19 G.Matray Comment
10-08-2007
(Late Submission)

To: Office of Federal Procurement Policy
725 17th Street, NW
Washington, DC 20503

Attn: Laura Auletta

Subject: Case CAS-2007-02S

I have reviewed the CAS Board Staff Discussion Paper— **Harmonization of Cost Accounting Standards 412 and 413 with the Pension Protection Act of 2006**

The PPA addresses many aspects of the treatment of pension plans under ERISA. As part of Title I of the PPA, Section 106 applies to single employer defined benefit plans only. Therefore, this SDP requests public comment on what revisions to the provisions of CAS 412 and 413 regarding single employer defined benefit pension plans, if any, are required to ensure pension harmonization.

Section 106 instructs the Board to harmonize the CAS with the minimum required contribution for ‘‘eligible government contractors.’’ The Board has determined that the scope of this SDP will

(1) Include discussions regarding all contractors with contracts, grants or awards subject to these Standards and

(2) Consider if and/or how the CAS should be revised to address both the PPA minimum required contribution and maximum tax-deductible amounts to achieve harmonization.

Certain questions were presented and the undersigned gives its response as representative of an individual opinion.

Question 1. **Should the Board apply any revisions to all cost-based contracts and other Federal awards that are subject to full CAS coverage, or only to ''eligible government contractors'' as defined in Section 106?**

In my opinion to all, the intent of PPA 2006 is to strengthen the funding of all qualified Defined Benefit Pension plans subject to ERISA. There is no exception to this overall concept that we see should distinguish between categories of plans.

Question 2. **Does the current CAS 412 and 413 substantially meet the Congressional intent of the PPA to protect retirement security, to strengthen funding and ensure PBGC solvency?**

No. The intent of PPA 2006 is to bring funding levels based on a settlement basis tied to actual assets available for benefits. It is no longer tied to a long term horizon of a "going concern" approach. Under current rules, large unfunded liabilities can be amortized up to 30 years which assumes plan sponsor will be willing and able to fund for long periods into the future. Current CAS 412 and 413 rules also look to long term funding and amortizations that range from 10 to 30 years.

Question 3. **Should CAS harmonization be focused only on the relationship of the PPA minimum required contribution and the contract cost determined in accordance with CAS 412 and 413?**

Yes. The intent of PPA is to revise and strengthen "minimum funding" or require more new money flowing into defined benefit pension plans and permit even more to be voluntarily contributed by raising the tax deductible ceiling.

Question 4. **(a) Accounting Basis. For Government contract costing purposes, should the Board (i) Retain the current ''going concern'' basis for the measurement and assignment of the contract cost for the period, or (ii) revise CAS 412 and 413 to measure and assign the period cost on the liquidation or settlement cost basis of accounting?**

Refer to my response under (2).

Question 5. **To what extent, if any, should the Board revise the CAS to include special funding rules for ‘‘at risk’’ plans?**

If CAS is to be geared to the minimum funding requirements I believe if minimum rules mandate higher contributions or mandatory benefit curtailments, CAS should follow the intent because the funds will be in the pension plan as required.

Question 6. **(a) To what extent, if any, should the measurement and assignment provisions of CAS 412 and 413 be revised to address contractor cash flow issues?**

An underlying issue currently is that of new money or cash contributions exceeding CAS 412 / 413 costs resulting in a Prepayment Credit. The parallel issue has existed with ERISA minimum funding requirements resulting in a Credit Balance.

The ERISA credit balance has been a cushion to permit no new money funding during periods when the plan sponsor chooses or is unable to contribute.

The CAS prepayment appears to parallel ERISA but in reality represents money that has not been reimbursed but would be in future accounting periods and be priced or be part of overhead costs at that time. Under ERISA, credit balances could be used by sponsor choice but under CAS a prior year prepayment may not necessarily be priced into current year contract costs, especially Fixed Price. If feasible, CAS should have a mechanism in place to address this problem.

Question 7. **(a)(i) To what extent, if any, would adoption of some or all of the PPA provisions impact the volatility of cost projections? (ii) Are there ways to mitigate this impact? Please explain.**

I have developed forward pricing models to conform to the current CAS 412 / 413 requirements. The model successfully can estimate future trend and order of magnitude of costs using the most recent CAS valuation as baseline under both Projected Unit Credit and Entry Age Normal cost methods. The premise of the forecast is that no future gains or losses arise from either liability or asset sources and that future Normal Costs follow the cost method pattern.

