

**2011 General Negotiations  
Company Benefit Proposals  
June 7, 2011**

<b>Company Benefits Proposal #</b>	<b>Reference</b>	<b>Description</b>
<b>CB-1</b>	Medical, Dental and Vision Agreement	Implement 15% dental plan premium cost sharing for employees.
<b>CB-2</b>	Medical, Dental and Vision Agreement	Implement plan design changes to dental benefits, including an increase in deductibles and improved preventive care.
<b>CB-3</b>	Medical, Dental and Vision Agreement	Implement 15% vision plan premium cost sharing for employees.
<b>CB-4</b>	Medical, Dental and Vision Agreement	Replace the VSP Signature Plan with the VSP Choice Plan.
<b>CB-5</b>	Benefit Agreement	Offer step-rated supplemental life insurance benefit option to employees that will replace the flat rate premium. Include spousal, child and accidental death and dismemberment insurance options. Offer enhanced will preparation benefits.
<b>CB-6</b>	Benefit Agreement	Update the monthly flat rate costs for supplemental life insurance in excess of the basic life insurance.
<b>CB-7</b>	Benefit Agreement	Replace current final pay defined benefit pension with a cash balance defined benefit plan.
<b>CB-8</b>	Medical, Dental and Vision Agreement	Placeholder- Health care plan changes.

**Date:** June 7, 2011

**Reference:** Medical, Dental and Vision Agreement

**Interest:** Dental Plan cost-sharing contributions

**Description:** See below.

**Current Language/Provisions:**

The Company and employees share the cost of medical plan premiums. Full-time employees pay 7.5% of the actual premium of the medical plan they select. Employee contributions are on a pre-tax basis and vary based on the medical plan and level of coverage elected (e.g., Self Only, Self and Spouse, etc.)

- Full-time employees do not contribute to the plan premium costs of the dental and vision plans.
- Part-time employees make prorated contributions for medical, dental and vision coverage.
- Employees on leaves of absence pay medical plan cost-sharing contributions ranging from 7.5% to 100% of the medical premium depending on the type of leave and whether or not the employee is full-time or part-time. Dental and vision coverage is provided by the Company at no cost to full-time employees on leaves of absence. Part-time employees on leaves of absence make contributions for dental and vision coverage.
- Employees on Long-Term Disability (LTD) are also required to pay 7.5% of their medical plan premiums. Dental and vision coverage are provided by the Company at no cost to LTD employees.

**Proposal:**

Effective January 1, 2013, employees will begin monthly premium equivalent cost sharing of 15% for dental plan coverage. The 15% premium contribution will apply to all employees including full-time employees, employees on leaves of absence, part-time employees and employees on LTD. Employee contributions are on a pre-tax basis and will vary based on the level of coverage elected (e.g., Self Only, Self and Spouse, etc.)

**Example:**

**15% Employee Contributions Are Based on 2011 Dental Premiums for Full-Time Union-Represented Employees**

Monthly Premiums for Dental Plan	Employee Pays	PG&E Pays	Total Monthly Premium Cost
Dental Plan Administered by Delta Dental			
Employee only	\$8.92	\$50.52	\$59.44
Employee + spouse/registered domestic partner	\$16.94	\$96.00	\$112.94
Employee + children	\$16.94	\$96.00	\$112.94
Employee + spouse/registered domestic partner + children	\$24.96	\$141.47	\$166.43

**Date:** June 7, 2011

**Reference:** Medical, Dental and Vision Benefit Agreement

**Interest:** To move the dental benefit closer to market and improve preventive dental care.

**Description:** Change deductible amounts and provide additional cleaning in certain circumstances.

**Current Language/Provisions:**

- The individual annual deductible is \$25 per individual for usage of PPO Network dentists and \$50 per individual for usage of Premier Network and Non-Participating dentists.
- The maximum family annual deductible is \$75 for usage of PPO Network dentists and \$150 for usage of Premier Network and Non-Participating dentists.
- The Plan covers two teeth cleanings per year at 85%.

**Proposed Change:**

Changes effective January 1, 2013:

- Change the individual annual deductible to \$50 for usage of PPO Network dentists and to \$100 for usage of Premier Network and Non-Participating dentists.
- Change the maximum family deductible to \$150 for usage of PPO Network dentists and to \$300 for usage of Premier Network and Non-Participating dentists.
- Provide a third annual cleaning for pregnant participants and participants diagnosed with diabetes if dentist determines an additional cleaning is clinically necessary. The third annual cleaning will be covered at the Diagnostic and Preventive Care rate, which is the same level of coverage as other cleanings.
- Increase coverage from 85% to 100% of eligible Diagnostic and Preventive Care when a PPO Network dentist is used.

