

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLORADO

Civil Action No. 04-cv-02686-WDM-CBS

Wayne Tomlinson,  
Alice Ballesteros, and  
Gary Muckelroy, individually and on behalf of all others similarly situated,

Plaintiffs,

v.

El Paso Corporation, and  
El Paso Pension Plan,

Defendants.

**DECLARATION OF CLAUDE POULIN, F.S.A., M.A.A.A., E.A.**

I, Claude Poulin, am over 21 years of age and based on personal knowledge, state as follows:

1. I am an Enrolled Actuary under ERISA, a Fellow in the Society of Actuaries, and a member of the American Academy of Actuaries. I have over 30 years of experience in designing, administering, and reviewing defined benefit pension plans, including providing advice to employers, unions, governments, employees and their representatives. My Curriculum Vitae is attached as Exhibit A.

2. For over twenty five years, I have served as the Actuarial Trustee of the Connecticut State Employees Retirement Commission. I also have been an actuarial consultant to the AARP, the EEOC, the Internal Revenue Service, the Communications Workers of America, the United Automobile Workers, and the IBEW.

3. At the time ERISA (The Employee Retirement Income Security Act) was enacted

in 1974, I was the Senior Actuary for the UAW. In that capacity I was responsible for the review and compliance under ERISA of approximately 3,000 pension plans the UAW negotiated. I testified several times before Congressional Committees of both the U.S. House and Senate on matters related to ERISA.

4. I have been retained in this matter to offer expert actuarial analysis on the facts related to the claims in the Amended Class Action Complaint about reductions in future benefit accruals and wear-aways under El Paso's Pension Plan. I am compensated at the rate of \$425 per hour.

5. I have attached as Exhibit B a list of the cases in which I have testified as an expert at trial or at deposition within the last four years. I have reviewed the documents and data listed on Exhibit C.

6. In performing my analysis, I reviewed the named Plaintiffs' benefit computations. I also examined benefit data for other employees, including individuals formerly employed by Sonat and Coastal, which are companies that were acquired by El Paso after its original cash balance conversion in 1997.

### **Background**

7. Before 1997, El Paso sponsored a traditional defined benefit plan. The plan's benefit formula provided a pension benefit equal to 1.1% times Final Average Monthly Earnings ("FAME") times credited service limited to 30 years. For FAME in excess of an "integration level" equal to one-third of the Social Security Taxable Wage Base, an additional 0.5% of the excess was provided, again times credited service (also limited to 30 years). FAME is the highest average monthly earnings received during any consecutive 60 months within the last 120

months prior to termination. In 2001, the “integration level” was, for example, one-third of the Social Security Wage Base of \$80,400, or \$2,233 per month.

8. El Paso’s retirement plan also offered early retirement benefits. For a participant who reached age 55 with over 10 years of credited service, at least 80% of the age 65 benefit was provided. The reduction was less if the participant had more years of credited service.<sup>1</sup> By comparison, an “actuarially equivalent” early retirement would provide a benefit at age 55 of less than 50% of the age 65 benefit. El Paso also provided an early retirement supplement between ages 55 and 62 based on 1% of FAME up to the integration level times years of credited service (not in excess of 30).

9. The Sonat and Coastal companies were acquired by El Paso in 1999 and 2001, respectively. The Sonat and Coastal employees also participated in pension plans which provided benefits based on a Final Average of Monthly Earnings and credited service up to 30 years. The benefit formulas were connected to Social Security but in a different way than El Paso’s. Although both plans had alternative formulas, the principal formula in effect prior to the cash balance conversion was 2% of FAME less 1.667% of an estimated primary Social Security benefit for Sonat, or less 1.5% of an estimated primary Social Security benefit for Coastal, multiplied by years of credited service limited to 30. Sonat had a slightly better formula for years of credited service before 1992 (2.4% of FAME less 2% of an estimated Primary Social Security benefit).

10. The Coastal benefit formula had three features that were different than El Paso’s or Sonat’s formulas. First, the Coastal FAME was limited to a base rate of pay and did not

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<sup>1</sup> The reductions for early retirement were less for participants with 20+ years of service. There was no reduction at age 60 with 30 years and a reduction of only 10% at age 55.

include bonuses (at least after March 31, 2001). Second, Coastal's calculation projected benefits based on potential years of credited service up to a maximum of 30 years but then prorated those benefits by applying a fraction based on the participant's years of credited service under the formula divided by the potential years of credited service from date of hire to age 65 (with no cap on the number of years in the denominator of the fraction). Third, Coastal's estimated Social Security benefit was based on 33 years rather than 30. The effect of these features, especially the first and the second, was to provide a lower average accrual rate.