I have also developed forecast models to estimate the cost impact of PPA 2006 funding requirements and have seen successful results compared to forecasts done by outside Contractor’s consultants. The premise of the CIPR approach is to maintain the Target Interest rate and assumed return on assets (two distinct assumptions) throughout the scenario with no future gains or losses developing. What I see is a trend and order of magnitude that spikes annual costs on implementation and drops significantly within 5-6 years and in some cases falls into Full Funding or Assignable Cost Limit of zero after that duration.

In my opinion, the Forward Pricing methodology is no different as that used currently and can be used to forecast trend and order of magnitude for the typical 3 – 5 year time horizon.

Question 8. **(a) To what extent, if any, would adoption of some or all of the PPA provisions affect the measurement of a segment closing adjustment in accordance with CAS 413.50(c) (12)?**

The current CAS 413 looks at the difference between value of benefits earned or accrued to date on plan on-going assumptions and fair value of assets. If plan assets performed well or plan liabilities experienced gains, this measurement resulted in a surplus. This measured amount except for cases of an actual pension plan termination did not reflect "settlement assumptions" and in most cases did not fairly represent the true liquidation of the plan.

Under PPA 2006, the present value of accrued or earned benefits or Target Liability is the measured amount that the plan has been funding towards by significantly higher annual costs. As stated earlier, this Target Liability is tied to a settlement basis for the plan and valuation assets are tied to fair value rather than up to 5 year smoothing. The result is that annual CAS or minimum funding costs are higher, contributions are higher but Segment Closing measured amounts on target assumptions in year of event would probably have significantly lower deficits if any or more cases of surpluses.

Or specifically, annual costs are higher but segment closing deficits are lower.

Question 9. **Prepayment Credits. Should prepayment credits be adjusted based on the CAS valuation rate or the PPA requirement to use the pension fund's actual ''return on plan assets'' for the period?**

Since ERISA and original CAS, the respective Credit Balance and Prepayment Credit was accumulated at the underlying valuation or measurement interest rate. It has been a concern that this sum represents actual money already in the plan and should have reflected actual asset experience.

Now that PPA 2006 changed the methodology to reflect actual earnings on the Pre-funding or credit balance it naturally follows that CAS should reflect same in the Prepayment Credit.

Question 10. **The Board would be very interested in obtaining the results of any studies or surveys that examine the pension cost determined in accordance with the CAS and the PPA minimum required contributions and maximum tax-deductible contribution.**

As referred to in (7), I established models to forecast current CAS cost requirements as well as PPA 2006 funding and tax deductible limit scenarios illustrating both current cost methods with 2008 implementation.

I have attached examples of trend and order of magnitude for sample cases prepared for this purpose.

Question 11. **In light of the changes to the PPA, should the Board consider including specific requirements in CAS 412 and 413 regarding the records required to support the contractor's proposed and/or claimed pension cost?**

Currently CAS and ERISA valuations need supporting schedules and exhibits. There is no reason to believe that the same should not be required as a result of PPA 2006.

(signed)

George A. Matray
FSPA, FCA, ASA, MAAA
JBEA Enrolled Actuary 05-04214

8 October 2007

ATTACHMENTS

Attachment 1

CIPR FY07 Case Study II
Entry Age Normal with Actual / Expected Asset Return
Projection of CAS Cost and Assignable Cost Limitation
(In Thousands)

YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ACTUARIAL ACCRUED LIABILITY	$ 663,007	$ 693,931	$ 727,572	$ 764,177	$ 804,014	$ 847,374	$ 894,574	$ 945,960	$ 1,001,906	$ 1,062,819	$ 1,129,145	$ 1,201,364	$ 1,280,001
EXPECTED ACTUARIAL ACCRUED ACCRUED LIABILITY	$ 663,007	$ 693,931	$ 727,572	$ 764,177	$ 804,014	$ 847,374	$ 894,574	$ 945,960	$ 1,001,906	$ 1,062,819	$ 1,129,145	$ 1,201,364	$ 1,280,001
NORMAL COST	$ 11,268	$ 11,719	$ 12,187	$ 12,675	$ 13,182	$ 13,709	$ 14,258	$ 14,828	$ 15,421	$ 16,038	$ 16,679	$ 17,347	$ 18,040
CAS ACTUARIAL VALUE OF ASSETS	$ 266,289	$ 333,867	$ 406,092	$ 470,725	$ 530,227	$ 583,843	$ 642,287	$ 705,989	$ 775,419	$ 850,982	$ 933,222	$ 1,022,730	$ 1,120,147
AVA EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
MARKET VALUE OF ASSETS	$ 372,016	$ 423,420	$ 476,244	$ 529,916	$ 586,002	$ 644,359	$ 707,947	$ 777,230	$ 852,715	$ 934,849	$ 1,024,218	$ 1,121,460	$ 1,227,269
FUND EXPENSES	$ 730	$ 738	$ 746	$ 754	$ 762	$ 770	$ 778	$ 786	$ 794	$ 803	$ 811	$ 820	$ 829
BENEFIT PAYMENTS	$ 36,000	$ 36,383	$ 36,769	$ 37,160	$ 37,555	$ 37,954	$ 38,357	$ 38,764	$ 39,176	$ 39,592	$ 40,013	$ 40,438	$ 40,868
FRESH START /BENEFIT IMPROVEMENT AMORTIZATION CHARGE/(CREDIT)	$37,478	$37,478	$37,055	$36,822	$35,322	$35,322	$35,322	$35,322	$35,322	$35,322	$35,322	$35,322	$35,322
ASSIGNABLE COST LIMIT AT BEGINNING OF THE YEAR	$ 371,986	$ 335,400	$ 296,899	$ 268,967	$ 249,414	$ 239,287	$ 228,188	$ 216,034	$ 202,732	$ 188,283	$ 172,589	$ 155,542	$ 137,026
ASSIGNABLE COST LIMIT PROJECTED TO END OF THE YEAR	$ 442,664	$ 403,384	$ 362,030	$ 332,148	$ 311,361	$ 300,806	$ 289,202	$ 276,456	$ 262,470	$ 247,245	$ 230,673	$ 212,639	$ 193,015
ASSIGNABLE COST LIMIT AT END OF THE YEAR	$ 442,664	$ 403,384	$ 362,030	$ 332,148	$ 311,361	$ 301,641	$ 290,046	$ 277,309	$ 263,332	$ 248,116	$ 231,554	$ 213,529	$ 193,914
AVA ASSET (GAIN)/LOSS AMORTIZATION	$2,656	($52)	($2,965)	($4,757)	($5,608)	($5,520)	($5,431)	($5,341)	($5,341)	($5,341)	($5,341)	($5,341)	($5,341)
FULL FUNDING LIMIT	$ 442,664	$ 403,384	$ 362,030	$ 332,148	$ 311,361	$ 300,806	$ 289,202	$ 276,456	$ 262,470	$ 247,245	$ 230,673	$ 212,639	$ 193,015
CAS COST	$ 55,771	$ 53,322	$ 50,211	$ 48,543	$ 46,542	$ 47,210	$ 47,901	$ 48,618	$ 49,261	$ 49,930	$ 50,627	$ 51,350	$ 52,103

Assumptions:

Liability Interest	8.50%				
Salary Scale	4.00%				
Plan Year	2006	2007	2008	2009	and thereafter
Net Level Return on Assets	8.50%	8.50%	8.50%	8.50%	8.50%
Funding Method	Entry Age Normal				

Contributions made each year equal to the assignable CAS Cost
Actuarial Asset Valuation: Method 5 year phase in (within 20% of Fair Market Value)
Amortizations: Fresh Start of Initial Unfunded Liability and Actuarial Gains/Losses 15 Years,
Benefit and Assumption Changes 20 Years

Prepared By:
07/05/2007

Attachment 2

CIPR FY07 Case Study II
EAN / UC with Actual / Expected Asset Return (Under PPA06)
Projection of CAS Cost and Assignable Cost Limitation
(In Thousands)

YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ACTUARIAL ACCRUED LIABILITY	$ 663,007	$ 693,931	$ 729,577	$ 785,646	$ 859,139	$ 940,425	$ 1,030,187	$ 1,129,289	$ 1,238,536	$ 1,358,795	$ 1,491,001	$ 1,636,159	$ 1,795,352
EXPECTED ACTUARIAL ACCRUED ACCRUED LIABILITY	$ 663,007	$ 693,931	$ 729,577	$ 785,646	$ 859,139	$ 940,425	$ 1,030,187	$ 1,129,289	$ 1,238,536	$ 1,358,795	$ 1,491,001	$ 1,636,159	$ 1,795,352
NORMAL COST	$ 11,268	$ 11,719	$ 56,148	$ 59,461	$ 62,969	$ 66,684	$ 70,619	$ 74,785	$ 79,197	$ 83,870	$ 88,818	$ 94,059	$ 99,608
CAS ACTUARIAL VALUE OF ASSETS	$ 331,770	$ 379,753	$ 428,865	$ 484,361	$ 592,574	$ 704,980	$ 831,715	$ 1,007,556	$ 1,184,356	$ 1,342,689	$ 1,479,181	$ 1,627,361	$ 1,789,835
AVA EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
MARKET VALUE OF ASSETS	$ 372,016	$ 423,420	$ 476,244	$ 595,296	$ 720,388	$ 850,552	$ 997,083	$ 1,160,510	$ 1,350,312	$ 1,522,751	$ 1,674,548	$ 1,839,334	$ 2,019,826
MV ASSET EXPENSES	$ 730	$ 738	$ 743	$ 749	$ 754	$ 760	$ 765	$ 771	$ 777	$ 782	$ 788	$ 794	$ 800
BENEFIT PAYMENTS	$ 36,000	$ 36,383	$ 36,769	$ 37,160	$ 37,434	$ 37,710	$ 37,988	$ 38,268	$ 38,550	$ 38,835	$ 39,121	$ 39,410	$ 39,700
FRESH START /BENEFIT IMPROVEMENT AMORTIZATION CHARGE/(CREDIT)	$37,478	$37,478	$50,686	$50,783	$44,931	$44,931	$44,931	$44,931	$44,931	$44,931	$44,931	$44,931	$44,931
ASSIGNABLE COST LIMIT AT BEGINNING OF THE YEAR	$ 371,986	$ 335,400	$ 320,091	$ 323,586	$ 292,100	$ 264,419	$ 231,103	$ 158,250	$ 94,827	$ 61,142	$ 61,517	$ 63,447	$ 65,425
ASSIGNABLE COST LIMIT PROJECTED TO END OF THE YEAR	$ 371,618	$ 353,597	$ 377,914	$ 382,030	$ 348,976	$ 319,955	$ 284,967	$ 208,113	$ 141,247	$ 105,875	$ 106,576	$ 108,925	$ 111,328
ASSIGNABLE COST LIMIT AT END OF THE YEAR	$ 371,618	$ 353,597	$ 367,720	$ 370,402	$ 334,543	$ 302,606	$ 264,330	$ 182,912	$ 111,456	$ 71,975	$ 69,134	$ 67,638	$ 65,824
AVA ASSET (GAIN)/LOSS AMORTIZATION	$2,656	($52)	$0	($6,743)	($9,190)	($7,818)	($7,449)	$0	$0	$0	$0	$0	$0
ERISA FULL FUNDING LIMIT	$ 604,245	$ 693,821	$ 750,758	$ 810,996	$ 876,664	$ 948,201	$ 1,026,274	$ 1,111,278	$ 1,203,767	$ 1,304,337	$ 1,413,625	$ 1,532,320	$ 1,661,157
CAS COST	$ 55,771	$ 53,322	$ 113,138	$ 109,607	$ 104,534	$ 109,921	$ 114,478	$ 126,779	$ 94,827	$ 61,142	$ 61,517	$ 63,447	$ 65,425

Assumptions:

Liability Interest	8.50%	**5.90%**			
Salary Scale Post PPA 2006	4.00%				
Salary Scale Pre PPA 2006	4.00%				
Plan Year	2006	2007	2008	2009	**2009+**
Net Level Return on Assets	8.50%	8.50%	8.50%	8.50%	8.50%

Funding Method Entry Age Normal / Unit Credit
Contributions made each year equal to the assignable CAS Cost
Actuarial Asset Valuation: Method 25 month / 3 year average of FMV
Amortizations: Fresh Start of Initial Unfunded Liability and Actuarial Gains/Losses 15; 7 Years beginning 2008,
Benefit and Assumption Changes 20 Years; 7 beginning 2008

