March 25, 2010

Harlan Weller
Government Actuary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Room 4024
Washington, DC 20220

Andrew Zuckerman
Director, Employee Plans Rulings and
Agreements
Internal Revenue Service
SE:T:EP:RA
1111 Constitution Avenue, NW
Washington, DC  20224-0002

Attn: 1750 Pennsylvania Ave., NW, 483

RE:    Final Regulations on Measurement of Assets and Liabilities for Pension Funding
       Purposes; Benefit Restrictions for Underfunded Pension Plans (T.D. 9467, 74
       F.R. 53004)

Dear Mr. Weller and Mr. Zuckerman:

The American Academy of Actuaries[1] Pension Committee respectfully requests your
consideration of its comments regarding the Final Regulations on Measurement of Assets
and Liabilities for Pension Funding Purposes; Benefit Restrictions for Underfunded
Pension Plans (T.D. 9467, 74 F.R. 53004). The final regulations provide much needed
guidance regarding the new funding rules in the Pension Protection Act of 2006 (PPA).
We are providing comments on certain items of concern to the Pension Committee,
where we believe the regulations may be producing incorrect or unintended results.

**Assumptions for unpredictable contingent event (UCE) valuations**

The regulations require that the actuary include a liability for future unpredictable
contingent event benefits (UCEBs) to the extent that there is more than a *de minimis*
probability of the event occurring in the future.  This contrasts with pre-PPA rules and
can be particularly problematic in that it requires the actuary to assume responsibility for
setting an assumption for which the actuary may not have a reasonable basis.  This
requirement did not appear in the proposed regulations, and thus has not been subjected
to public comment.

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[1] The American Academy of Actuaries is a professional association with over 16,000 members, whose
mission is to assist public policymakers by providing leadership, objective expertise, and actuarial advice
on risk and financial security issues. The Academy also sets qualification, practice, and professionalism
standards for actuaries in the United States.

Pre-PPA, actuaries were explicitly prohibited from anticipating future UCEBs when calculating current liability. Instead, UCEBs were required to be funded over no more than seven years via the additional funding charge mechanism. In most respects, PPA's funding target is a successor to current liability. Although PPA does not contain any explicit prohibition on including future UCEBs in the funding target, there does not appear to be any trace of Congressional intent to change the rules for valuing UCEBs. Rather, the seven-year amortization period now applies generally to all liabilities and so there is no need to explicitly define a UCEB liability for purposes of Internal Revenue Code (IRC) Section 430.

Requiring the actuary to establish an assumption for the incidence of UCEs is also problematic. Unlike with other assumptions, the likelihood of UCEs generally cannot be based on past experience of the sponsor or other employers. The plan sponsor would generally be in the best position to assess the likelihood of a UCE. However, this is very dependent on the company's future plans for which the plan administrator may not be able to provide the actuary with accurate information for setting this assumption. In fact, the company may have an incentive not to provide the actuary with information that will have to be disclosed in advance of the company's normal disclosure process for such events. This puts the actuary in a difficult, if not impossible situation.

Given such consequences, such a change in valuation methodology would more appropriately be made statutorily. Since there is no statutory basis for any such change, we recommend eliminating this requirement from the regulations.

**Attribution rates for benefits that are not based on service or accrued benefits**

The attribution methodology described in some of the examples in the regulations appears to be inconsistent with the wording of the regulations and give counterintuitive results. The examples are also inconsistent with any approach commonly used by actuaries. We recommend adjusting the examples to conform to the wording of the regulations and standard practice, as described below.

Regulation Section 1.430(d)-1(c)(1)(ii)(A) states:

> To the extent that the amount of a participant's benefit that is expected to be paid is a function of the accrued benefit, the allocation of the benefit for purposes of determining the funding target and the target normal cost is made using the rules of paragraph (c)(1)(ii)(B) of this section

Example 6 illustrates this concept with a disability benefit that is equal to the accrued benefit at the date of disability. The disability benefit at any future decrement date can be split between (i) the accrued benefit at the valuation date and (ii) accruals between the valuation date and the date of disability. For this type of formula, (i) is fully allocated to past service while (ii) —the projected benefit in excess of the current accrued benefit—is fully allocated to future normal costs and none of this amount is allocated to the current funding target. Page 1 of the Appendix to this letter illustrates this example, expanding it

slightly to show the amounts used to calculate the funding target and target normal cost at each future decrement date.

