
BY THE COMPTROLLER GENERAL
Report To The Chairman,
Committee On Post Office And Civil Service
House Of Representatives
OF THE UNITED STATES

Comparison Of Retirement Benefits For W. R. Grace & Company And Civil Service Employees

As requested by the committee, GAO compared the first year and lifetime benefits offered by W. R. Grace & Company and the federal civil service retirement system (CSRS). In its analysis, GAO compared benefits that the two retirement programs would pay to four categories of Grace Company and federal employees, retiring with the same age, years of service, and salary characteristics.

Grace employees receive retirement benefits from a savings plan established in 1976 as well as social security and a pension plan. On the other hand, civil service employees receive benefits from CSRS only

This report shows that the Grace retirement program offers potentially greater benefits than the CSRS for most civil service employees while others could receive greater benefits from CSRS. However, these comparisons should not be the sole basis for reaching conclusions about the overall generosity of either CSRS or private sector programs. To do so would require benefit comparisons with a cross section of all private sector retirement programs and consideration of all plan provisions



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-214421

The Honorable William D. Ford
Chairman, Committee on Post Office and
Civil Service
House of Representatives

Dear Mr. Chairman:

Subject: Comparison of Retirement Benefits for
W. R. Grace & Company and Civil Service
Employees (GAO/OCG-84-1)

On February 10, 1984, you asked us to compare the benefits from the retirement package offered by W. R. Grace & Company with the benefits available from the federal civil service retirement system (CSRS). To make our comparisons, we obtained information from Grace on the age, length of service, and retirement benefits for Grace employees who retired in 1983. We obtained similar data from the Office of Personnel Management on civil service retirees. We also analyzed provisions of Grace's salaried employees' pension plan and savings plan as well as provisions of the CSRS.

This report shows that the Grace retirement program offers potentially greater benefits than the CSRS for most civil service employees while others could receive greater benefits from the CSRS. However, these comparisons should not be the sole basis for reaching conclusions about the overall generosity of either the CSRS or private sector programs. To do so would require benefit comparisons with a cross section of all private sector retirement programs and consideration of all plan provisions.

We have long been concerned about the cost of the CSRS and the appropriateness of some of its benefit provisions. Most of the changes we have recommended were adopted, with substantial savings to the government, but others are still needed. For example, we believe that employing organizations and agencies should recognize and fund the full cost of accruing benefits. In addition, we have suggested that alternative inflation adjustment provisions be adopted for all indexed federal programs.

We currently have underway a more comprehensive analysis of prevailing retirement plan provisions and benefit levels in the nonfederal sector. We will provide you with that information as soon as it is available.

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DESCRIPTION OF RETIREMENT PROGRAMS

The Grace retirement program consists of a pension plan, social security, and a savings plan. The Grace pension plan provides for unreduced benefits at age 62 or reduced benefits at earlier ages. (Grace employees can retire as early as age 55 after any period of service.) For retirements before age 62, accrued pension benefits are reduced 2 percent each year between age 62 and 57, 3 percent from age 57 to 56, and 4 percent from age 56 to 55. Benefits are based on the average of the highest paid 5 consecutive years in the last 15 years. The formula for computing benefits is 1.5 percent of average pay times years of service, less 1.25 percent of the individual's social security benefit at age 65 times years of service. For retirees under age 62, the Grace plan also has a level income option which attempts to equalize total retirement income before and after social security payments begin. Under this option, pension benefit payments are increased before age 62 and then reduced when social security benefits are received. Currently, employees are not required to contribute to the pension plan; however, contributions were required prior to 1975. Plan retirement benefits are reduced if a survivor benefit is elected.

On September 1, 1976, Grace established a savings plan that permits employees to make contributions of between 2 and 6 percent of pay which are matched 50 percent by employer contributions. Employees can make additional, unmatched contributions up to a total of 16 percent of pay. In July 1983, the plan was amended to permit employees to make pre-tax contributions. These funds are invested, and the accumulated contributions and earnings are available to the employee upon retirement, death, disability, or separation. Benefits are paid either in a lump-sum or installments and are taxable when received.

The CSRS requires most participants to be age 55 with 30 years' service, age 60 with 20 years' service, or age 62 with 5 years' service for an unreduced benefit. Reduced CSRS benefits are available earlier only in cases of involuntary separation. Benefits are based on the average of the highest paid 3 consecutive years of service. The general benefit formula is 1.5 percent of average pay for each of the first 5 years, plus 1.75 percent of average pay for each of the next 5 years and 2 percent of average pay for each year of service over 10 years. These benefits are fully taxed after payments equal to the employee's contributions are made. Also, the benefit is reduced if the employee elects to provide a spousal survivor benefit. Generally, federal employees covered by the plan currently contribute 7 percent of pay. Prior to 1970, employees contributed lesser amounts. It should be noted that this discussion does not apply to new federal employees hired on or after January 1, 1984, who are covered by social security and will be part of a new retirement plan to be established later.

