

# 401(k) Match

- Up to 5 years of service: Greater of
  - \$300 match on \$300 of employee contribution
  - 25% match on 3% pay employee contribution
- Examples
  - Employee earns \$56,000 and contributes 3% of pay (\$1,680 contributed) will receive \$420 (25% match) from the company
  - Same employee only contributing 1% pay (\$560 contributed) will receive \$300 from the company

# 401(k) Match

- 5+ but under 10 years of service: Greater of
  - \$300 match on \$300 of employee contribution
  - 25% match on 4% pay employee contribution
- Examples
  - Employee earns \$80,000 and contributes 4% of pay (\$3,200 contributed) will receive \$800 (25% match) from the company
  - Same employee only contributing 1% pay (\$800 contributed) will receive \$300 from the company

# 401(k) Match

- 10+ but under 15 years of service: Greater of
  - \$300 match on \$300 of employee contribution
  - 50% match on 4% pay employee contribution
- Example
  - Employee earns \$100,000 and contributes 4% of pay (\$4,000 contributed) will receive \$2,000 (50% match) from the company

# 401(k) Match

- 15+ years of service: Greater of
  - \$300 match on \$300 of employee contribution
  - 50% match on 6% pay employee contribution
- Example
  - Employee earns \$100,000 and contributes 6% of pay (\$6,000 contributed) will receive \$3,000 (50% match) from the company

# Other items

- Until January 1, 2017 sub-United will continue on current 401(k) terms to coordinate with inclusion of CARP defined benefit plan
- Pay is limited by IRS limits (2016 \$265,000)
- Pay includes base, overtime, shift premium, profit sharing, vacation pay, and sick pay but excludes the HRA contributions

# 30-year CARP Employees

- Will receive a company contribution to the 401(k) plan of 1% of pay once Benefit Service CARP exceeds 30 years

# CARP Benefit Formula

Basic Piece:

**F AE x 1.19% x Service**

F AE = highest consecutive 5 years in last 10 years

Service = participation in the plan, capped at 30 years

***plus***

Additional Piece:

**(F AE – CC) x 0.45% x Service**

CC = Covered Compensation is a 35 year average of the Social Security Wage Base (anticipate about 80% of F AE)

# Final Average Earnings

- Calculation highest 5 consecutive year average in the last 10 years

|          | Pay              | FAE              |
|----------|------------------|------------------|
| YYYYY    | \$100,000        | \$103,600        |
| YYYYY -1 | <b>\$110,000</b> | <b>\$104,000</b> |
| YYYYY -2 | <b>\$103,000</b> | \$101,000        |
| YYYYY -3 | <b>\$107,000</b> | \$97,400         |
| YYYYY -4 | <b>\$98,000</b>  | \$100,000        |
| YYYYY -5 | <b>\$102,000</b> | \$100,200        |
| YYYYY -6 | \$95,000         |                  |
| YYYYY -7 | \$85,000         |                  |
| YYYYY -8 | \$120,000        |                  |
| YYYYY -9 | \$99,000         |                  |



# CARP Benefit Example - Basic Piece

| (1)                     | (2)                          | (3)   | (4)   |       |         |         |         |
|-------------------------|------------------------------|---|---|-------|---------|---------|---------|
| Final<br>Average<br>Pay | Basic<br>Multiplier<br>1.19% | Monthly<br>Benefit<br>per year's<br>service | Monthly benefit after years of service shown: |       |         |         |         |
|                         |                              |   | 5   | 7     | 10      | 15      | 20      |
| \$80,000                | \$952                        | \$79  | \$397   | \$555 | \$793   | \$1,190 | \$1,587 |
| \$90,000                | \$1,071                      | \$89  | \$446   | \$625 | \$893   | \$1,339 | \$1,785 |
| \$100,000               | \$1,190                      | \$99  | \$496   | \$694 | \$992   | \$1,488 | \$1,983 |
| \$110,000               | \$1,309                      | \$109                                       | \$545   | \$764 | \$1,091 | \$1,636 | \$2,182 |
| \$120,000               | \$1,428                      | \$119                                       | \$595   | \$833 | \$1,190 | \$1,785 | \$2,380 |
| \$130,000               | \$1,547                      | \$129                                       | \$645   | \$902 | \$1,289 | \$1,934 | \$2,578 |