11. Like El Paso, Sonat and Coastal also provided early retirement benefits. The reduction for retiring early was 4% for each year the retirement preceded age 62, which produced a benefit at age 55 equal to 72% of the age 65 benefit amount. To be eligible for early retirement, Sonat required 10 years of vesting service and age 55. Coastal required only 5 years of vesting service and age 55.

12. On January 1, 1997, El Paso converted its traditional defined benefit pension plan into a "cash balance" plan. El Paso called this new arrangement CBP Select. For the first five years, however, El Paso provided for a transition period in which the prior formula would continue in effect. Once this transition period ended, the old plan was frozen at the 12/31/2001 benefit amount. After that the only new benefits that accrue are under the cash balance formula.

13. Sonat and Coastal had parallel 5-year transition periods that ended on 12/31/2004 for Sonat and 3/31/2006 for Coastal.

14. El Paso's CBP Select provided for benefit accruals based on hypothetical or bookkeeping accounts that increase with the allocation of pay credits and interest credits. The opening account balances were established at the beginning of the 5-year transition periods, even

though the old formulas continued during that period. According to Mercer's Calculation Reference Manual, the opening accounts were calculated using a 6.5% rate of interest for El Paso, a 6.07% rate of interest for Sonat, and a 5.8% rate of interest for Coastal. No adjustment to the cash accounts was made based on the benefits earned under the old formulas during the 5-year period or as a result of subsequent declines in interest rates.

15. The pay credits under CBP Select are based on a percentage of salary ranging from 4% to 7% of pay. The percentage of salary is determined by a combination of the participant's age and years of service (points) in whole years as of the end of the immediately preceding year. This schedule is as follows:

<u>Age &amp; Service Points</u>	<u>Pay Credit Percentage</u>
Less than 35 points	4%
35 to 49 points	5%
50 to 64 points	6%
65 points or over	7%

16. The interest credit rates used under CBP Select were 6.5% for 1997 to 1999. Thereafter, the interest credit rate was equal to the 5-year Treasury rate for the month of October preceding the plan year in question, with a 4% floor effective in 2002. The interest credits that have applied to date under El Paso's Plan are as follows:

<u>Interest Credit Rates</u>
1997: 6.50%
1998: 6.50%
1999: 6.50%
2000: 6.03%
2001: 5.78%
2002: 4.00%
2003: 4.00%
2004: 4.00%
2005: 4.00%
2006: 4.33%

2007: 4.69%  
2008: 4.20%

17. The normal retirement benefit provided by CBP Select is equal to the employee's cash account at age 65, with interest projected to that date, converted to an annuity by applying annuity factors stated in the Plan. The conversion interest rate, also called an annuity purchase rate, is the interest rate for 30-year Treasuries for October of the preceding year. The conversion interest rates that have applied under this standard since 1997 are as follows:

**Annuity Purchase Interest Rates**

1997: 6.81%  
1998: 6.33%  
1999: 5.01%  
2000: 6.26%  
2001: 5.80%  
2002: 5.32%  
2003: 4.93%  
2004: 5.16%  
2005: 4.86%  
2006: 4.68%  
2007: 4.85%  
2008: 4.77%

18. Combined with a mortality assumption, the conversion interest rate can be used to generate an annuity conversion factor at any age. For example, the 5.32% interest rate applicable in 2002 combined with the so-called GATT mortality table generates an annuity conversion factor of 11.24 at age 65. If a participant's projected account balance at age 65 is \$100,000, it can be converted to an annuity of \$8,900 per year (\$100,000 divided by 11.24), or \$742 per month.