**Date:** June 7, 2011

**Reference:** Medical, Dental and Vision Agreement

**Interest:** Vision Plan cost-sharing contributions

**Description:** See below.

**Current Language/Provisions:**

The Company and employees share the cost of medical plan premiums. Full-time employees pay 7.5% of the actual premium of the medical plan they select. Employee contributions are on a pre-tax basis and vary based on the medical plan and level of coverage elected (e.g., Self Only, Self and Spouse, etc.)

- Full-time employees are not required to contribute to the costs of the dental and vision plans.
- Part-time employees make prorated contributions for medical, dental and vision coverage.
- Employees on leave of absence pay medical plan cost-sharing contributions ranging from 7.5% to 100% of the medical premium depending on the type of leave and whether or not the employee is full-time or part-time. Dental and vision coverage is provided by the Company at no cost to full-time employees on leave of absence. Part-time employees on leave of absence make contributions for dental and vision coverage.
- Employees on Long-Term Disability (LTD) are also required to pay 7.5% of their medical plan premiums. Dental and vision coverage is provided by the Company at no cost to LTD employees.

**Proposal:**

Effective January 1, 2013, employees will begin monthly premium equivalent cost sharing of 15% for vision plan coverage. The 15% premium contributions will apply to all employees including full-time employees, employees on leave of absence, part-time employees and employees with LTD. Employee contributions are on a pre-tax basis and will vary based on the level of coverage elected (e.g., Self Only, Self and Spouse, etc.)

**Example:**

**10% Employee Contributions Are Based on 2011 Vision Premiums for Full-Time Union-Represented Employees**

Monthly Premiums for Vision Plan	Employee Pays	PG&E Pays	Total Monthly Premium Cost
Vision Plan Administered by Vision Service Plan			
Employee only	\$1.12	\$6.36	\$7.48
Employee + spouse/registered domestic partner	\$2.36	\$13.35	\$15.71
Employee + children	\$2.02	\$11.44	\$13.46
Employee + spouse/registered domestic partner + children	\$3.25	\$18.44	\$21.69

**Date:** June 7, 2011

**Reference:** Medical, Dental and Vision Agreement

**Interest:** Replace the VSP Signature Plan network with VSP Choice Plan network

**Description:**

See page 2 for benefit provisions covered under the VSP Choice Plan.

**Current Language/Provisions**

The Vision Plan sponsored by the Company is administered by Vision Service Plan (VSP).

VSP offers a number of network plans and VSP doctors choose the plan(s) they participate in. Employers can choose to purchase different network plans offered by VSP.

The current administrative contract between the Company and with VSP is for the VSP Signature Plan and its network.

**Proposal:**

Effective January 1, 2013, replace the VSP Signature Plan with the VSP Choice Plan. See page 2 for benefit provisions covered under the VSP Choice Plan.

# VSP Signature & VSP Choice Plans

Below is a summary of benefits available through VSP's Signature and Choice Plans.  
For a complete proposal or for a network access report, please contact your VSP Representative.