This paragraph (A) also says, "To the extent that the amount of a participant's benefit that is expected to be paid is not allocated under the rules of [(B) or (C)] of this section, the allocation…is made using the rules of paragraph [(D)] of this section" Amounts allocated under (D) are allocated in proportion to service.

Example 5 illustrates this concept with a disability benefit that is equal to the projected age 65 benefit. In this case, the disability benefit at any future decrement date can be split between (i) the accrued benefit at the valuation date, (ii) actual accruals between the valuation date and the date of disability and (iii) accruals based on imputed post-disability service. The difference between the benefit in Example 5 and the benefit in Example 6 is item (iii). Based on the wording in (A), one would expect either the entire benefit not to be treated as a function of the accrued benefit or for (i) and (ii) to be allocated under the rules of (B) (as they are in example 6) since these represent the actual accrued benefit at the date of decrement, and the excess over this amount—item (iii) —to be allocated in proportion to service. These two approaches are similar. (In fact they would be the same if final average earnings were the same in all years in the example.) Instead, even though Example 5 only adds (iii) to the benefit, this example allocates the sum of (ii) and (iii) on a prorata basis to past service. This despite the fact that in Example 6 item (ii) is fully allocated to future service. In effect, (ii) is allocated both to past and future service in Example 5, resulting in a double-accrual of a portion of the benefit.

This approach results in some counterintuitive results. As shown on page 2 of the Appendix, the increase in the benefit allocated to the funding target (when compared to Example 6) is greater than the increase in the projected disability benefit. In particular, note that for disability at age 65, the benefit is exactly the same in Example 5 and Example 6, but the funding target for this decrement age is substantially higher under Example 5.

To take an even more extreme example, assume that the same plan provided a disability benefit equal to the greater of the accrued benefit or 10 percent of final average earnings (FAE). In this case part of the formula is not tied to service or to the accrued benefit (10 percent of FAE). For this participant, this second part of the formula has no practical effect since the accrued benefit already exceeds 10 percent of final average earnings. As a result, the disability benefit consists solely of items (i) and (ii) as defined above. Nevertheless, by defining the formula this way, we must allocate (ii) over all service instead of attributing it to future service. As a result, this nonsubstantive change to the plan formula results in a substantial increase in the funding target for disability benefits. This calculation is illustrated on page 3 of the Appendix.

Pages 4 and 5 of the Appendix repeat the examples in pages 2 and 3 but with item (ii) allocated to future service, which appears more consistent with the wording in Regulation

Section 1.430(d)-1(c)(1)(ii)(A).  This approach eliminates the anomalous results shown in pages 2 and 3.

**Avoiding double payment for cost of certain amendments**

Under Regulation Section 1.430(d)-1(d)(1)(i), if an amendment was adopted by the valuation date of the plan year and is permitted to take effect under the rules of Section 436 during the year, the amendment is taken into account in determining the funding target and the target normal cost for the plan year. This rule seems to apply to all amendments that take effect during the year, including an amendment that takes effect because the plan sponsor made a Section 436 contribution. As a result, the plan sponsor could be required to pay contributions exceeding the entire increase in liability due to the amendment.

Under the regulation, the minimum required contribution might include a seven-year amortization of the increase in the funding target, even though the plan sponsor made a Section 436 contribution equal to the full increase in funding target. To avoid charging for the amendment twice, the funding target used in determining the shortfall amortization should be offset by applicable Section 436 contributions.

**Applicability of restrictions on accelerated distributions to a cash refund annuity**

Based on the plan's adjusted funding target attainment percentage (AFTAP), the election of certain accelerated payment options may be fully or partially restricted. It is unclear from the regulation whether these restrictions on accelerated payments would apply to the cash refund annuity payment form. (The cash refund annuity is a variation of an annuity with a guaranteed number of annuity payments. Under the cash refund annuity, if a participant dies, instead of receiving the remaining payments over a period of time, the beneficiary receives the remaining payments in a lump sum.)

