

Volume 2B

Testimony of Witnesses:

Peter Wasberg

Employee Compensation

Before the South Dakota Public Utilities Commission

State of South Dakota

In the Matter of the Application of Otter Tail Corporation

d/b/a Otter Tail Power Company

For Authority to Increase Rates for Electric Utility

Service in South Dakota

Docket No. EL08-\_\_\_\_\_

Exhibit \_\_\_\_

**EMPLOYEE COMPENSATION**

DIRECT TESTIMONY AND SCHEDULES OF

**PETER E. WASBERG**

October 31, 2008

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS .....1  
II. PURPOSE AND SCOPE OF TESTIMONY .....2  
III. COMPENSATION LEVELS AND THE COMPETITIVE MARKET .....2  
IV. DESCRIPTION OF OTP COMPENSATION PLAN .....6  
V. TEST YEAR REVENUE REQUIREMENT .....10  
VI. POST RETIREMENT MEDICAL AND PENSION PLANS .....12  
VII. CONCLUSION.....14

1 **I. INTRODUCTION AND QUALIFICATIONS**

2

3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

4 A. My name is Peter E. Wasberg. My business address is 215 South Cascade Street,  
5 Fergus Falls, MN, 56537.

6

7 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

8 A. I am employed by Otter Tail Power Company (“Otter Tail Power” or “OTP”), a  
9 division of Otter Tail Corporation as the Director, Human Resources and Safety.

10

11 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

12 A. A description of my qualifications and experience is attached as Exhibit \_\_\_\_,  
13 (PEW-1) Schedule 1.

14

15 Q. FOR WHOM ARE YOU TESTIFYING?

16 A. I am providing testimony on behalf of OTP.

17

18 Q. WERE THE ATTACHED SCHEDULES PREPARED EITHER BY YOU OR  
19 UNDER YOUR SUPERVISION?

20 A. Yes.

1 **II. PURPOSE AND SCOPE OF TESTIMONY**

2 Q. WHAT IS THE PURPOSE AND SCOPE OF YOUR TESTIMONY IN THIS  
3 PROCEEDING?

4 A. The purpose of my testimony is to discuss matters related to employee  
5 compensation and benefits, focusing primarily on OTP. First, I will discuss how  
6 the compensation levels provided by OTP compare to the general market.  
7 Second, I will briefly describe OTP's current compensation plan, including its  
8 two annual incentive plans (collectively the "OTP Annual Incentive Plan").  
9 Third, I will generally describe the compensation and benefit costs that are  
10 included in the revenue requirement. Finally, I will provide a summary of OTP's  
11 post retirement medical and pension plans and their reasonableness.

12

13 Q. PLEASE SUMMARIZE OTP'S PROPOSAL.

14 A. As generally described in my testimony and further discussed by Mr. Peter  
15 Beithon, OTP requests recovery of: (i) costs of wages and salaries and current  
16 employee benefits, including an adjustment to OTP executive salaries made  
17 effective April, 2007; (ii) costs of the OTP Annual Incentive Plan based on a five-  
18 year average payout level, subject to a cap of 25 percent of individual employees'  
19 base salary; and (iii) costs relating to post retirement benefits.

20

21 **III. COMPENSATION LEVELS AND THE COMPETITIVE**  
22 **MARKET**

23

24 Q. DOES OTP USE INFORMATION REGARDING COMPENSATION AT  
25 OTHER FIRMS IN CONNECTION WITH ITS COMPENSATION  
26 DECISIONS?

1 A. Yes. OTP routinely compares its compensation levels to those of other utilities  
2 and some non-utilities, using a number of surveys and information sources  
3 including Towers Perrin, Watson Wyatt, Mercer, and Hewitt. Every three years,  
4 OTP participates in a benchmark study conducted by Towers Perrin for non-  
5 executive employees. The two most recent Benchmark Studies were conducted in  
6 2005 and 2008.

7

8 Q. PLEASE EXPLAIN HOW OTP USES THIS INFORMATION.

9 A. OTP uses this information as the framework for formulating its compensation  
10 programs. Salary surveys are reviewed and analyzed to find positions that  
11 correspond with the essential job duties, skills, and functions of OTP's positions.  
12 The appropriate benchmark market and salary range for OTP positions are then  
13 derived from the median of the applicable survey data. While the market based  
14 compensation for a position is based on the median, it is not limited to the single  
15 data point of the median. Rather, the relevant market for a position includes a  
16 range above and below the median. The compensation for OTP non-union  
17 employees is ultimately determined by a combination of market data and the  
18 employee's responsibilities, performance, and experience.