	VSP Signature Plan <i>Premier Full-service Plan</i>	VSP Choice Plan <i>Full-service Plan</i>
<b>Provider Network</b>	<b>VSP Network, our largest preferred provider network</b> 27,000 preferred providers 43,000 access points	<b>Choice Network</b> 25,000 preferred providers 40,000 access points
<b>Network Disruption</b>	N/A	1%
<b>Claim Disruption</b>	N/A	208
<b>WellVision Exam<sup>®</sup></b>	Thorough eye exam covered in full <sup>1</sup>	Same as Signature Plan
<b>Lenses</b>	Glass or plastic, single vision, lined bifocal, lined trifocal, or lenticular prescription lenses are covered in full <sup>1</sup>	Same as Signature Plan
<b>Lens Options</b>	Photochromic and UV protection are covered in full.	Same as Signature Plan
	Dependent children are eligible for covered in full polycarbonate prescription lenses	Same as Signature Plan
<b>Frame</b>	Frames are covered in full <sup>1</sup> up to the retail allowance of \$150	Same as Signature Plan
	20% off any amount above the allowance	Same as Signature Plan
<b>Contact Lenses</b>	15% off contact lens services, excluding materials	Same as Signature Plan
	Instead of eyeglasses, elective contact lens services and materials are covered up to \$150 toward any type of prescription contact lenses	Same as Signature Plan
	Necessary contact lenses are covered-in-full <sup>1</sup> for members who have specific conditions for which contact lenses provide better visual correction.	Same as Signature Plan
<b>Laser VisionCare Preferred Program</b>	Through VSP's Laser VisionCare Preferred Program, you are provided a one time \$250 allowance per eye to use towards the cost of laser vision correction surgery.	Same as Signature Plan
<b>Eye Health Management Program<sup>®</sup></b>	Includes member materials, care from VSP providers, and data that supports your wellness initiatives	Same as Signature Plan
<b>Laser VisionCare</b>	Discounts averaging 15-20% off or 5% off a promotional offer for laser surgery including PRK, LASIK, and Custom LASIK <sup>2</sup>	Same as Signature Plan
<b>Non-VSP Schedule of Allowances</b>	Exam - \$30, Single Vision Lenses - \$20, Bifocal Lenses - \$35, Trifocal Lenses - \$45, Lenticular Lenses - \$75, Progressives - \$45 Elective Contact Lenses - \$75, Frame - \$25, Necessary Contact Lenses - \$250	Exam - \$45, Single Vision Lenses - \$30, Bifocal Lenses - \$50, Trifocal Lenses - \$65, Lenticular Lenses - \$100, Progressives - \$50, Elective Contact Lenses - \$105, Frame - \$70, Necessary Contact Lenses - \$250
<b>Value-added Benefits</b>	30% off unlimited additional pairs of prescription glasses and/or non-prescription sunglasses <sup>3</sup>  Guaranteed pricing on all other lens options, saving our members an average of 35-40%	20% off unlimited additional pairs of prescription glasses and/or non-prescription sunglasses  Guaranteed pricing on the most popular lens options, saving our members an average of 20-25% <sup>4</sup>

<sup>1</sup> Less any applicable copay

<sup>2</sup> Using wavefront technology with the microkeratome surgical device only. Other LASIK procedures may be performed at an additional cost to the member. Laser VisionCare discounts are only available from VSP-contracted facilities.

<sup>3</sup> 30% discount applies to glasses purchased the same day as the member's eye exam from the same VSP Preferred Provider who provided the exam. Members will also receive 20% off unlimited additional pairs of glasses valid through any VSP Preferred Provider within 12 months of the last covered eye exam.

<sup>4</sup> Most popular lens options include progressives, anti-reflective, photochromics, scratch resistant coating, polycarbonate, plastic dyes, and UV protection. All other lens options available at 20% discount.

**Date:** June 7, 2011

**Reference:** Benefit Agreement

**Description/Interest:** To offer a step-rated supplemental life insurance benefit option to employees that will replace the flat rate premium. Included in this packaged proposal would be new spousal, child and Accidental Death and Dismemberment (AD&D) insurance options. Offer enhanced Will Preparation benefits.

**Current Language/Provisions:**

The plan is administered by MetLife. When an employee reaches regular status, the employee is able to choose from four different levels of life insurance coverage.

The Company provides the first \$10,000 of coverage—called Basic Life—at no cost to employees.

The remaining coverage amounts listed below include the \$10,000 Basic Life coverage:

- \$50,000
- 1.5 x Base Annual Earnings
- 2 x Base Annual Earnings

For all employees, the monthly cost to purchase additional coverage is \$0.037 per \$100 of coverage in excess of Basic Life.

**Changes to coverage:** The amount of coverage the employee initially elects cannot be decreased, except for regular full-time employees who change to intermittent status.

**Evidence of insurability:** Evidence of insurability (EOI) is required when an increase of coverage was waived previously and the EOI has not been submitted in the last 5 years.

**Proposed Changes:**

See attached power point document called “ Pacific Gas and Electric Company Life Insurance Union Plan Design” dated June 7, 2011.

# Pacific Gas and Electric Company

## Life Insurance Proposal Union Plan Design



June 7, 2011



# 2011 General Negotiations

## Company Benefits Life Proposal CB-5

**Date:** June 7, 2011

**Reference:** Benefit Agreement

**Interest:** To offer a step-rated Supplemental life insurance benefit option to employees that will replace the flat rate premium. Included in this packaged proposal would be new Spousal, Child and Accidental Death and Dismemberment (AD&D) insurance options and enhanced Will Preparation benefits.