Prepared By: DCMA CIPR Division
07/05/2007

CIPR FY07 Test Case V
Projected Unit Credit with Actual / Expected Asset Return
Projection of CAS Cost and Assignable Cost Limitation
(In Thousands)

YEAR	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ACTUARIAL ACCRUED LIABILITY	$ 59,146	$ 59,524	$ 59,891	$ 60,248	$ 60,593	$ 60,925	$ 61,242	$ 61,543	$ 61,826	$ 62,090	$ 62,333	$ 62,553	$ 62,747
EXPECTED ACTUARIAL ACCRUED ACCRUED LIABILITY	$ 59,146	$ 59,524	$ 59,891	$ 60,248	$ 60,593	$ 60,925	$ 61,242	$ 61,543	$ 61,826	$ 62,090	$ 62,333	$ 62,553	$ 62,747
NORMAL COST	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CAS ACTUARIAL VALUE OF ASSETS	$ 30,716	$ 28,500	$ 26,075	$ 23,424	$ 20,531	$ 17,376	$ 13,940	$ 10,201	$ 24,681	$ 22,631	$ 20,390	$ 17,943	$ 15,275
AVA EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
MARKET VALUE OF ASSETS	$ 44,574	$ 43,397	$ 42,090	$ 40,640	$ 39,038	$ 37,271	$ 35,327	$ 33,192	$ 30,851	$ 28,288	$ 25,487	$ 22,429	$ 19,094
FUND EXPENSES	$ 550	$ 555	$ 560	$ 566	$ 571	$ 576	$ 582	$ 587	$ 593	$ 598	$ 604	$ 609	$ 615
BENEFIT PAYMENTS	$ 3,900	$ 3,937	$ 3,973	$ 4,011	$ 4,048	$ 4,086	$ 4,125	$ 4,163	$ 4,202	$ 4,242	$ 4,281	$ 4,322	$ 4,362
FRESH START /BENEFIT IMPROVEMENT AMORTIZATION CHARGE/(CREDIT)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
ASSIGNABLE COST LIMIT AT BEGINNING OF THE YEAR	$ 24,530	$ 27,087	$ 29,843	$ 32,813	$ 36,014	$ 39,463	$ 43,178	$ 47,179	$ 32,943	$ 35,218	$ 37,662	$ 40,288	$ 43,110
ASSIGNABLE COST LIMIT PROJECTED TO END OF THE YEAR	$ 30,562	$ 33,350	$ 36,353	$ 39,586	$ 43,067	$ 46,815	$ 50,850	$ 55,193	$ 39,932	$ 42,419	$ 45,089	$ 47,955	$ 51,032
ASSIGNABLE COST LIMIT AT END OF THE YEAR	$ 30,562	$ 33,350	$ 36,353	$ 39,586	$ 43,067	$ 47,435	$ 51,475	$ 55,824	$ 40,569	$ 43,062	$ 45,738	$ 48,611	$ 51,694
AVA ASSET (GAIN)/LOSS AMORTIZATION	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75	$75
FULL FUNDING LIMIT	$ 30,562	$ 33,350	$ 36,353	$ 39,586	$ 43,067	$ 46,815	$ 50,850	$ 55,193	$ 39,932	$ 42,419	$ 45,089	$ 47,955	$ 51,032
CAS COST	$ 81	$ 81	$ 81	$ 81	$ 81	$ 81	$ 81	$ 81	$ 81	$ 81	$ 81	$ 81	$ 81

Assumptions:

Liability Interest	7.50%				
Accrual Rate	7.50%				
Plan Year	2005	2006	2007	2008	and thereafter
Net Level Return on Assets	7.50%	7.50%	7.50%	7.50%	7.50%

Funding Method Projected Unit Credit
Contributions made each year equal to the assignable CAS Cost
Actuarial Asset Valuation: Method Fair Market
Amortizations: Fresh Start of Initial Unfunded Liability and Actuarial Gains/Losses 15 Years,
Benefit and Assumption Changes **20 Years**