Formulas:

$$(2) = (1) \times 1.19\%$$

$$(3) = (2) / 12$$

$$(4) = (3) \times \text{years of service}$$

Shaded Cells

$$\$1,309 = \$110,000 \times 1.19\%$$

$$\$109 = \$1,309 / 12$$

$$\$1,636 = \$109 \times 15$$

# CARP - Additional Piece

- Benefit also has an additional amount of 0.45% of pay above "Covered Compensation"
- Covered Compensation varies by year of birth and is an average of Social Security maximum taxable earnings (currently \$118,500 [2016])
- We anticipate that participants retiring at 65 approximately 20% of final average earnings will exceed Covered Compensation

# Covered Compensation

- Retiring age 65 in 2016, Social Security NRA 67
- Average of 35 SSWB = \$80,004 (rounded to \$12)

| <u>Year</u> | <u>SSWB</u> | <u>Year</u> | <u>SSWB</u> | <u>Year</u>    | <u>SSWB</u>     |
|-------------|-------------|-------------|-------------|----------------|-----------------|
| 1984        | \$37,800    | 1996        | \$62,700    | 2008           | \$102,000       |
| 1985        | \$39,600    | 1997        | \$65,400    | 2009           | \$106,800       |
| 1986        | \$42,000    | 1998        | \$68,400    | 2010           | \$106,800       |
| 1987        | \$43,800    | 1999        | \$72,600    | 2011           | \$106,800       |
| 1988        | \$45,000    | 2000        | \$76,200    | 2012           | \$110,100       |
| 1989        | \$48,000    | 2001        | \$80,400    | 2013           | \$113,700       |
| 1990        | \$51,300    | 2002        | \$84,900    | 2014           | \$117,000       |
| 1991        | \$53,400    | 2003        | \$87,000    | 2015           | \$118,500       |
| 1992        | \$55,500    | 2004        | \$87,900    | 2016           | \$118,500       |
| 1993        | \$57,600    | 2005        | \$90,000    | 2017           | \$118,500       |
| 1994        | \$60,600    | 2006        | \$94,200    | 2018           | \$118,500       |
| 1995        | \$61,200    | 2007        | \$97,500    | <b>Average</b> | <b>\$80,004</b> |

# Of Note

- Service credit does not cease at 65, nor do the ten years used for final average earnings
  - If you work to 70 service up to 70 counts, and the pay received ages 60 – 69 will be used for final average earnings
- Retirement before age 65 with a reduction
  - Age 55 with 10 years of vesting service
  - Age 50 with 20 years of vesting service
  - The reduction compensates for earlier payment and more payments

# Options

- If married at retirement the pension is payable as a husband and wife pension, the amount is reduced to allow for the continuation of the pension after the participants death
- Alternately, with spousal consent, the participant can elect a pension with no spousal coverage, or can take a lump sum
- The lump sum is only available upon termination with a right to an immediate pension
  - Cannot get a lump sum on termination at, say, age 45

# Lump Sum Option

- The amount of the lump sum is the value of the pension calculated using market rates
- The law places limits on the availability of lump sums
- The lump sum option is currently unrestricted
  - the company has undertaken to fund the plan so that this remains so
  - if it runs into extraordinary financial hardship it will consult with IBT

# Guam – Western Conference

| <u>Starting</u> | <u>Hourly Contribution Rate</u> |
|-----------------|---------------------------------|
|                 |                                 |
| 1/1/2017        | \$4.10                          |
| 1/1/2018        | \$4.20                          |
| 1/1/2019        | \$4.30                          |
| 1/1/2020        | \$4.40                          |
| 1/1/2021        | \$4.50                          |
| 1/1/2022        | \$4.60                          |