**Description:** See attached for plan provision details.

**Current Language/Provisions:** The plan is administered by MetLife. When an employee reaches regular status, the employee is able to choose from four different levels of life insurance coverage.

The Company provides the first \$10,000 of coverage—called Basic Life—at no cost to employees.

The remaining coverage amounts listed below include the \$10,000 Basic Life coverage:

- \$50,000
- 1.5 x Base Annual Earnings
- 2 x Base Annual Earnings

For all employees, the monthly cost to purchase additional coverage is \$0.037 per \$100 of coverage in excess of Basic Life.

**Changes to coverage:** The amount of coverage the employee initially elects cannot be decreased, except for regular full-time employees who change to intermittent status.

**Evidence of insurability:** Evidence of insurability (EOI) is required when an increase of coverage was waived previously and the EOI has not been submitted in the last 5 years.

# 2011 General Negotiations

## Company Benefits Life Proposal CB-5 (cont)

### Proposed Change:

This is a packaged offering for life insurance plan provision changes. The details of this package, including the cost for supplemental life insurance and other ancillary benefits such as Accidental Death and Dismemberment, and dependent coverage options are detailed in this presentation called "Life Insurance Proposal, Union Plan Design, June 7, 2011". The addition of any new ancillary benefits are contingent upon the union accepting the proposed rate changes to the cost of supplemental life insurance coverage.

In addition, below are proposed Administrative changes:

Change unit of measure from per /\$100 to per /\$1,000 of coverage.

Changes to coverage: Employee may decrease level of Supplemental insurance at any time.

Evidence of Insurability: When an employee is first eligible for Supplemental life insurance, the employee may elect up to 2X without a Statement of Health (SOH). If the employee wants to elect a coverage level greater than 2X when first eligible, the employee must complete a SOH, that is subject to approval by MetLife.

After the employee's initial enrollment, an employee can increase his supplemental life insurance coverage at any time by completing a SOH. Any increase in coverage level(s) are subject to approval by MetLife

One-Time Special Enrollment period: For the special enrollment period campaign, employees use an on-line short form (or paper submission) Evidence of Insurability form during the EnrollSmart Campaign. The on-line short form is an abbreviated questionnaire. A Full Statement of Health (if needed) may be required after the MetLife analysis of the short form questionnaire.

Will preparation enhancements: See page 10 of this proposal for details.

# Life Insurance Plan Design Package

- Plan Design for Supplemental Life:
  - Step rates for Supplemental Life insurance based upon age
    - 1-6X coverage levels to a maximum of \$1M
    - \$50K coverage level
    - Eliminate the 1.5X coverage level option
- Offer Dependent Life
  - Spouse/ DP Life plan
    - Employees select: \$10K, \$25K, \$50K, \$75K, or \$100K
    - Guarantee issue up to \$25K, then Medical Evidence of Insurability
  - Child plan
    - Employees select: \$5K, \$10K, or \$25K
- Offer Company paid Basic Accidental Death and Dismemberment Coverage
- Offer Supplemental Accidental Death and Dismemberment Coverage to match the Supplemental Life plan of 1-6X coverage levels to \$1M max
- Employee's do not have to select Supplemental Life to participate in Supplemental Accidental Death and Dismemberment

# Proposed Supplemental Life Step Rates

## Current

The current cost of employee coverage is \$0.037 / \$100

## Proposal

Employee Supplemental Life Rates  
(per \$1,000 of covered benefit)

<u>Age</u>	<u>Current</u>	<u>Proposed Rates</u>
<25	\$0.370	\$0.115
25-29	\$0.370	\$0.135
30-34	\$0.370	\$0.155
35-39	\$0.370	\$0.165
40-44	\$0.370	\$0.195
45-49	\$0.370	\$0.295
50-54	\$0.370	\$0.370
55-59	\$0.370	\$0.370
60-64	\$0.370	\$0.425
65-69	\$0.370	\$0.425
70+	\$0.370	\$0.425

## Dependent Life Plan Design

Dependent Life Plan Design		
Spouse/Domestic Partner Plan	Choice of \$10,000, \$25,000, \$50,000, \$75,000, or \$100,000.	
Maximum	Up to 50% of employee coverage	
Evidence of Insurability Level	\$25,000	
Child/Children Plan: Birth to 14 days 14 days to age 26	Birth to 14 days: \$1,000 14 days to age 26: Choice of \$5,000, \$10,000 or \$25,000	
Rate Information		
Spouse Rate Per \$1,000 / Month (based on employee age)	Age	Rate
	<30	\$0.060
	30-34	\$0.080
	35-39	\$0.090
	40-44	\$0.100
	45-49	\$0.150
	50-54	\$0.230
	55-59	\$0.430
	60-64	\$0.660
	65-69	\$1.270
	70-74	\$2.060
Child Rate \$5,000 Option - Per EE /Month		\$0.420
Child Rate \$10,000 Option – Per EE /Month		\$0.840
Child Rate \$25,000 Option – Per EE /Month		\$2.100