19

20 Q. PLEASE FURTHER EXPLAIN THE MOST RECENT TOWERS PERRIN  
21 BENCHMARK STUDIES.

22 A. In 2005 and 2008, Benchmark Studies were conducted by Towers Perrin for non-  
23 executive employees that included compensation for a broad sample of positions.  
24 OTP compensation levels were compared using a combination of general  
25 industry, energy/utility industry, and north central regional data to reflect the  
26 labor markets in which OTP competes.

1 Q. WHAT WERE THE RESULTS OF THE BENCHMARK STUDY?

2 A. The 2005 and 2008 Towers Perrin Benchmark Studies showed the following:

3 1. In the 2005 Study, OTP base salaries overall were 5 percent below the  
4 competitive median; and, in the 2008 Benchmark Study, base salaries  
5 were 1.9 percent below the competitive median; and

6 2. Total cash compensation (base salary plus annual incentive) overall were 4  
7 percent below the competitive median in the 2005 Benchmark Study and  
8 5.8 percent below the competitive median in the 2008 Benchmark Study.

9

10 Q. WHAT DID YOU CONCLUDE FROM THESE RESULTS?

11 A. We are using a 2007 test year with known and measurable changes. The 2005  
12 and 2008 Benchmark Studies indicate that our salary structure included in our rate  
13 request for non-executive employees is competitive, although slightly below the  
14 market median.

15

16 Q. DID TOWERS PERRIN ALSO CONDUCT A STUDY OF OTP EXECUTIVE  
17 COMPENSATION?

18 A. Yes. In 2007, Towers Perrin conducted a study of executive compensation for  
19 OTP, which included consideration of a number of topics, including the  
20 following:

21 1. Base salary levels were compared to competitive market base salaries;

22 2. Annual incentive targets were compared to market annual incentives;





1 for inclusion in the revenue requirement, the portion of OTP's overall total cash  
2 compensation (including base salary plus *capped* annual incentive) proposed for  
3 recovery in rates is 27 percent below the competitive median.

4 **IV. DESCRIPTION OF OTP COMPENSATION PLAN**

5

6 Q. PLEASE DESCRIBE OTP'S WORK FORCE.

7 A. As of December 31, 2007, OTP had 774<sup>1</sup> full-time employees, including  
8 approximately 416 union employees and 358 non-union employees (not adjusted  
9 for employees of jointly owned plants). These employees provide a wide range of  
10 services required to provide electric utility services to our approximately 129,000  
11 customers located in North Dakota, Minnesota, and South Dakota.

12

13 Q. WHAT ARE OTP'S COMPENSATION GOALS?

14 A. OTP's compensation goals are to attract, and thereafter retain and motivate,  
15 valuable employees. Such employees are essential to achieve OTP's mission,  
16 which is to produce and deliver electricity as reliably, economically and  
17 environmentally responsibly as possible to the balanced benefit of customers,  
18 shareholders, and employees and to improve the quality of life in the areas in  
19 which we do business. OTP continues to focus on maintaining a compensation  
20 program that provides a competitive, performance-based pay system that helps us  
21 attract and retain a quality workforce that provides our customers with safe,  
22 reliable, and economical service.

23

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<sup>1</sup> The employee count of 714 used in Tom Brause's testimony represents the number of full time equivalent employees, which has been adjusted for jointly owned plants.

1 Q. PLEASE IDENTIFY THE MAIN COMPONENTS OF OTP'S  
2 COMPENSATION.

3 A. Many OTP employees receive compensation consisting of base salaries and  
4 annual incentive compensation, along with standard employee benefit plans  
5 providing current benefits such as a retirement savings plan, an employee stock  
6 ownership plan, and health and dental plans. OTP also provides post retirement  
7 pensions and health benefits. Some executive employees are also eligible for  
8 long-term incentives.

9

10 Q. PLEASE SUMMARIZE THE OTP ANNUAL INCENTIVE PLAN.

11 A. The OTP Annual Incentive Plan includes all regular employees who are not  
12 represented by a union and who work at the rate of at least 1,000 hours per year.  
13 The OTP Annual Incentive Plan includes separate plans for: (i) employees other  
14 than management (the "OTP Key Performance Award Plan" or "OTP KPA  
15 Plan"); and (ii) management employees.

