospective 	<ul style="list-style-type: none"> •Similar to Finance for prospective; safe harbors for prior conversions 	<ul style="list-style-type: none"> •Similar to Finance
<i>Whipsaw</i>	<ul style="list-style-type: none"> •Lump sum is account balance if market rate of return used (prospective only) 	<ul style="list-style-type: none"> •Similar to Administration 	<ul style="list-style-type: none"> •Similar to Administration with additional restriction on interest crediting rate 	<ul style="list-style-type: none"> •Similar to Administration but limited to “qualified hybrid plans” 	<ul style="list-style-type: none"> •Similar to HELP
<i>Vesting</i>	<ul style="list-style-type: none"> •No provision 	<ul style="list-style-type: none"> •No provision 	<ul style="list-style-type: none"> •3-year vesting 	<ul style="list-style-type: none"> •3-year vesting 	<ul style="list-style-type: none"> •3-year vesting
<i>Interest Crediting Rate</i>	<ul style="list-style-type: none"> •No provision 	<ul style="list-style-type: none"> •No provision 	<ul style="list-style-type: none"> •Minimum interest credit required 	<ul style="list-style-type: none"> •Similar to Finance 	<ul style="list-style-type: none"> •Similar to Finance