BENEFIT COMPARISONS

In our opinion, the most meaningful way to compare the two retirement programs was to determine what each of them would pay to employees retiring with the same age, service, and salary characteristics. To make the comparisons as realistic as possible, we used actual data on 1983 retirees in both programs.

In 1983, the average Grace retiree was age 63 and had 17 years' service. However, Grace officials suggested that retirees in one particular division of the company would be more representative of its career work force. Retirees in the division averaged age 63 with 24 years' service in 1983.

In the CSRS, the average for employees retiring in 1983 was age 61 and 29 years' service. This is a weighted average of all retirees under the three eligibility criteria--age 55 with 30 years' service, age 60 with 20 years' service, and age 62 with 5 years' service. A more detailed breakdown of the three groups of retirees is shown in enclosure I.

We compared the retirement benefits of the average Grace retirees with what they would have received from the CSRS at the same age, salary level, and years of service. Likewise, we compared the retirement benefits of the average civil service retiree with what he/she would have received from Grace at the same salary, age, and years of service. A recap of these comparisons follow:

Comparison 1	Grace average company-wide retiree, age 63, 17 years' service	Comparable CSRS retiree, age 63, 17 years' service
Comparison 2	Grace average career retiree, age 63, 24 years' service	Comparable CSRS retiree, age 63, 24 years' service
Comparison 3	CSRS average retiree, age 61, 29 years' service	Comparable Grace retiree, age 61, 29 years' service

We calculated employee contributions using salary histories based on the annual increases in national average earnings. (See enclosure II.) To determine the present value of the contributions, we added interest to the contributions based on the interest rates of 10-year constant maturing U.S. Treasury securities during the period 1950 through 1983. Also, to ascertain the effects of cost-of-living adjustments on benefit amounts, we estimated the present value of lifetime benefits¹

¹Present value is a concept which recognizes the time value of money and may be defined as the current worth of an amount or series of amounts payable in the future.

that each retiree would receive. In making these estimates, we assumed that the social security and the CSRS benefits would increase by 5 percent a year in the future. This assumption is the future inflation assumption used in the latest financial report on the CSRS. We assumed the Grace pension would be adjusted by 40 percent of the estimated increase in consumer prices based on Grace's history of adjustments. Future benefits were discounted at 7.5 percent to determine their present value. This discount rate is the midpoint of the most common range of future interest assumptions used in pension plans surveyed by Hay Associates, an actuarial consulting firm.

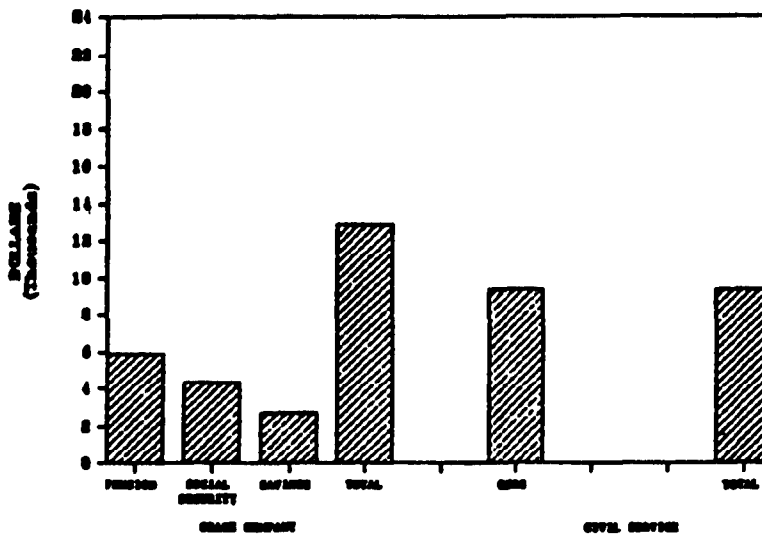
For Grace retirees, we included in total retirement benefits only a pro rata portion of estimated social security benefits which were attributable to employment with Grace. Also, we assumed these retirees had contributed 6 percent of pay to the savings plan since September 1976 (a 6-percent employee contribution is required to get the full matching contribution from Grace). We did not include any estimate for unmatched contributions. We assumed future earnings of 7.5 percent a year after retirement to compute the annuity available from the accumulated funds in the savings plan at retirement.

For comparison purposes, we considered only the basic social security benefit for the individual. If the retiree is married, the spouse could receive a social security spouse's benefit equal to one-half of the retiree's benefit. Social security provides survivor benefits without reducing the retiree's benefit. The CSRS also provides survivor benefits for children without a reduction. Furthermore, we did not consider social security's tax advantage. Generally, social security benefits are exempt from federal income tax unless the individual's modified adjusted gross income combined with 50 percent of the social security benefit exceeds \$25,000 (\$32,000 for a married couple filing a joint return). If the combined income base is exceeded, a maximum of half of the social security benefit is taxable. In contrast, civil service benefits are fully taxed after an employee has received in benefits an amount equal to his/her contributions to the plan. As a result, our analysis tends to understate the value of benefits under the Grace program.