If the *annuity starting date* is on or after the Section 436 measurement date and the plan's AFTAP falls below the required threshold, the election of an optional form of benefit that includes accelerated payments is restricted. Regulation Section 1.436(j)(2)(ii) provides that a new annuity starting date occurs when the participant dies and the beneficiary receives the remaining payments.

The new annuity starting date is determined based on Regulation Section 1.436(j)(2)(i)(A), (B), or (C), which seems to refer to the date that a qualified joint and survivor annuity would be payable. Since there is no qualified joint and survivor annuity option (or any life annuity option) available when the participant dies, it is unclear how this provision should be interpreted.

The regulation should be clarified so that this annuity option is not restricted, neither at the time of the participant's election nor at the time of the participant's death. The potential protection afforded to the plan by restricting this option would be minimal since this option only applies upon the death of the participant. Meanwhile to create a new

annuity option where none existed before would significantly add to the plan's administrative complexity and cost.

**Effective interest rate for plans that pay lump sums**

If the plan pays the greater of the IRC Section 417(e)(3) minimum lump sum or a plan-specified lump sum amount, Example 2 of Regulation Section 1.430(h)(2)-1(g) illustrates how the effective interest rate should be calculated. These rules are unnecessarily complex.

For a plan that pays the minimum lump sum under Section 417(e)(3), the regulations require that the valuation of this option reflect the annuity payments rather than the lump sum ("annuity substitution"). For a plan that pays the greater of the Section 417(e)(3) lump sum or a plan-specified amount, the regulations require that the valuation of this option reflect the greater of the two bases. The Section 417(e)(3) lump sum is valued with annuity substitution and the plan-specified lump sum is valued in lump sum form.

In addition, for a plan that pays the greater of the Section 417(e)(3) lump sum or a plan-specified amount, the regulations require that we use a different method to determine the effective interest rate.

Example 2 is shown below.

> (i) The facts are the same as for Example 1, except that Plan P offers a single-sum distribution equal to the present value of the accrued benefit based on the applicable interest rates under section 417(e)(3) or an interest rate of 6.25%, whichever produces the higher amount. The applicable mortality table under section 417(e)(3) is used for both calculations.

> (ii) The present value of Participant E's age-50 single-sum distribution as of Jan. 1, 2009 (when Participant E is age 46) is $77,392. This amount is determined by calculating the projected single-sum distribution at age 50 using the applicable mortality table under Section 417(e)(3) and an interest rate of 6.25%, and discounting the result to Jan. 1, 2009, using the first segment rate of 5.07% and male nonannuitant mortality rates for 2009. Because this amount is larger than the present value of Participant E's single-sum payment based on the applicable interest rates under section 417(e)(3) (that is, $68,908), the funding target for Plan P is $77,392 as of Jan. 1, 2009. (See 1.430(d)-1(f)(9), Example 12 for additional details.)

> (iii) The effective interest rate is the single interest rate that will produce the same funding target if substituted for the segment interest rates keeping all other assumptions the same, including the fixed interest rate used by the plan to determine single-sum payments. The only segment interest rate used to develop the funding target of $77,392 was the first segment rate of 5.07%. Therefore,

considering only this calculation, the single interest rate that would produce the same funding target would be 5.07%.

(iv) However, the effective interest rate must also reflect the fact that the single-sum payment under Plan P is equal to the greater of the present value of Participant E's accrued benefit based on the fixed rate of 6.25% or the applicable interest rates under section 417(e)(3). If the single rate of 5.07% is substituted for the segment rates used to calculate the present value of the single-sum payment based on the applicable interest rates, the resulting funding target would be higher than $77,392.

