



ESC Local 20 Counter-Proposal: Cash Balance Pension CB-7

2/9/2012

Background:

ESC proposes to alter PG&E's proposal for a "Cash Balance" pension benefit for future employees. The Company has explained the value of a Cash Balance pension plan from the perspective of funding requirements for the Plan. ESC's calculations have shown that the Company's current Cash Balance proposal is worth significantly less than the value of the existing, Defined Benefit pension from the perspective of the retiree. ESC's counter proposal is designed to make the overall value of the Cash Balance pension and increased 401(k) equivalent to the value of the existing Defined Benefit pension and 401(k).

ESC proposes adding one additional pension band for long service employees, and moving some pension benefits into an increased 401(k) match, which would limit the Company's liability.

Adding an additional pension band is a very low cost to the company. This rewards employee longevity, while at the same time has no cost in cases where employees leave the company with lower service, which is more likely under a portable pension benefit. Adding an additional band at the end of the progression is much lower risk and lower cost than increasing the value at the early end of a career. The retention value of the current pension plan would be better preserved than under the Company's current proposal.

A major concern of existing members is the future conversion of existing employees from the traditional pension into the Cash Balance structure. ESC asks for a guarantee from the Company that current participants in the Defined Benefit plan will be able to retire under that plan.

Proposal:

1. ESC proposes an additional pay credit band:

Points (Age + Service)	Pay Credits
<40	5%
40-49	6%
50-59	7%
60-69	8%
70-79	9%
80+	10%

2. ESC proposes increasing the employer match in RSP:
Employees participating in the cash balance pension also will be eligible for an employer matching contribution in the Retirement Savings Plan for Union-Represented Employees (RSP-U) of **100%** (instead of 75%) of the employee's pre-tax and/or after-tax contributions up to 8% of pay, effective upon date of employment but vesting upon the employee attaining "regular" employment status.
3. PG&E agrees that all participants currently in the pension plan will continue participation under the terms of the current Defined Benefit pension. This commitment is without expiration. Employees who wish to convert from the current Defined Benefit to the Cash Balance will have a one-time option to switch pension plans.