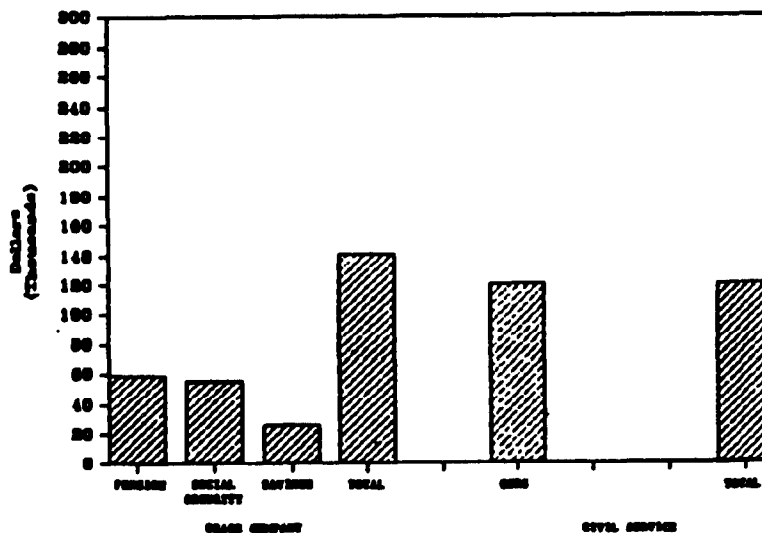
Our analyses did not include any other benefit programs available to retirees such as life and health insurance. Also, we limited the analyses to benefits for single employees without consideration of survivor benefits.

Grace average companywide retiree

The Grace companywide average retiree had a final salary of \$33,155. The present value of this retiree's contributions to the pension plan, social security, and the savings plan since its establishment was \$53,304 compared to \$49,056, the present value of contributions which would have been required if the employee had been covered by the CSRS. However, as shown below, the Grace retiree will receive more (\$3,647) in first year benefits at retirement than the CSRS would have provided.

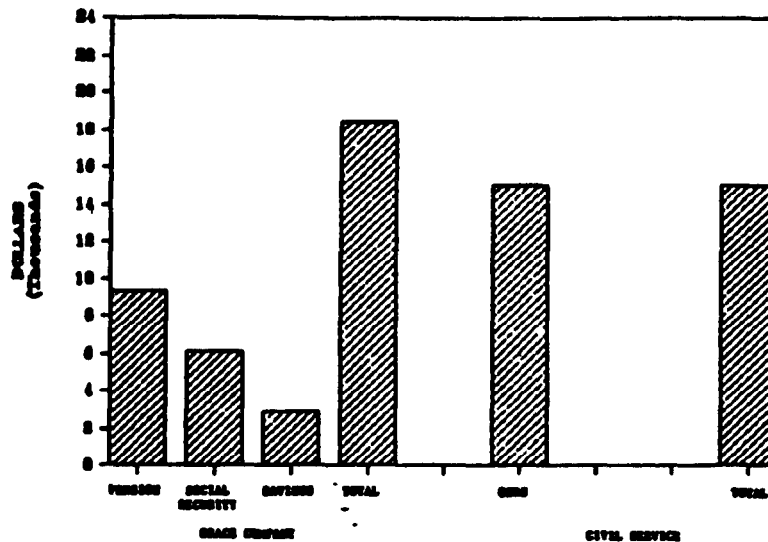


Likewise, the Grace retiree will receive more (\$18,907) in lifetime benefits than the CSRS would have provided as shown below. See enclosure III for more details.

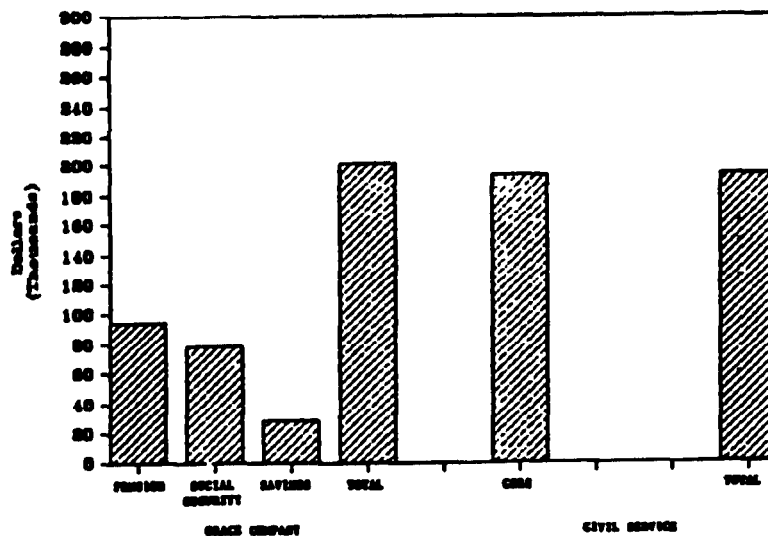


Grace average career retiree

The comparison of benefits for the average Grace career retiree showed a similar benefit situation. This employee, who had a final salary of \$36,530, made contributions presently valued at \$72,148 to the pension plan, social security, and the savings plan since its establishment. The present value of the CSRS contributions would have been \$75,815. The following graph shows that combined first year retirement benefits from the Grace program were greater (\$3,397) at retirement than the CSRS would have provided.