16

17 Q. PLEASE BRIEFLY DESCRIBE THE OTP KPA PLAN.

18 A. The OTP KPA Plan includes approximately 358 OTP employees. The target  
19 maximum payout level is 6 percent of the respective individual employee's base  
20 salary. The OTP KPA Plan includes four operating criteria (safety, customer  
21 satisfaction, plant availability, and service reliability) and two financial criteria  
22 relating to OTP. Each of these six criteria has an equal target weighting. If the  
23 OTP financial criteria are not met, the payouts under the remaining four operating  
24 criteria are also reduced.

25

1 Q. PLEASE BRIEFLY DESCRIBE THE OTP ANNUAL INCENTIVE PLAN FOR  
2 MANAGEMENT EMPLOYEES.

3 A. The OTP Annual Incentive Plan for management employees (the “OTP  
4 Management Plan”) includes approximately 18 OTP employees. Four OTP  
5 management employees have target maximum payout levels that exceed 25  
6 percent, but OTP is proposing to limit the level of incentive compensation  
7 recovered in rates to 25 percent of their individual salaries. The OTP  
8 Management Plan includes a number of individual criteria that vary by the  
9 employee’s job and responsibilities and two overall financial criteria relating to  
10 OTP. The target weighting is 40 percent for individual criteria and 60 percent for  
11 the overall financial criteria.

12

13 Q. HOW DOES THE ANNUAL INCENTIVE PLAN COMPLEMENT OTP’S  
14 TOTAL COMPENSATION PLAN?

15 A. The OTP Annual Incentive Plan is an important part of our total compensation  
16 plan. A compensation plan that includes annual cash incentive compensation  
17 encourages increased productivity, and enables OTP to first attract, and then  
18 retain and motivate, quality employees who are rewarded for providing quality  
19 service to our customers. Without annual incentive compensation, the only way  
20 to maintain a competitive cash compensation package would be to increase base  
21 salaries, which would increase other costs and substantially reduce both flexibility  
22 and incentives for performance. Reliability of our electrical plants and electrical  
23 systems is maximized when we have continuity in our workforce. The technical  
24 knowledge needed, and the years that it actually takes to acquire the specialized  
25 skills for our system, are paramount to our ability to reliably and efficiently  
26 provide energy to our customers. Our low turnover rate, helped by a competitive  
27 compensation and incentive package, has increased our ability to maintain a  
28 strong system without higher employee counts. Our customers also see the

1 advantages of reduced costs associated with the lower recruitment and training  
2 requirements associated with a stable workforce. The component of the OTP  
3 Annual Incentive Plan tied to financial performance also benefits customers  
4 because financial performance depends on the prudent management of costs,  
5 which allows electric utility service to be provided at reasonable costs.

6

7 Q. WHAT ARE THE PURPOSES OF OTP'S LONG-TERM INCENTIVES?

8 A. The purposes of OTP's long-term incentives are to: (i) link the long-term success  
9 of OTP to qualifying employee compensation; (ii) encourage the retention of  
10 management over the long-term; and (iii) provide the opportunity to earn  
11 competitive total compensation.

12

13 Q. WHAT ARE THE MAIN COMPONENTS OF OTP'S LONG-TERM  
14 INCENTIVES?

15 A. The main components of OTP's long-term incentives are grants of restricted stock  
16 and stock options. Qualifying employees are awarded grants and options based on  
17 salary, job level, and the price of the stock at the date of grant.

18

19 Q. ARE OTP'S LONG-TERM INCENTIVES COMPARED TO THE MARKET?

20 A. Yes. As described above, the OTP long-term incentives are considered along  
21 with other components of compensation when we review compensation levels,  
22 including the 2007 Towers Perrin study.

23

24 Q. WHAT BENEFITS DO THE OTP LONG-TERM INCENTIVES PROVIDE TO  
25 RATEPAYERS?

1 A. As I previously discussed, long-term incentives are part of OTP's total  
2 compensation package, which allow OTP to attract, and thereafter retain, its  
3 executive employees and senior-level management. As a further result of OTP's  
4 long-term incentives, these employees have an added incentive to innovate and  
5 control costs, improve effectiveness, and improve customer satisfaction. As a  
6 result, ratepayers receive benefits through better service at a reasonable cost.