**Rates of Benefit Accrual under El Paso's CBP Select Decrease with Age**

19. As this indicates, to convert from the hypothetical cash accounts to an annuity, the El Paso Plan administrator must project the current account to retirement age and convert the

account to an annuity. In contrast to the prior plan where age was not a factor, the age of the employee is an integral part of the benefit calculation under CBP Select. Mathematically, the Plan administrator must use the following formula to get from the account to an annuity:

$$AB \times (1 + i)^{65-n} \div a = \text{Normal Retirement Benefit, where:}$$

- $AB$  = the employee's hypothetical account balance at the Date of Determination ("DOD");
- $i$  = the interest credit rate at the DOD;
- $(1+i)^{65-n}$  = the mathematical expression for the accumulation of interest from the DOD to age 65;
- $n$  = the employee's age at the DOD; and
- $a$  = the cost of purchasing an annuity commencing at age 65 based on the annuity purchase rate and mortality table provided under the terms of the Plan.

20. Each year's benefit accrual can be calculated by substituting in the above formula the annual pay credit payable under CBP Select for the account balance ( $AB$ ). The rate of benefit accrual is determined by dividing the year's benefit accrual by the employee's compensation for the year.

21. The formula given above shows that under CBP Select, the rate of benefit accrual decreases as a result of increases in the employee's age. As the employee grows older, the projected interest credits, which are a function of the number of years between the date of determination and age 65, are correspondingly reduced. A younger employee, identical to an older employee in all respects except for age, will accrue a larger normal retirement benefit than an older employee. Regardless of whether this is lawful, this is how a cash balance formula like El Paso's functions.

22. Under a number of cash balance plans, pay credits increase with age and/or service. By offering increasing pay credits from 4 to 7%, El Paso's CBP Select partially

compensates for the age-related reductions in benefit accrual. However, this process stops at the point where the employee attains 65 combined age and service points, e.g. age 45 and 20 years of service. After that point, the pay credit remains a flat 7 percent of pay.

23. Because of their age and service, all three named Plaintiffs had or almost had the points needed to obtain the 7 percent pay credits (Alice Ballesteros was under a 6 percent rate the first year). The interest credit on these pay credits was 6.5% for the first three years. Thereafter, it tracked the 5-year Treasury rate from October of the preceding year with a 4% floor.

24. The attached Exhibit D shows the benefit accrual (Column 5) for Alice Ballesteros from age 45 to age 65 calculated according to the formula described above. Column 6 in the Exhibit shows the rate of benefit accrual, i.e., the benefit accrual divided by annual compensation that increases at a rate of 4% per year. Her accrual rate goes from 1.30% of each year's pay at age 45 down to 0.62 % at age 65.

#### **Future Accruals Are Substantially Reduced**

25. The future rates of benefit accrual under CBP Select not only decrease because of age as described above, they are also significantly lower compared to the accrual rates under El Paso's prior benefit formula. During the time Ms. Ballesteros was a participant under the prior plan, her rate of benefit accrual was approximately 1.4% of her highest average pay. By contrast, her accrual rate decreased to below 1.1% of each year's compensation under CBP Select by age 51, and would finally drop to as low as 0.62% of each year's pay if she continued to work for El Paso to age 65.

26. The change away from a formula based on final average pay is very significant. The pension benefits provided under the prior retirement benefit formula were based on

participants' final average salaries. Any increase in the salary average is increasing not only the pension benefit accrued in the year of the increase but it also raises the benefits accrued in all prior years of credited service. There is, in essence, a multiplier effect. On the other hand, under a cash balance plan like CBP Select, an increase in salary in any given year only affects the pay credit in that year with no impact whatsoever on pension benefits accrued to date. Cash balance plans like CBP Select are known as "career average pay" plans. Under career average pay plans, benefits for earlier years of service are not improved as salary increases.

27. Exhibit E illustrates the differences in pension benefit accruals between a final average and a career average defined benefit plan. Columns 5 and 6 show the benefit accruals and accrued benefits under a final average plan providing 1.4% for each year of service – limited to 30 years – times a final average salary during the last 60 months of employment. Columns 7 and 8 contrast the benefit accruals and accrued benefits under a career average plan providing 1.4% of the salary earned during the year for each year of service, with no limitation on the number of years of service. Both scenarios show a plan participant hired at age 30 with an initial salary of \$30,000 a year, increasing at an annual rate of 4% resulting in the annual salary having increased to \$113,829 by the time the employee reaches age 65 (bottom of Column 3). Under the final average plan, the age 65 normal retirement benefit of \$44,338 is based on the last 60 months of salary, whereas under the career average plan, the age 65 benefit is only \$30,934, because each year's salary increase has no impact on the benefit accruals in earlier years of plan participation. After 30 years, the career average formula provides 35% less benefits in spite of the fact that both formulas use a nominal rate of 1.4%.