## Benefits and Rates

### Accidental Death and Dismemberment

MetLife's AD&D coverage pays a benefit for a covered accident that results in a loss of life, speech, hearing and/or sight, paralysis and more

#### Basic Accidental Death and Dismemberment

- Plan Design:
  - Company paid Basic AD&D for Employee
  - Basic AD&D coverage is \$10,000
  - No Medical Evidence of Insurability

#### Supplemental Accidental Death and Dismemberment

- Plan Design:
  - 1 to 6X coverage levels; maximum of \$1M
  - No Medical Evidence of Insurability
- Rate:
  - .02 Per 1000 / Month Employee Only
  - .03 Per 1000 / Month Employee, Spouse + Child/Children

# Supplemental Accidental Death and Dismemberment

## Living Benefits:

- Travel Assistance & Identity Theft Solutions
  - Travel Assistance offers access to valuable services such as:
    - Medical assistance while traveling
    - Emergency medical evacuation
    - Help with lost documents and credit cards
    - Identity theft guidance and support
    - Additional key benefit of the Travel Assistance program is that covered persons may use the service while traveling for business or pleasure. Also, dependent spouses and children are covered for these services whether they are traveling with the employee or not.
- Identity Theft Solutions
  - an additional, value-added benefit packaged with Travel Assistance. Identity Theft Solutions is part of MetLife's continued commitment to meeting your customers' diverse needs—today and as they evolve over time. This new enhancement educates employees and their dependents on preventing an occurrence and provides personal assistance and guidance to help alleviate the stress and time burden that victims often face.
- Hospital Confinement Benefit
  - Pays an additional monthly benefit if a covered person is confined in a Hospital as a result of an accidental injury.

## If covered person dies:

- Air Bag Benefit:
  - If an Air Bag is deployed for the covered person during the accident and the covered person dies as a result of the accident while driving or riding in a passenger car and wearing a properly fastened seat belt, we will pay an additional benefit
- Seat Belt Benefit
  - Provides an additional benefit if a covered person dies from injuries sustained in an accident while driving or riding as a passenger in a Passenger Car, provided the person was wearing a properly fastened Seat Belt at the time of the accident.
- Common Carrier Benefit
  - Pays an additional benefit if a covered person dies as a result of an accidental injury while traveling in a Common Carrier.
- Child Care Benefit
  - Provides an additional amount to attend a licensed Child Care Center for up to 4 consecutive years
- Child Education Benefit
  - Provides an additional benefit equal to the tuition charges for each eligible dependent child to attend college or another accredited institution for up to 4 consecutive years
- Spouse Education
  - Provides an additional amount equal to the tuition charges for 1 academic year up to \$5,000 per year

## Basic and Supplemental: Accidental Death and Dismemberment

Covered Loss	Benefit Amount
Life	Full Amount
Seat Belt Benefit for Loss of Life	10% of Full Amount
A hand	50% of Full Amount
A foot	50% of Full Amount
An Arm	75% of Full Amount
A Leg	75% of Full Amount
Sight of an eye	50% of Full Amount
Any combination of a hand, a foot, and or sight of an eye	100% of Full Amount
Thumb and Index finger on same hand	25% of Full Amount
Speech and hearing in both ears	100% of Full Amount
Speech	50% of Full Amount
Hearing in both Ears	50% of Full Amount
Paralysis of both arms and legs (Quadriplegia)	100% of Full Amount
Paralysis of both legs (Paraplegia)	50% of Full Amount
Paralysis of one arm <u>and</u> one leg on the same side of the body (Hemiplegia)	50% of Full Amount
Paralysis of one arm <u>or</u> leg	25% of Full Amount