7 **V. TEST YEAR REVENUE REQUIREMENT**

8  
9 Q. PLEASE IDENTIFY THE COMPONENTS OF OTP'S COMPENSATION  
10 PLAN THAT ARE INCLUDED IN THE REVENUE REQUIREMENT.

11 A. As further described by Mr. Beithon, OTP is seeking recovery of: (i) costs of base  
12 salaries, including the adjustments to salaries for OTP executives made effective  
13 April, 2007; (ii) costs of current employee benefit plans; (iii) costs of the Otter  
14 Tail Annual Incentive Plans based on five-year average payout levels, subject to a  
15 cap based on 25 percent of employees' salaries; (iv) long-term incentives for  
16 certain OTP employees; and (v) certain costs relating to post retirement benefits.  
17 The 25 percent cap on the levels of annual incentive compensation applies to both  
18 OTP employees and Otter Tail Corporation employees, and no long-term  
19 incentive compensation costs for Otter Tail Corporation employees have been  
20 included.

21  
22 Q. PLEASE FURTHER DESCRIBE HOW THE PAYOUT LEVELS FOR THE  
23 OTP ANNUAL INCENTIVE PLAN WAS DETERMINED.

24 A. The OTP test year revenue requirement includes an annual incentive  
25 compensation amount based on a five-year average payout level for the OTP KPA  
26 Plan and the OTP Management Plan for the years 2003 through 2007. The 5-year  
27 average is adjusted to remove any amounts over the 25 percent cap on individual

1 employee incentives. These average payout levels are representative of OTP's  
2 typical payout levels over time.

3

4 Q. WHY DID OTP NOT USE THE ACTUAL PAYOUT LEVELS FOR 2007?

5 A. We did not use the actual 2007 payout levels for the OTP KPA Plan and the OTP  
6 Management Plan because those levels were not typical. We did however give  
7 the 2007 payout levels appropriate consideration by including them in the 5-year  
8 averages from which we derived our proposed test year adjustment. For the OTP  
9 KPA Plan, the average annual payout was less than one-half of the maximum  
10 allowed for the 5-year period, 2003 through 2007. By contrast, if the payout  
11 levels were based solely on 2007, the incentive payment included in rates would  
12 be approximately one-fourth of the maximum paid during that 5-year period. For  
13 the OTP Management Plan, the average annual incentive payout was slightly  
14 under the target for the 5-year period, 2003 through 2007. And, again by contrast,  
15 if 2007 were considered in isolation, the annual incentive payment would be less  
16 than two-third of the 2007 target. Clearly, 2007 was not representative of typical  
17 annual incentive compensation payouts by OTP.

18

19 Q. WHY WAS 2007 SO ABNORMALLY LOW?

20 A. Our earnings in 2007 were below appropriate rates and limited our ability to pay  
21 incentive compensation that was otherwise appropriate. Our lower than adequate  
22 revenues in 2007 is demonstrated by our filing for an increase in rates in  
23 Minnesota, with interim rates taking effect at the end of November 2007, and our  
24 filing for an increase in 2008 in North Dakota and South Dakota. Had our  
25 revenues been adequate to support the incentive compensation that was otherwise  
26 justified, the incentive compensation paid in 2007 would have been equal to or  
27 higher than the five year average.

1

2 Q. WHY SHOULD THE COSTS OF THE OTP ANNUAL INCENTIVE PLAN BE  
3 INCLUDED IN THE REVENUE REQUIREMENT?

4 A. The costs of the OTP Annual Incentive Plan should be included in the revenue  
5 requirement for several reasons. The inclusion of incentive plans in total  
6 compensation packages is an established market practice and a necessary cost of  
7 doing business. OTP's annual cash compensation levels, including the OTP  
8 Annual Incentive Plan, are below competitive market levels. External studies  
9 confirm this fact. In addition, the OTP Annual Incentive Plan includes an  
10 appropriate range and balance of factors that provide benefits to customers.

11

12 **VI. POST RETIREMENT MEDICAL AND PENSION PLANS**

13

14 Q. DOES OTP PROVIDE OTHER POST RETIREMENT EMPLOYEE BENEFITS  
15 ("OPEB") AND PENSION PLANS?

16 A. Yes. OTP provides both.

17

18 Q. PLEASE DESCRIBE OTP'S PENSION PLANS

19 A. We have three separate defined benefit pension plans: one for union employees,  
20 other than those at the Coyote Station; a separate plan for union employees at  
21 Coyote Station; and one plan for nonunion employees. A summary description of  
22 OTP's pension plans is provided in Exhibit \_\_ (PEW-1), Schedule 2. The OTP  
23 pension plans are funded through an external trustee. Mr. Beithon will also address  
24 in more detail the financial aspects of funding arrangements for OTP's pension  
25 plans.