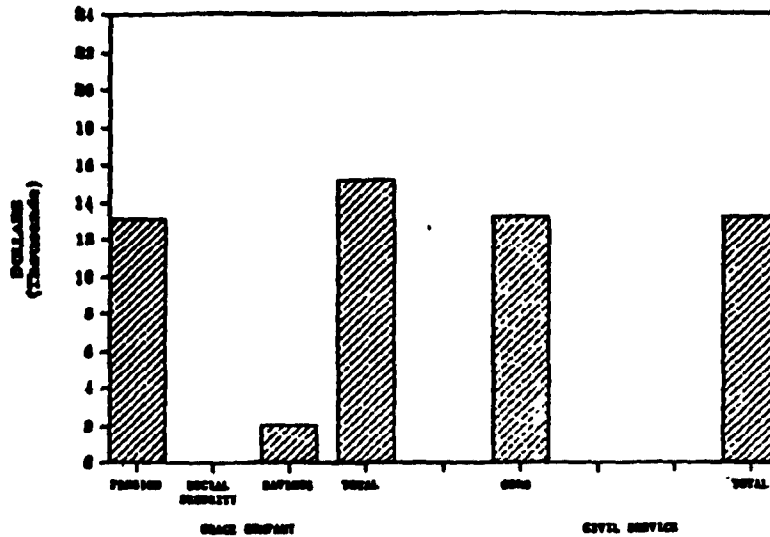


As shown below, the Grace retiree will receive more (\$5,118) in lifetime benefits than the CSRS would have provided. See enclosure IV for more details.

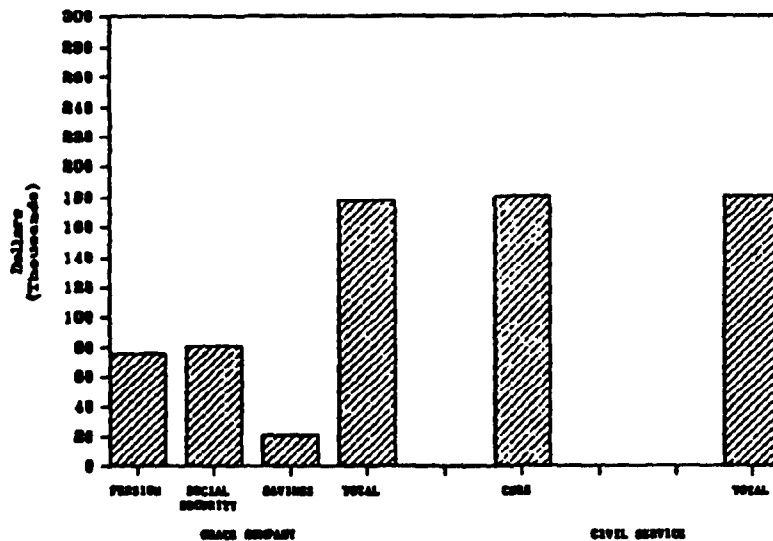


Average civil service retiree

The average civil service retiree had a final salary of \$25,997. The present value of this employee's contributions to the CSRS (\$64,958) and to the Grace retirement program (\$64,655) were about the same. The following graph shows that this retiree would have received more (\$1,889) in first year benefits at retirement under the Grace program.



However, our analysis showed that lifetime benefits will be higher (\$6,787) from the CSRS than the Grace program would have provided. See enclosure V for more details.



Impact of Grace savings plan
on future retirement benefits

Assuming the savings plan will be available to Grace employees hired after September 1976 for their entire career, we wanted to determine the impact this would have on future retirees' benefits under the Grace program. To make this analysis, we calculated the retirement benefits for the retirees as though the plan had been available and the employees participated throughout their careers. As shown by the table below, the first year benefits at retirement and lifetime benefits would be greater under the Grace program. See enclosures VI through VIII for more details.

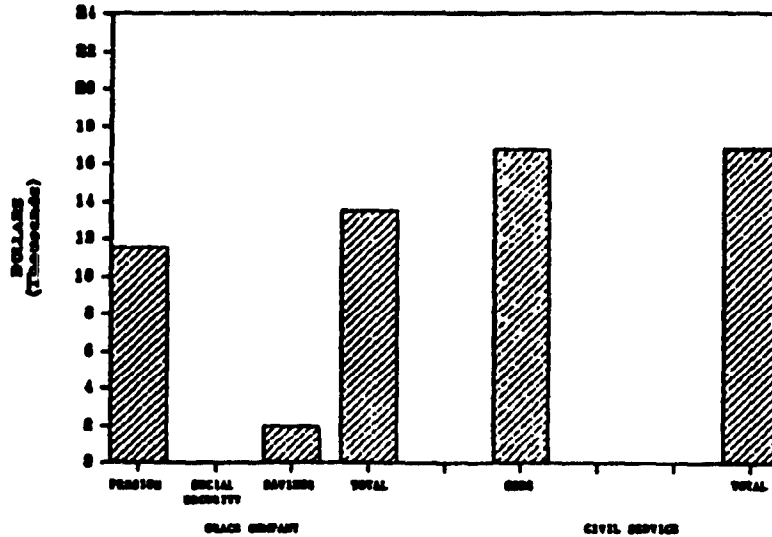
COMPARISON OF RETIREMENT BENEFITS IF
SAVINGS PLAN AVAILABLE DURING ENTIRE CAREER