(v) Using a single interest rate of 6.0771%, the Jan. 1, 2009, present value of Participant E's single-sum payment based on the applicable interest rates is $77,392, and the present value of Participant E's single sum payment based on the plan's interest rate of 6.25% is $74,494. Plan P's funding target is the larger of the two, or $77,392, which is the same as the funding target based on the segment interest rates used for the 2009 valuation. Therefore, Plan P's effective interest rate for 2009 (rounded) is 6.08%.

The tentative approach in paragraph (iii) would allow for the calculation of the effective interest rate in the same manner as the funding target. The rejection of this methodology seems to mandate the following procedure, requiring these multiple steps to determine the effective interest rate:

1. Calculate the funding target using the segment interest rates reflecting the greater of the two bases, with the Section 417(e)(3) minimum lump sum reflecting annuity substitution and the plan-specified lump sum reflecting the election of lump sums.

2. Repeat the process in step 1 using a single interest rate in place of the segment rates.

3. If the resulting funding target is lower than the funding target in step 1, pick a lower interest rate and repeat step 2. If the resulting funding target is higher than the funding target in step 1, pick a higher interest rate and repeat step 2. If the resulting funding target is equal to the funding target in step 1, stop, your search is over—you have located the effective interest rate.

In contrast to most situations, the effective interest rate cannot be found simply by discounting the same fixed set of cash flows at a fixed rate, varying the rate until the discounted value matches the funding target. This is because the "winning" lump sum (and resulting cash flow) will vary depending on the interest rate selected and the break-even point will vary from participant to participant. Instead, the above procedure requires multiple valuation runs, significantly increasing cost and processing time for affected plans. It is unclear why this procedure yields a more appropriate result than the approach in paragraph (iii). Since the effective interest rate does not significantly affect

the valuation, any reasonable technique, including the approach mentioned in paragraph (iii), should be permitted.

**Reflecting an annuity option for a cash balance plan**

Example 14 of Regulation Section 1.430(d)-1(f)(9) provides an example of how to determine the funding target for an annuity option in a cash balance plan. The annuity conversion factor four years after the valuation date is determined based on the segment rates as of the valuation date with the rates for the first four years dropped. The example produces a result that is not theoretically correct.

In order to be internally consistent, the segment rates must be projected to change over time. In addition, this example is inconsistent with the annuity substitution approach used in Regulation Section 1.430(d)-1(f)(4)(iii) for traditional plans that pay lump sums.

Thus, the methodology used in this example should be changed to use one of the following two equivalent methodologies:

> The first is to convert the spot rates to forward rates (also known as select and ultimate rates), and then drop the forward rates for the first four years.

> The second is to use a "lump sum substitution" approach for valuing annuities in a cash balance plan that would be similar to the annuity substitution approach for valuing lump sums in a traditional plan.

**Range certifications and deemed immaterial changes**

The regulations require that an updated AFTAP certification be issued following certain "deemed immaterial" events that would otherwise be material. Thus, for events that occur after the range certification has been issued, but before the actuary is prepared to issue a specific certification, the actuary may be required to issue an updated range certification "as soon as practical after the event that gives rise to the change," and the updated certification "will apply beginning as of the date of the event that gave rise to the need for the update." However, it may not be possible to determine the appropriate AFTAP after the occurrence of these events, and the retroactive effect of the updated certification could cause problems with plan administration and continued plan qualification.

Consider the following situations for a plan that pays lump sums or other accelerated distributions:

1. The actuary issues a "60 percent but less that 80 percent" certification. Subsequently, the sponsor makes an additional prior plan year contribution. If the AFTAP is now close to 80 percent, the actuary cannot determine whether "60 percent but less than 80 percent" or "80 percent or higher" applies, and it is unclear how the plan should be administered.

2. The actuary issues an "80 percent or higher" certification. Subsequently a UCE occurs, triggering additional benefits. Under a range certification, the plan is treated as being at the bottom of the certified range, or 80 percent. Then the UCE increases the liabilities, so the AFTAP is now treated as being below 80 percent based on the initial range certification. The actuary must therefore re-estimate the AFTAP and update accordingly. If the AFTAP is now close to 80 percent, the actuary cannot determine whether "60 percent but less than 80 percent" or "80 percent or higher" applies, and it is unclear how the plan should be administered.