1

2 Q. PLEASE DESCRIBE THE OPEB.

3 A. OTP also provides a medical benefits program for retirees (other post employment  
4 benefits or OPEB). Participation for non-union employees is limited to persons  
5 hired before September 1, 2006. Participation for one of our collective bargaining  
6 agreements is limited to persons hired before January 1, 2009. Participation is also  
7 limited to persons who are age 55 or older at retirement, have 10 or more years of  
8 service (after age 45), and are eligible for or enrolled in the Otter Tail Power  
9 medical program as of retirement. The related accounting prescribed by Financial  
10 Accounting Standards Board (“FAS”) Statement No. 106 will be addressed by Mr.  
11 Beithon.

12

13 Q. WHAT HAS OTP DONE TO MANAGE THE ESCALATING COST OF ITS  
14 OPEB?

15 A. OTP has taken several steps to control costs of OPEB. As I indicated in my prior  
16 answer, we limited the post-retirement medical benefits program for non-union  
17 personnel to persons hired before September 1, 2006; and post-retirement medical  
18 benefits were limited, within one collective bargaining agreement, to employees  
19 starting employment before January 1, 2009. We have switched from a defined  
20 benefit pension plan to a defined contribution pension plan for non-union  
21 employees starting employment after August 31, 2006 and for employees within  
22 one of our collective bargaining units starting employment after December 31,  
23 2008. We have made substantial efforts to control employee counts, which also  
24 reduces post-retirement obligations. We have also negotiated caps and reductions  
25 in OTP’s obligations in our union contracts. In addition, we have increased the  
26 amount of retiree contributions to the costs of the medical benefits program.

27



1 Q. YOU HAVE EXPLAINED WHY CURRENT OPEBS ARE REASONABLE,  
2 WERE THE OPEBS THAT ARE BEING RECOVERED THROUGH THE FAS  
3 106 TRANSITION AMORTIZATION ALSO REASONABLE?

4 A. Yes. At the time FAS 106 accrual accounting was put into place in 1993, we  
5 were required to convert our future OPEB obligations into a current expense and  
6 we were allowed to amortize that expense over a period of years, as discussed by  
7 Mr. Beithon. Thus, the current revenue requirement includes the cost of OPEBs  
8 that were provided to our employees as part of their employment compensation  
9 plan that existed prior to 1993. OTP then, as now, offered a total compensation  
10 package, including OPEBs, set at an overall level needed to compete for and  
11 retain qualified employees. The OPEBs were limited to medical and life  
12 insurance benefits. A review of the OPEBs then available shows them to be very  
13 basic, e.g. eligibility was set at age 55 with 10 years of service, a reasonable  
14 deductible of \$300 per individual was included and payment was limited to 80  
15 percent for the next \$7,500 of expenses, and the amount of lifetime payments was  
16 capped.

17

## 18 **VII. CONCLUSION**

19

20 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

21 A. In order to attract and thereafter retain and motivate talented employees necessary  
22 to achieve our mission, OTP has structured a competitive total cash compensation  
23 and benefits package. As I have explained, this combination includes base  
24 salaries, active and post-retirement benefits, and incentive compensation. OTP's  
25 proposed compensation and benefit costs are reasonable, and should be included  
26 in rates.

27

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes.

3

PETER E. WASBERG

EMPLOYMENT

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2008 – PRESENT	Otter Tail Power Company <i>Director, Human Resources &amp; Safety</i>	Fergus Falls, MN
2004 – 2008	Otter Tail Power Company <i>Manager, Human Resources</i>	Fergus Falls, MN
2002 – 2004	Otter Tail Power Company <i>Area Manager, Crookston &amp; Bemidji</i>	Crookston, MN
1997 – 2002	Otter Tail Power Company <i>Division Manager, Hallock &amp; Crookston Divisions</i>	Hallock, MN Crookston, MN
1995 – 1997	Otter Tail Power Company <i>Office Manager, Bemidji Division</i>	Bemidji, MN
1991 – 1995	Otter Tail Power Company <i>Division Accountant, Milbank Division</i>	Milbank, SD