	First year benefits at retirement		Present value of lifetime benefits	
	<u>Grace</u>	<u>CSRS</u>	<u>Grace</u>	<u>CSRS</u>
Grace average companywide retiree (age 63, 17 years' service)	\$17,415	\$ 9,569	\$178,366	\$122,507
Grace career retiree (age 63, 24 years' service)	26,934	15,422	273,984	197,440
CSRS average retiree (age 61, 29 years' service)	22,308	13,200	240,990	181,196
<u>Benefits for civil service employees retiring between ages 55 and 59 with 30 years of service</u>				

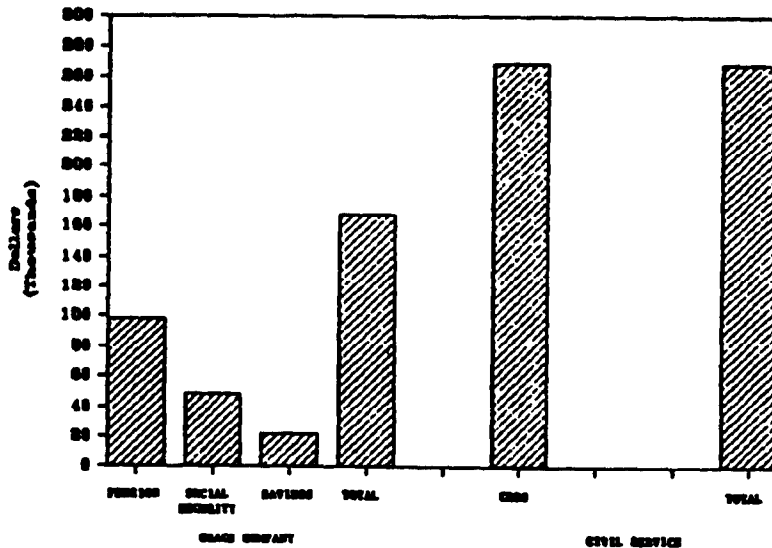
One feature of the CSRS not found in most private sector plans, including the Grace plan, is the availability of unreduced benefits at age 55 with 30 years' service. This is the feature that is most often used by critics to show that the CSRS is significantly more generous than plans in the private sector. About one-third of civil service retirees retire between ages 55 and 59 with 30 or more years of service. To determine the difference in benefits for retirees in this category, we selected for comparison with Grace the average CSRS retiree in 1983 for this group who was age 56 with 34 years' service.

This retiree had a final salary of \$27,146. The employee's contributions to the CSRS were presently valued at \$77,971, or about \$4,600 more than the present value of contributions under

the Grace retirement package (\$73,388). As shown below, the retiree will receive more (\$3,309) in first year benefits at retirement from the CSRS than the Grace program would have provided.



Likewise, the retiree will receive more (\$104,407) in lifetime benefits from the CSRS, as shown below. See enclosure IX for more details. If the savings plan had been available during the employee's entire career, the CSRS benefits would still be greater. See enclosure X.



GRACE COMMENTS

We provided our comparisons to Grace for review. Grace officials agreed with our methodology and the accuracy of the retirement benefits we calculated.

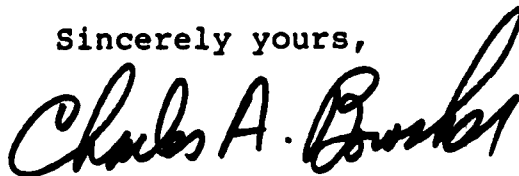
CONCLUSION

The data shows that Grace employees retiring in 1983 whose careers resemble the two Grace employee examples received higher benefits under the Grace retirement program than they would have under the CSRS. The average 1983 civil service retiree's lifetime benefits will be slightly higher from the CSRS, but the Grace program would have provided higher benefits if the savings plan had been available during the entire employment period.

As currently structured, the Grace retirement program offers potentially greater benefits than the CSRS for most (about two out of three) civil service employees. However, for the civil service employees who retire between the ages of 55 and 59 with 30 or more years of service, the CSRS program would provide greater benefits. This is due to the reduced annuities for early retirement (retirement before age 62) and less than full cost-of-living adjustments under the Grace pension plan.

Unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time, copies of this report will be forwarded to the appropriate House and Senate Committees; the Director, Office of Management and Budget; the Director, Office of Personnel Management; and other interested parties.