3. The actuary issues a "60 percent but less than 80 percent" certification. Subsequently the sponsor amends the plan to improve benefits. In order to permit the amendment to take effect, the sponsor makes a 436 contribution equal to the full value of the plan amendment. The actuary must determine whether or not the amendment and related 436 contribution are sufficient to raise the AFTAP from below 80 percent to above 80 percent. If the AFTAP is now close to 80 percent, the actuary cannot determine whether "60 percent but less than 80 percent" or "80 percent or higher" applies, and it is unclear how the plan should be administered. (Note: If the AFTAP is above 80 percent, the actuary must issue an updated range or specific AFTAP certification.)

In general, the actuary can only issue a range certification if the AFTAP is comfortably within the one of the allowable ranges. The events described above could move the AFTAP close to the 80 percent border, so that the actuary cannot confidently issue a revised certification. Unfortunately, the requirement to update the AFTAP still appears to apply retroactively to date of the event that created the need for the updated certification. In addition, the presumption rules based on the prior year AFTAP are no longer available once a current year certification has been issued.

One possible solution would be to permit the actuary to withdraw a range certification and revert to the presumed AFTAP, effective as of the date of a deemed immaterial change that could otherwise change the certified range. A problem with this approach is that it could result in a sponsor contribution causing a reduction in the AFTAP. For example, consider a plan with a presumed AFTAP of 68 percent as of the first day of the plan year. In order to avoid restrictions on accruals and full suspension of lump sums, the actuary issues a 60 percent but less than 80 percent range certification prior to the first day of the fourth month. Subsequent to the range certification, the sponsor makes an additional prior plan year contribution that raises the estimated AFTAP to close to 80 percent. The actuary is not sure whether or not the AFTAP is now 80 percent or more. Withdrawal of the range certification would result in a presumed AFTAP of less than 60 percent. It seems inappropriate that additional sponsor contribution could lower the AFTAP and cause additional restrictions.

We recommend that when a range certification is in effect, the requirement in the regulations that the updated certification become effective retroactively to the date of the event causing the update be eliminated. This is a conservative approach, in that it errs on the side of a lower AFTAP. In all of the above examples, "60 percent but less than 80 percent" would apply under the original certification, but "80 percent or higher" might

apply after the updated certification. (Note that this applies to the second example above as well as the other examples. In that example, since under a range certification the plan is treated as being at the bottom of the certified range, or 80 percent, before reflecting the UCE, the plan should be treated as being below 80 percent after reflecting the UCE – or below 60 percent if the UCE is significant enough to reduce the AFTAP by 20 percentage points.  Thus a revised certification will either leave the AFTAP in the same range, or increase it.) Since these deemed immaterial changes could only result in an increase in AFTAP, the original range certification of "60 percent but less than 80 percent" should be allowed to stand until the updated AFTAP is certified.

We would be happy to discuss any of these items with you at your convenience. Please contact Jessica M. Thomas, the Academy's pension policy analyst (202-785-7868, thomas@actuary.org) if you have any questions or would like to discuss these items further.

Sincerely,

John H. Moore, FSA, MAAA, EA, FCA
Chairperson, Pension Committee
American Academy of Actuaries


Cc:     Nan Marks, Chief Counsel, Internal Revenue Service

# Appendix
# Basic data / example 6

Current age = 60                                                    Disability benefit = accrued benefit at date of disability

