INFORMATION ON PG&E's PROPOSED OFFER OF A CASH BALANCE PENSION PLAN FOR NEW HIRES AFTER 2013

Background on Cash Balance Pension Plans

COMPANIES WHO HAVE CONVERTED TO CASH BALANCE PLANS

- 1998: San Diego Gas and Electric
- 1999: Southern California Edison
- 2010: NV Energy

DRIVING FACTORS:

- Pension regulations
- Volatility in stock market
- Regulatory/public pressure

Cash Balance Plan Design

Annual contribution of negotiated percentage of wage

+

Negotiated interest

+

Increased 401(k)

=

Fixed amount at retirement with choice of:

- Lump sum pay out
- Convert to a lifetime annuity

PG&E Plan Design for New Hires After 2013

5-9% of Straight Time Pay (See Plan Formulas below)

+

30-year Treasury bond rate interest

+

401(k) 75% up to 8%
Automatic enrollment with opt-out

=

Lump sum or convert to a lifetime annuity

Comparisons with Local Utilities

	Cash Balance	401(k)	Total
San Diego	7.5%	50% to 6%	10.5%
Edison	3% 9%	100% to 6%	9% 15%
NVE	4%	100% to 6%	10%
PG&E Proposed	5% 9%	75% to 8%	11% 15%

Comparison with Existing Pension

Includes all components of retirement income: pension, 401(k), and social security

Before age 52: cash balance account provides higher income replacement

Position	Age	Comparison
Electric Crew Foreman	55	81%
	62	93%
	65	97%
Customer Service Rep	55	81%
	62	91%
	65	96%

Pension Plan Formula	• Monthly paid pension based on pay and service at retirement	• Cash balance account of accumulated annual pay credits plus interest
	• 1.5% final pay X service up to 25 years, plus • 1.6% final pay x 25+ years of service	Annual Pay Credits based on Age and Service: • Less than 40 points 5.00% • 40-49 points 6.00% • 50-59 points 7.00% • 60-69 points 8.00% • 70 or more points 9.00% Annual interest based on 30-Year Treasury rates
	• 5-year vesting	• 3-year vesting
	• Not portable if you leave PG&E before retirement; pension payments can begin at age 55 or later	• Portable—you can take your benefit with you if you leave PG&E before retirement
	• Early retirement benefit reductions may apply	• Full account balance payable when you retire or leave PG&E—regardless of age
	• Monthly annuity for life	• Choice of monthly annuity for life or lump-sum distribution
401(k) Match	• \$0.60 per \$1 up to 3% of pay for 1-3 years of service • \$0.60 per \$1 up to 6% of pay for 3+ years of service	• \$0.75 per \$1 up to 8% of pay after completing 1 year of service

Issues for Consideration

- Value to employee of lump sum option
- Regulatory pressure on pension costs
- RSP is a greater component, so greater risk is transferred to employee
- Two-tier / two platforms
- No changes to current program of pension and 401(k) Retirement Savings Plan (RSP) for current employees
- New retirement program for new employees hired January 1, 2013, or later
- Higher 401(k) company matching contribution
- Automatic enrollment in 401(k) at the full company match level
- Current employees can opt in to the new program, effective 2014
- Detailed, personalized information will be available in 2013 to help employees decide which program to choose

For more information go to the union website at www.ibew1245.com