Sincerely yours,



Comptroller General
of the United States

Enclosures - 10

DEMOGRAPHICS OF CIVIL SERVICE OPTIONAL
RETIREES ADDED TO ROLLS IN 1983

<u>Ages of retirees</u>	<u>Number of retirees (thousands)</u>	<u>Percent of total</u>	<u>Average age</u>	<u>Average years of service</u>
Age 55 to 59 with 30 or more years' service	21	34	56	34
Age 60 to 61 with 20 or more years' service	12 ^a	19	60	29
Age 62 and over with 5 or more years' service	<u>29^a</u>	<u>47</u>	65	24
Total optional retirees	<u>62</u>	<u>100</u>	61	29

^aIncludes retirees who served 30 years or more before reaching age 60 or age 62. The Office of Personnel Management could not provide information for 1983; however, in 1982, 17 percent of these retirees had 30 years or more service.

SALARY HISTORIES OF AVERAGE RETIREES

<u>Year</u>	<u>Grace average companywide (age 63/17 yrs. serv.)</u>	<u>Grace average career retiree (age 63/24 yrs. serv.)</u>	<u>Civil service average retiree (age 61/29 yrs. serv.)</u>	<u>Civil service retiree (age 56/34 yrs. serv.)</u>
1983	\$33,155.00	\$36,530.00	\$25,997.00	\$27,146.00
1982	31,696.94	34,923.52	24,853.73	25,952.20
1981	30,043.01	33,101.22	23,556.87	24,598.02
1980	27,295.38	30,073.90	21,402.44	22,348.37
1979	25,039.93	27,588.86	19,633.93	20,501.70
1978	23,025.67	25,369.56	18,054.54	18,852.51
1977	21,331.71	23,503.16	16,726.30	17,465.56
1976	20,125.55	22,174.22	15,780.54	16,478.00
1975	18,826.46	20,742.90	14,761.92	15,414.36
1974	17,517.35	19,300.52	13,735.44	14,342.51
1973	16,534.46	18,217.58	12,964.75	13,537.76
1972	15,560.82	17,144.83	12,201.32	12,740.59
1971	14,171.96	15,614.59	11,112.30	11,603.44
1970	13,493.93	14,867.54	10,580.66	11,048.29
1969	12,855.95	14,164.61	10,080.41	10,525.94
1968	12,153.58	13,390.74	9,529.68	9,950.87
1967	11,371.98	12,529.59	8,916.83	9,310.93
1966		11,868.48	8,446.34	8,819.65
1965		11,196.41	7,968.06	8,320.23
1964		10,998.38	7,827.13	8,173.06
1963		10,566.55	7,519.81	7,852.16
1962		10,313.62	7,339.81	7,664.21
1961		9,821.81	6,989.80	7,298.74
1960		9,630.41	6,853.59	7,156.50
1959			6,594.78	6,886.25
1958			6,283.50	6,561.21
1957			6,228.63	6,503.92
1956			6,041.58	6,308.61
1955			5,646.63	5,896.20
1954				5,635.80
1953				5,606.87
1952				5,310.19
1951				4,999.15
1950				4,519.19

COMPARISON OF AVERAGE W. R. GRACE & COMPANY RETIREE'S
BENEFITS WITH CIVIL SERVICE BENEFITS

Companywide average retiree, age 63,
17 years' service, and a final average
salary (high-5) of \$29,441:

	<u>First year benefits at retirement</u>	<u>Present value of lifetime benefits^a</u>	<u>Present value of employee contributions</u>
Grace benefits			
Pension	\$ 5,884	\$ 59,568	\$ 9,704
Social security	4,328 ^b	55,409	25,975
Savings plan	<u>3,004^c</u>	<u>26,437</u>	<u>17,625</u>
Total	<u>\$13,216</u>	<u>\$141,414</u>	<u>\$53,304</u>
 Civil service benefits	 <u>\$9,569^d</u>	 <u>\$122,507</u>	 <u>\$49,056</u>

^aInflation adjustments were 2 percent per year (40 percent of assumed Consumer Price Index increase) for Grace pension based on Grace experience and 5 percent per year (full amount of assumed Consumer Price Index CPI increase) for social security and civil service benefits based on civil service assumption. Benefits were discounted by 7.5 percent to calculate the present value.

^bRepresents a pro rata portion of total social security benefits attributable to employment at Grace. Full social security benefits payable at age 63 was \$6,620.

^cAssumes the employee contributed 6 percent of pay each year to the savings plan since September 1976.

^dBased on average of final 3 years' salary (\$31,632).

COMPARISON OF AVERAGE W. R. GRACE & COMPANY
CAREER RETIREE'S BENEFITS WITH CIVIL SERVICE BENEFITS

Large Grace division average career retiree, age 63, 24 years' service, and a final average salary (high-5) of \$32,438:

	<u>First year benefits at retirement</u>	<u>Present value of lifetime benefits^a</u>	<u>Present value of employee contributions</u>
Grace benefits			
Pension	\$ 9,379	\$ 94,951	\$21,287
Social security	6,130 ^b	78,479	31,442
Savings plan	<u>3,310^c</u>	<u>29,128</u>	<u>19,419</u>
Total	<u>\$18,819</u>	<u>\$202,558</u>	<u>\$72,148</u>
 Civil service benefit	 <u>\$15,422^d</u>	 <u>\$197,440</u>	 <u>\$75,815</u>

^aInflation adjustments were 2 percent per year (40 percent of assumed Consumer Price Index increase) for Grace pension based on Grace experience and 5 percent per year (full amount of assumed Consumer Price Index increase) for social security and civil service benefits based on civil service assumption. Benefits were discounted by 7.5 percent to calculate the present value.