28. To show the reductions in future accruals further, I developed the series of

spreadsheets attached under Exhibit F. These spreadsheets can be used to calculate the future accruals for any participant in the Plan under the cash balance formula after the 5-year transition periods and to compare those benefits with benefits provided under the prior formula had it continued. There are variations for the former El Paso, Sonat and Coastal employees. The key assumptions are that salary increases at a rate of 4% and that interest rates remain constant from the end of the 5-year period forward.

29. Because Sonat's and Coastal's formulas include offsets of Social Security benefits and alternative formulas, whose exact replication is relatively involved, my spreadsheet projects future benefits under the prior Sonat and Coastal formulas by using individual net accrual rates which the spreadsheet computes from the actual data obtained from Mercer's "BeneCalc" system. Although the rates used in my spreadsheet are based on each individual's data, the average net accrual rates are also informative. Based on actual data for over 500 individuals, the Sonat formula provided an average net accrual rate of 1.59% of FAME for each year of credited service. Based on actual data for over 1,200 individuals, the Coastal formula provided an average of 1.22% of FAME. The lower average accrual rate for Coastal employees is based primarily on the fraction described above.

30. To illustrate the reductions from the cash balance formula, the first spreadsheet (F-1) shows that named Plaintiff Wayne Tomlinson, who was in the El Paso group, would earn \$1,592 more per month under the prior formula in the 5 years after 2002 compared with zero accruals under the cash balance formula because of the wear-away effect described next. After 10 years his cash balance benefit would still be under wear-away, compared with additional accruals of \$3,214 per month had the prior formula continued. Mr. Tomlinson will accrue nothing more

under the cash balance formula in the 5 or 10 years after 2002. The reduction in his future rate of accruals is therefore 100%.

31. Scott W. was a participant in the former Sonat plan who was younger than Mr. Tomlinson.<sup>2</sup> Scott was 39 at the end of 2004 when Sonat's 5-year transition period ended. His spreadsheet (F-2) shows that after 5 years he will earn \$241 more under the cash balance formula compared with \$727 more if the prior Sonat formula had continued. The reduction is 67%. After 10 years, the reduction in his future accruals will be 58%.

32. Anna G. was a participant in the former Coastal plan. She was age 50 at the end of March 2006 when Coastal's 5-year transition period ended. Her spreadsheet (F-3) shows that after 5 years she would earn nothing more under the cash balance formula compared with \$668 more if the prior Coastal formula had continued. The reduction is 100%. After 10 years, the reduction in her future accruals would be 90%.

33. Some Coastal employees would not experience reductions as substantial as these (and a small number will experience increases). Conrad B. was age 39 when Coastal's 5-year transition period ended. Because his accrual rate under the prior Coastal formula was low (based in large part on the fraction discussed above), the cash balance formula reduces his future benefits by a smaller percentage, e.g., by 16-17% after 5 and 10 years. See Ex. F-4. After 15 years, his future benefits are still almost 25% less (due to the final average versus career average pay effect described above).

34. The reductions in future benefits for the original El Paso group of employees are quite steep. The average reduction after 5 years is 96%. It is 89% after 10 years and 80% after

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<sup>2</sup> The last names of persons who are not named Plaintiffs have been omitted to protect their privacy.

15. The reductions are nearly the same for the Sonat group: 91% after 5 years, 85% after 10 years, and 83% after 15 years. The reductions for the Coastal group are only slightly less steep: 61% reductions after 5 years, 51% after 10 years, and 48% after 15 years. Overall, the reductions in future benefits when all three groups are combined average 83% after 5 years, 75% after 10 years, and 70% after 15 years.

35. Looking at the total benefits from the Pension Plan, including the benefits earned before the cash balance conversion, the monthly benefits that the El Paso and Sonat groups of employees can expect to receive in retirement will average nearly 50% less after 5, 10 or 15 years of service. In other words, instead of receiving \$2,500 per month in retirement, the average individual who works for El Paso for 10 more years could expect to receive \$1,300, or over \$1,200 less in monthly retirement income. The reductions in total benefits for Coastal employees are only slightly less, averaging about 33% after ten years. The individual-by-individual results for all participants for whom there was sufficient data to run the comparisons are attached to Dr. Bardwell’s report.