| A. | B. | C. | D. | E. | F. | G. | H. | I. |
|---|---|---|---|---|---|---|---|---|
| | | | | =.01 x (D) x (B) | = (E) | = (E) at 60 | = (E) at 61 | = (H) - (G) |
| Decrement Age | Service | Pay | FA3 | Accrued | Projected Disability Benefit | Benefit in FT | Benefit in FT + 1 | TNC Benefit |
| | | 47,000 | | | | | | |
| | | 50,000 | | | | | | |
| | | 52,000 | | | | | | |
| 60 | 12 | 54,000 | 49,667 | 5,960.00 | 5,960.00 | 5,960.00 | | |
| 61 | 13 | 54,000 | 52,000 | 6,760.00 | 6,760.00 | 5,960.00 | 6,760.00 | 800.00 |
| 62 | 14 | 54,000 | 53,333 | 7,466.67 | 7,466.67 | 5,960.00 | 6,760.00 | 800.00 |
| 63 | 15 | 54,000 | 54,000 | 8,100.00 | 8,100.00 | 5,960.00 | 6,760.00 | 800.00 |
| 64 | 16 | 54,000 | 54,000 | 8,640.00 | 8,640.00 | 5,960.00 | 6,760.00 | 800.00 |
| 65 | 17 | 54,000 | 54,000 | 9,180.00 | 9,180.00 | 5,960.00 | 6,760.00 | 800.00 |

# Appendix
## Example 5 approach

**Example 5 Approach**

Disability benefit = projected age 65 Benefit

| J. | K. | L. | M. | N. | O. | P. | Q. | R. | S. |
|---|---|---|---|---|---|---|---|---|---|
| = (E) at age 65<br><br>Projected Disability Benefit | = (J) - (G)<br>Projected Benefit In Excess of Accrued | = (K) x 12 / (B)<br><br>Portion in FT | = (G) + (L)<br><br>Total FT Benefit | = (J) - (F)<br><br>Increase in Projected Benefit | = (M) - (G)<br><br>Increase in FT Benefit | = (J) - (H)<br>Projected Benefit In Excess of Accrued + 1 | = (P) x 13 / (B)<br><br>Portion in FT+1 | = (H) + (Q)<br><br>Total FT+1 Benefit | = (R) - (M)<br><br>TNC Benefit |
| 9,180.00 | 3,220.00 | 3,220.00 | 9,180.00 | 3,220.00 | 3,220.00 | | | | |
| 9,180.00 | 3,220.00 | 2,972.31 | 8,932.31 | 2,420.00 | 2,972.31 | 2,420.00 | 2,420.00 | 9,180.00 | 247.69 |
| 9,180.00 | 3,220.00 | 2,760.00 | 8,720.00 | 1,713.33 | 2,760.00 | 2,420.00 | 2,247.14 | 9,007.14 | 287.14 |
| 9,180.00 | 3,220.00 | 2,576.00 | 8,536.00 | 1,080.00 | 2,576.00 | 2,420.00 | 2,097.33 | 8,857.33 | 321.33 |
| 9,180.00 | 3,220.00 | 2,415.00 | 8,375.00 | 540.00 | 2,415.00 | 2,420.00 | 1,966.25 | 8,726.25 | 351.25 |
| 9,180.00 | 3,220.00 | 2,272.94 | 8,232.94 | - | 2,272.94 | 2,420.00 | 1,850.59 | 8,610.59 | 377.65 |

**Example 5 Approach**

Disability benefit = greater of accrued benefit or 10% of FAE

| J.<br>= Greater of (E) or 10% of (G)<br><br>Projected Disability Benefit | K.<br><br>= (J) - (G)<br>Projected Benefit In Excess of Accrued | L.<br>= (K) x 12 / (B)<br><br><br>Portion in FT | M.<br><br>= (G) + (L)<br><br>Total FT Benefit | N.<br><br>= (J) - (F)<br><br>Increase in Projected Benefit | O.<br><br>= (M) - (G)<br><br>Increase in FT Benefit | P.<br><br>= (J) - (H)<br>Projected Benefit In Excess of Accrued + 1 | Q.<br>= (P) x 13 / (B)<br><br><br>Portion in FT+1 | R.<br><br>= (H) + (Q)<br><br>Total FT+1 Benefit | S.<br><br>= (R) - (M)<br><br>TNC Benefit |
|---|---|---|---|---|---|---|---|---|---|
| 5,960.00 | - | - | 5,960.00 | - | - | | | | |
| 6,760.00 | 800.00 | 738.46 | 6,698.46 | - | 738.46 | - | - | 6,760.00 | 61.54 |
| 7,466.67 | 1,506.67 | 1,291.43 | 7,251.43 | - | 1,291.43 | 706.67 | 656.19 | 7,416.19 | 164.76 |
| 8,100.00 | 2,140.00 | 1,712.00 | 7,672.00 | - | 1,712.00 | 1,340.00 | 1,161.33 | 7,921.33 | 249.33 |
| 8,640.00 | 2,680.00 | 2,010.00 | 7,970.00 | - | 2,010.00 | 1,880.00 | 1,527.50 | 8,287.50 | 317.50 |
| 9,180.00 | 3,220.00 | 2,272.94 | 8,232.94 | - | 2,272.94 | 2,420.00 | 1,850.59 | 8,610.59 | 377.65 |