^bRepresents a pro rata portion of total social security benefits attributable to employment at Grace. Full social security benefits payable at age 63 was \$6,641.

^cAssumes the employee contributed 6 percent of pay each year to the savings plan since September 1976.

^dBased on average of final 3 years' salary (\$34,851).

COMPARISON OF AVERAGE CIVIL SERVICE RETIREE'S
BENEFITS WITH W. R. GRACE & COMPANY BENEFITS

Civil service average optional retiree,
age 61, 29 years' service, and a final
average salary (high-3) of \$24,779:

	<u>First year benefits at retirement</u>	<u>Present value of lifetime benefits^a</u>	<u>Present value of employee contributions</u>
Civil service benefit	<u>\$13,200</u>	<u>\$181,196</u>	<u>\$64,958</u>
Grace benefits			
Pension	\$12,845 ^b	\$ 74,218	\$18,866
Social security	-- ^b	79,494	31,991
Savings plan	<u>2,244^c</u>	<u>20,697</u>	<u>13,798</u>
Total	<u>\$15,089</u>	<u>\$174,409</u>	<u>\$64,655</u>

^aInflation adjustments were 2 percent per year (40 percent of assumed Consumer Price Index increase) for Grace pension based on Grace experience and 5 percent per year (full amount of assumed Consumer Price Index increase) for social security and civil service benefits based on civil service assumption. Benefits were discounted by 7.5 percent to calculate the present value.

^bAssumes retiree elected Grace's benefit-leveling option. At age 62, the pension benefits reduce to \$6,308 and social security benefits of \$6,537 are payable. Pension benefit based on average of final 5 years' salary (\$23,089).

^cAssumes the employee contributed 6 percent of pay each year to the savings plan since September 1976.

HYPOTHETICAL COMPARISON^a OF
AVERAGE W. R. GRACE & COMPANY RETIREE'S BENEFITS
WITH CIVIL SERVICE BENEFITS

Average companywide retiree, age 63,
 17 years' service, and a final average
 salary (high-5) of \$29,441:

	<u>First year</u> <u>benefits at</u> <u>retirement</u>	<u>Present value of</u> <u>lifetime benefits^b</u>	<u>Present value</u> <u>of employee</u> <u>contributions</u>
Grace benefits			
Pension	\$ 5,884	\$ 59,568	\$ 9,704
Social security	4,328 ^c	55,409	25,975
Savings plan	<u>7,203^d</u>	<u>63,389</u>	<u>42,259</u>
Total	<u>\$17,415</u>	<u>\$178,366</u>	<u>\$77,938</u>
 Civil service benefits	 <u>\$9,569^e</u>	 <u>\$122,507</u>	 <u>\$49,056</u>

^aComparison based on assumption that Grace savings plan was available during employee's entire career.

^bInflation adjustments were 2 percent per year (40 percent of assumed Consumer Price Index increase) for Grace pension based on Grace experience and 5 percent per year (full amount of assumed Consumer Price Index increase) for social security and civil service benefits based on civil service assumption. Benefits were discounted by 7.5 percent to calculate the present value.

^cRepresents a pro rata portion of total social security benefits attributable to employment at Grace. Full social security benefits payable at age 63 was \$6,620.

^dAssumes the employee contributed 6 percent of pay each year to the savings plan during entire career.

^eBased on average of final 3 years' salary (\$31,632).

**HYPOTHETICAL COMPARISON^a OF
AVERAGE W. R. GRACE & COMPANY CAREER
RETIREE'S BENEFITS WITH CIVIL SERVICE BENEFITS**

Large Grace division average career retiree, age 63, 24 years' service, and a final average salary (high-5) of \$32,438:

	<u>First year benefits at retirement</u>	<u>Present value of lifetime benefits^b</u>	<u>Present value of employee contributions</u>
Grace benefits			
Pension	\$ 9,379	\$ 94,951	\$ 21,287
Social security	6,130 ^c	78,479	31,442
Savings plan	<u>11,425^d</u>	<u>100,554</u>	<u>67,036</u>
Total	<u>\$26,934</u>	<u>\$273,984</u>	<u>\$119,765</u>
 Civil service benefit	 <u>\$15,422^e</u>	 <u>\$197,440</u>	 <u>\$75,815</u>

^aComparison based on assumption that Grace savings plan was available during employee's entire career.

^bInflation adjustments were 2 percent per year (40 percent of assumed Consumer Price Index increase) for Grace pension based on Grace experience and 5 percent per year (full amount of assumed Consumer Price Index increase) for social security and civil service benefits based on civil service assumption. Benefits were discounted by 7.5 percent to calculate the present value.