Prepared By:
07/05/2007

Attachment 4

CIPR FY07 Test Case V
Projected Unit Credit / UC with Actual / Expected Asset Return
Projection of CAS Cost and Assignable Cost Limitation (Under PPA06)
(In Thousands)

YEAR	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ACTUARIAL ACCRUED LIABILITY	$ 59,146	$ 59,524	$ 59,891	$ 76,444	$ 76,815	$ 77,170	$ 77,506	$ 77,822	$ 78,126	$ 78,416	$ 78,691	$ 78,951	$ 79,193
EXPECTED ACTUARIAL ACCRUED ACCRUED LIABILITY	$ 59,146	$ 59,524	$ 59,891	$ 76,444	$ 76,815	$ 77,170	$ 77,506	$ 77,822	$ 78,126	$ 78,416	$ 78,691	$ 78,951	$ 79,193
NORMAL COST	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CAS ACTUARIAL VALUE OF ASSETS	$ 30,716	$ 28,500	$ 26,075	$ 23,424	$ 30,238	$ 36,330	$ 42,835	$ 49,784	$ 65,540	$ 74,112	$ 74,965	$ 76,574	$ 78,274
AVA EXPENSES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
MARKET VALUE OF ASSETS	$ 44,574	$ 43,397	$ 42,090	$ 40,640	$ 48,745	$ 56,225	$ 64,222	$ 72,775	$ 81,926	$ 91,726	$ 93,707	$ 95,718	$ 97,843
MV ASSET EXPENSES	$ 550	$ 555	$ 560	$ 564	$ 569	$ 573	$ 577	$ 581	$ 586	$ 590	$ 594	$ 599	$ 603
BENEFIT PAYMENTS	$ 3,900	$ 3,937	$ 3,973	$ 4,011	$ 4,048	$ 4,086	$ 4,125	$ 4,163	$ 4,194	$ 4,225	$ 4,256	$ 4,287	$ 4,319
FRESH START /BENEFIT IMPROVEMENT AMORTIZATION CHARGE/(CREDIT)	$0	$0	$0	$8,937	$7,851	$7,851	$7,851	$7,851	$7,851	$7,851	$7,851	$7,851	$7,851
ASSIGNABLE COST LIMIT AT BEGINNING OF THE YEAR	$ 24,530	$ 27,087	$ 29,843	$ 49,009	$ 42,529	$ 36,754	$ 30,546	$ 23,875	$ 8,391	$ 79	$ -	$ -	$ -
ASSIGNABLE COST LIMIT PROJECTED TO END OF THE YEAR	$ 30,562	$ 33,350	$ 36,353	$ 56,148	$ 49,325	$ 43,249	$ 36,716	$ 29,692	$ 13,328	$ 4,558	$ 3,946	$ 2,517	$ 973
ASSIGNABLE COST LIMIT AT END OF THE YEAR	$ 30,562	$ 33,350	$ 36,353	$ 55,837	$ 48,906	$ 42,733	$ 36,097	$ 28,962	$ 12,346	$ 3,440	$ 2,814	$ 1,360	$ -
AVA ASSET (GAIN)/LOSS AMORTIZATION	$75	$75	$75	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
ERISA FULL FUNDING LIMIT	$ 67,700	$ 68,237	$ 67,700	$ 69,596	$ 71,584	$ 73,670	$ 75,859	$ 78,169	$ 80,600	$ 83,158	$ 85,851	$ 88,686	$ 91,672
CAS COST	$ 81	$ 81	$ 81	$ 9,464	$ 8,314	$ 8,314	$ 8,314	$ 8,314	$ 8,314	$ 79	$ -	$ -	$ -

Assumptions:

Liability Interest	7.50%	**5.90%**			
Salary Scale Post PPA 2006	0.00%				
Accrual Rate	7.50%				
Plan Year	2005	2006	2007	2008	**2009+**
Net Level Return on Assets	7.50%	7.50%	7.50%	7.50%	7.50%

Funding Method Projected Unit Credit / Unit Credit
Contributions made each year equal to the assignable CAS Cost
Actuarial Asset Valuation: Method Fair Market
Amortizations: Fresh Start of Initial Unfunded Liability and Actuarial Gains/Losses 15; 7 Years beginning 2008,
Benefit and Assumption Changes **20 Years; 7 beginning 2008**

Prepared By:
07/05/2007