**Literal Reading of the Regs**

Disability benefit = projected age 65 Benefit

| J. | K. | L. | M. | N. | O. | P. | Q. | R. | S. |
|---|---|---|---|---|---|---|---|---|---|
| = (E) at age 65 | = (J) - (E) | = (K) x 12 / (B) | = (G) + (L) | = (J) - (F) | = (M) - (G) | = (J) - (E) | = (P) x 13 / (B) | = (H) + (Q) | = (R) - (M) |
| | Projected Benefit In Excess of Accrued | | | | | Projected Benefit In Excess of Accrued + 1 | | | |
| Projected Disability Benefit | | Portion in FT | Total FT Benefit | Increase in Projected Benefit | Increase in FT Benefit | | Portion in FT+1 | Total FT+1 Benefit | TNC Benefit |
| 9,180.00 | 3,220.00 | 3,220.00 | 9,180.00 | 3,220.00 | 3,220.00 | | | | |
| 9,180.00 | 2,420.00 | 2,233.85 | 8,193.85 | 2,420.00 | 2,233.85 | 2,420.00 | 2,420.00 | 9,180.00 | 986.15 |
| 9,180.00 | 1,713.33 | 1,468.57 | 7,428.57 | 1,713.33 | 1,468.57 | 1,713.33 | 1,590.95 | 8,350.95 | 922.38 |
| 9,180.00 | 1,080.00 | 864.00 | 6,824.00 | 1,080.00 | 864.00 | 1,080.00 | 936.00 | 7,696.00 | 872.00 |
| 9,180.00 | 540.00 | 405.00 | 6,365.00 | 540.00 | 405.00 | 540.00 | 438.75 | 7,198.75 | 833.75 |
| 9,180.00 | - | - | 5,960.00 | - | - | - | - | 6,760.00 | 800.00 |

**Literal Reading of the Regs**

Disability benefit = greater of accrued benefit or 10% of FAE

| J.<br>= Greater of (E) or 10% of (G)<br><br>Projected Disability Benefit | K.<br><br>= (J) - (E)<br>Projected Benefit In Excess of Accrued | L.<br>= (K) x 12 / (B)<br><br><br>Portion in FT | M.<br><br>= (G) + (L)<br><br>Total FT Benefit | N.<br>= (J) - (F)<br><br>Increase in Projected Benefit | O.<br>= (M) - (G)<br><br>Increase in FT Benefit | P.<br>= (J) - (E)<br>Projected Benefit In Excess of Accrued + 1 | Q.<br>= (P) x 13 / (B)<br><br>Portion in FT+1 | R.<br>= (H) + (Q)<br><br>Total FT+1 Benefit | S.<br>= (R) - (M)<br><br>TNC Benefit |
|---|---|---|---|---|---|---|---|---|---|
| 5,960.00 | - | - | 5,960.00 | - | - |  |  |  |  |
| 6,760.00 | - | - | 5,960.00 | - | - | - | - | 6,760.00 | 800.00 |
| 7,466.67 | - | - | 5,960.00 | - | - | - | - | 6,760.00 | 800.00 |
| 8,100.00 | - | - | 5,960.00 | - | - | - | - | 6,760.00 | 800.00 |
| 8,640.00 | - | - | 5,960.00 | - | - | - | - | 6,760.00 | 800.00 |
| 9,180.00 | - | - | 5,960.00 | - | - | - | - | 6,760.00 | 800.00 |