^cRepresents a pro rata portion of total social security benefits attributable to employment at Grace. Full social security benefits payable at age 63 was \$6,641.

^dAssumes the employee contributed 6 percent of pay each year to the savings plan during entire career.

^eBased on average of final 3 years' salary (\$34,851).

**HYPOTHETICAL COMPARISON^a OF
AVERAGE CIVIL SERVICE RETIREE'S
BENEFITS WITH W. R. GRACE & COMPANY BENEFITS**

Average civil service optional retiree,
age 61, 29 years' service, and a final
average salary (high-3) of \$24,779:

	<u>First year benefits at retirement</u>	<u>Present value of lifetime benefits^b</u>	<u>Present value of employee contributions</u>
Civil service benefit	<u>\$13,200</u>	<u>\$181,196</u>	<u>\$64,958</u>
Grace benefits			
Pension	\$12,845 ^c	\$ 74,218	\$ 18,866
Social security	-- ^c	79,494	31,991
Savings plan	<u>9,463^d</u>	<u>87,278</u>	<u>58,185</u>
Total	<u>\$22,308</u>	<u>\$240,990</u>	<u>\$109,042</u>

^aComparison based on assumption that Grace savings plan was available during employee's entire career.

^bInflation adjustments were 2 percent per year (40 percent of assumed Consumer Price Index increase) for Grace pension based on Grace experience and 5 percent per year (full amount of assumed Consumer Price Index increase) for social security and civil service benefits based on civil service assumption. Benefits were discounted by 7.5 percent to calculate the present value.

^cAssumes retiree elected Grace's benefit-leveling option. At age 62, the pension benefits reduce to \$6,308 and social security benefits of \$6,537 are payable. Pension benefit based on average of final 5 years' salary (\$23,089).

^dAssumes the employee contributed 6 percent of pay each year to the savings plan during entire career.

COMPARISON OF BENEFITS FOR AVERAGE CIVIL SERVICE EMPLOYEE
RETIRING BETWEEN AGES 55 AND 59 WITH 30 OR MORE YEARS OF
SERVICE WITH W. R. GRACE & COMPANY BENEFITS

Civil service retiree,
age 56, 34 years' service, and
a final average salary (high-3)
of \$25,874:

	<u>First year benefits at retirement</u>	<u>Present value of lifetime benefits^a</u>	<u>Present value of employee contributions</u>
Civil service benefit	<u>\$16,800</u>	<u>\$269,416</u>	<u>\$77,971</u>
Grace benefits			
Pension	\$11,367 ^b	\$ 95,400	\$24,827
Social security	-- ^b	47,997	34,153
Savings plan	<u>2,124^c</u>	<u>21,612</u>	<u>14,408</u>
Total	<u>\$13,491</u>	<u>\$165,009</u>	<u>\$73,388</u>

^aInflation adjustments were 2 percent per year (40 percent of assumed Consumer Price Index increase) for Grace pension based on Grace experience and 5 percent per year (full amount of assumed Consumer Price Index increase) for social security and civil service benefits based on civil service assumption. Benefits were discounted by 7.5 percent to calculate the present value.

^bAssumes retiree elected Grace's benefit-leveling option. At age 62, the pension benefits reduce to \$5,377 and social security benefits of \$5,990 are payable. Pension benefit based on average of final 5 years' salary (\$24,109).

^cAssumes the employee contributed 6 percent of pay each year to the savings plan since its establishment.

HYPOTHETICAL COMPARISON^a OF BENEFITS FOR AVERAGE
CIVIL SERVICE EMPLOYEE RETIRING BETWEEN AGES 55 AND 59 WITH 30
OR MORE YEARS OF SERVICE WITH W. R. GRACE & COMPANY BENEFITS

Civil service retiree,
age 56, 34 years' service, and
a final average salary (high-3)
of \$25,874:

	<u>First year benefits at retirement</u>	<u>Present value of lifetime benefits^b</u>	<u>Present value of employee contributions</u>
Civil service benefit	<u>\$16,800</u>	<u>\$269,416</u>	<u>\$77,971</u>
Grace benefits			
Pension	\$11,367 ^c	\$ 95,400	\$ 24,827
Social security	-- ^c	47,997	34,153
Savings plan	<u>10,451^d</u>	<u>106,349</u>	<u>70,899</u>
Total	<u>\$21,818</u>	<u>\$249,746</u>	<u>\$129,879</u>

^aComparison based on assumption that Grace savings plan was available during employee's entire career.

^bInflation adjustments were 2 percent per year (40 percent of assumed Consumer Price Index increase) for Grace pension based on Grace experience and 5 percent per year (full amount of assumed Consumer Price Index increase) for social security and civil service benefits based on civil service assumption. Benefits were discounted by 7.5 percent to calculate the present value.

^cAssumes retiree elected Grace's benefit-leveling option. At age 62, the pension benefits reduce to \$5,377 and social security benefits of \$5,990 are payable. Pension benefit based on average of final 5 years' salary (\$24,109).

^dAssumes the employee contributed 6 percent of pay each year to the savings plan during entire career.

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