## Will Preparation Enhancements

- Included with Supplemental Life at no additional cost
- Fully covers the legal fees associated with preparing or updating wills for employees and spouses, when using a participating attorney.
- Covers Simple and Complex Wills
- Living Wills, Health Directives, Testamentary Trusts and Power of Attorney
  - Living Will:
    - Ensures your wishes are carried out, and protects your loved ones from making these very difficult and personal decisions by themselves.
    - Also called an “advanced directive;”
      - Document authorized by statutes in all states
      - Individual is appointed as his/her representative to make decisions on maintaining extraordinary life-support in a circumstance where an individual cannot communicate their wishes
  - Power of Attorney:
    - Allows you to plan ahead by designating someone you know and trust to act on your behalf in the event of unexpected occurrences or if you become incapacitated. It is a written document that grants an individual the power to act on the grantor’s behalf.
- Easy to use initiating a request via 1-800-821-6400
- Over 10,000 participating attorneys in the Hyatt Legal Plans’ network.
- Out-of-Network option.

**Date:** June 7, 2011

**Reference:** Benefit Agreement

**Description/Interest:** The current rate of \$0.037 / \$100 was negotiated via letter agreement to be in effect during the course of the current contract. For the new contract period, the rate will need to be adjusted due to claims and plan experience.

**Current Language/Provisions:**

Administered by MetLife

When an employee reaches regular status, the employee is able to choose from four different levels of life insurance coverage.

The Company provides the first \$10,000 of coverage—called Basic Life—at no cost to employees.

The remaining coverage amounts listed below include the \$10,000 Basic Life coverage:

- \$50,000
- 1.5 x Base Annual Earnings
- 2 x Base Annual Earnings

For all employees, the monthly cost to purchase additional coverage is \$0.037 per \$100 of coverage in excess of Basic Life. This rate remains in effect during the contract period.

**Proposed Change:**

Changes effective January 1, 2012:

Update the monthly flat rate costs for Supplemental Life Insurance in excess of the Basic Life:

2012 - \$0.0370 / \$100

2013 - \$0.0416 / \$100 (estimated)

2014 - \$0.0433 / \$100 (estimated)

The 2013 and the 2014 supplemental life insurance rates charged to participants will be the rates charged and determined by MetLife.

**Date:** June 7, 2011

**Reference:** Benefit Agreement, Summary of Benefits Handbook

**Background:**

Benefit costs have increased substantially over time, and costs related to employee pensions have increased substantially in recent years. The Company reviewed forecast pension costs, and considered plan design alternatives that would help mitigate increases in required pension trust contributions over the long term. There are several reasons for this review and the resulting recommendations:

- In the private sector, many companies no longer offer pension benefits. While the utility industry is one of a very few industries where defined benefit pension plans remain common, the most prevalent retirement plan design is one where the benefit accrual pattern values each year of service more equally, rather than a formula that provides proportionately greater benefit accruals late in an employee’s career.
- PG&E forecasts show increasing costs for its current pension plan design, and the potential for significant spikes in cost under various investment market return and falling interest rate scenarios. Annual pension costs are forecast to increase by more than \$100 million from 2011 to 2015. In addition, there is a one in four chance that the required pension contribution for 2015 could increase by \$400 million (more than three times the 2011 pension recovery), and a one in 20 chance that the 2015 pension contribution could require an additional \$600 million (5.5 times current pension recovery).
- Pension cost issues are in the public eye as a taxpayer and customer issue. As a result, it is uncertain if PG&E will receive sufficient recovery for the required pension contribution through future rate proceedings before the CPUC and FERC. In an environment where many companies are eliminating pension plan coverage – at a minimum for new hires – or making changes to plan design and investments to address pension cost increases, it is prudent for PG&E to take action to mitigate future cost increases.

**Proposed Change:**

The Company proposes to replace the current defined benefit pension (formula using a percentage of final pay times years of service) with a cash balance defined benefit pension. The cash balance design would annually credit each employee with a percentage of pay which will accumulate with interest during employment. The account balance would be payable at termination or retirement.

The Company proposes the following basic cash balance design:

1. Annual pay credits would be awarded based on a point system derived from a combination of age and service:

<b>Points (Age + Service)</b>	<b>Pay Credits</b>
< 40	4%
40 - 49	5%
50 - 59	6%
60 - 69	7%
70+	8%

2. Annual interest credit based on the 30-year Treasury rates would be applied to the accumulated account balance

3. Account balance would be paid out in a lump sum upon termination of employment. Retiring employees would have an option to convert the account balance into a monthly annuity payable for life.
4. Any employees hired on or after June 1, 2012 would participate in the new cash balance plan. Transfer of current pension plan participants to the cash balance plan would be determined through negotiations.