EDUCATION

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- Executive and Organizational Development      The Levinson Institute
- Management Institute      University of Wisconsin – Madison
  - Coaching & Counseling
  - Full-Range Leadership
- Bachelor of Arts      Concordia College, Moorhead
  - Business Administration
  - Psychology

PROFESSIONAL AFFILIATIONS

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- Society of Human Resources Management (SHRM)      Member
- Corporate Leadership Council      Member
- University of Minnesota, Crookston      All-College Advisory Committee (Chair)
- Lake Region Halfway House      Director
- Crookston National Bank      Director

### Summary Description of Otter Tail Power Pension Plans

Pension plan – Union Employees (does not apply to Coyote Union Employees)	
Type	Defined Benefit
Eligibility	Age 18 and date of hire
Benefit Accrual Service	1,000 hours service in a year
Formula	$(.38(\text{Final Average earnings}) + .18(\text{Final Average Earnings} - \text{Covered Compensation})) * (\text{Years of service up to } 30/30) + 1\% \text{ for each year of service from } 31 - 40 \text{ years}$
Final Average Earnings	Highest 2.5 year average of past 10 years
Covered Compensation	35 year average of SS taxable wage base ending in year prior to Normal Social Security Retirement Age
Vesting	Cliff: 100% after five years of Benefit Accrual Service
Normal retirement age	65
Early retirement age	Age 55 with at least 10 years of service
Early retirement reductions	Age 62 – 64: None Age 57 - 61: 5% per year prior to age 62 Age 55 - 56: 7% per year prior to age 57
Funding	Employer
Form of payment	50% J&S Annuity, 50%/75%/100% Survivor Annuity, 10-year Certain, Reversion Option
Pension Purchase Option	Roll-over portion of Retirement Savings Plan balance – buys additional annuity
Pre-retirement death benefits	Greater of Qualified Pre-retirement Death Benefit on date of death or 25% of pay

### Summary Description of Otter Tail Power Pension Plans

Pension plan – Coyote Station Employees (hired before January 1, 2009)	
Type	Defined Benefit
Eligibility	Age 21 and date of hire
Benefit Accrual Service	1,000 hours service in a year
Formula	$(.38(\text{Final Average earnings}) + .18(\text{Final Average Earnings} - \text{Covered Compensation})) * (\text{Years of service up to 30/30}) + 1\%$ for each year of service from 31 – 40 years
Final Average Earnings	Highest 3 year average of past 10 years
Covered Compensation	35 year average of SS taxable wage base ending in year prior to Normal Social Security Retirement Age
Vesting	Cliff: 100% after five years of Benefit Accrual Service
Normal retirement age	65
Early retirement age	Age 55 with at least 10 years of service
Early retirement reductions	Age 62 – 64: None Age 57 - 61: 5% per year prior to age 62 Age 55 - 56: 7% per year prior to age 57
Funding	Employer
Form of payment	50% J&S Annuity, 50%/75%/100% Survivor Annuity, 10-year Certain, Reversion Option
Pension Purchase Option	Roll-over portion of Retirement Savings Plan balance – buys additional annuity
Pre-retirement death benefits	Greater of Qualified Pre-retirement Death Benefit on date of death or 25% of pay

### Summary Description of Otter Tail Power Pension Plans

Pension plan – Nonunion Employees (hired before September 1, 2006)	
Type	Defined Benefit
Eligibility	Age 18 and date of hire
Benefit Accrual Service	1,000 hours service in a year
Formula	$(.38(\text{Final Average earnings}) + .18(\text{Final Average Earnings} - \text{Covered Compensation})) * (\text{Years of service up to } 30/30) + 1\%$ for each year of service from 31 – 40 years
Final Average Earnings	Highest 2.5 year average of past 10 years
Covered Compensation	35 year average of SS taxable wage base ending in year prior to Normal Social Security Retirement Age
Vesting	Cliff: 100% after five years of Benefit Accrual Service
Normal retirement age	65
Early retirement age	Age 55 with at least 10 years of service
Early retirement reductions	Age 62 – 64: None Age 57 - 61: 5% per year prior to age 62 Age 55 - 56: 7% per year prior to age 57
Funding	Employer
Form of payment	50% J&S Annuity, 50%/75%/100% Survivor Annuity, 10-year Certain, Reversion Option
Pension Purchase Option	Roll-over portion of Retirement Savings Plan balance – buys additional annuity
Pre-retirement death benefits	Greater of Qualified Pre-retirement Death Benefit on date of death or 25% of pay