36. To look at the additional impact of eliminating the early retirement features of the prior plan, I set up a table to compare the early retirement reductions under the prior plan with the reductions under the cash balance formula:

**Early Retirement Reduction Factors**

	<b><u>El Paso</u></b>	<b><u>Sonat/Coastal</u></b>	<b><u>CBP Select</u></b>
Age 55	20% <sup>3</sup>	28%	53%
Age 60	10%	8%	33%

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<sup>3</sup> As mentioned before, El Paso’s early retirement reductions were still less for participants with more than 20 years of service.

37. The impact of these reduction factors can be seen by looking at an employee with a \$1,500 per month benefit at age 65. Under the prior El Paso plan, this employee would receive \$1,200 per month (or \$1,080 per month under the Sonat or Coastal early retirement rules) if he or she commenced benefits at age 55. If an employee earned the same \$1,500 per month benefit under El Paso's CBP Select, it would be reduced to \$705 per month for commencement at age 55. The change in the early retirement feature obviously eliminates a valuable benefit, which in this instance is worth \$495 per month in lifetime income (or \$375 per month for former Sonat or Coastal employees). For example, Exhibit F-4 indicates that Conrad B.'s future retirement benefits are reduced by 25% after 15 years, which is not as much as Mr. Tomlinson's 88% reduction. But Conrad B.'s age 55 early retirement benefits will be reduced further compared with the prior formula: His benefits at age 55 under CBP Select will be \$461 per month ( $\$981 \times (1 - .53)$ ) compared with \$873 per month if the prior formula had continued ( $\$1,212 \times (1 - .28)$ ). Thus, his total benefit at age 55 will be 47% less than under the prior formula.

#### **The Wear-Aways of Frozen Pension Benefits Often Last Over 10 Years**

38. The most startling fact about El Paso's CBP Select design is that for over 10 years participants like Mr. Tomlinson, Ms. Ballesteros and Mr. Muckelroy actually accrue no additional benefit under CBP Select – as long as the value of their cash accounts are less than the value of the pension benefit they had already accrued (the frozen prior plan benefit). Ultimately, in the years immediately before age 65, the benefit accruals of Mr. Tomlinson, Ms. Ballesteros, and Mr. Muckelroy would resume. The rate of benefit accrual at that time will be infinitely more than the zero accrual rate in the 10 preceding years.

39. There are two preconditions for these wear-aways:

(a) A conversion design is adopted that uses a "greater of" approach rather

than a simple additive or “A+B” approach to join the benefits earned before the conversion with those earned after, and

- (b) There is a difference between the value of the frozen benefit under the old formula and the value of the cash balance account, which means that the cash account has a way to go before it catches up with the value of the frozen benefit.

40. There are four reasons for the differences in value under El Paso’s design: First, in converting previously-earned benefits to cash balance, El Paso excluded the value of the early retirement benefits from the opening account balance. The value of early retirement features is greater for the employees who are close to early retirement eligibility, i.e., for older employees.

41. Second, El Paso applied a pre-retirement mortality discount in establishing the opening account balance. However, as participants grow older, their decreased risk of mortality is not credited back. As a result, the annuities participants are able to purchase with their original cash balance accounts are, even with interest credits, less than the annuities that they originally had. Although this discount is comparable in percentage terms, it can remove more dollars from the opening accounts of older employees and thus leave them with more to make up before their cash accounts exceed the frozen benefit from the old formula.

42. Third, the benefits earned under the prior formula in the 5-year transition period are not included in the cash balance accounts. This creates another shortfall that participants have to make up. This shortfall is again more likely for older, longer-service participants because any improvement in their final average salary will improve their benefits for all past years of service.

43. Fourth, when interest rates fall below the interest rates used to establish the opening balances, as they have for El Paso, Sonat and Coastal, the situation becomes even worse. For El Paso, the interest rate used to establish the opening balance was 6.5%, whereas the

conversion interest rate or annuity purchase rate in 2002 after the 5-year transition period was 5.32%. For Sonat, the opening balance rate was 6.07% whereas the annuity purchase rate in 2005 was 4.86%. For Coastal, the opening balance rate was 5.80% whereas the 2006 annuity purchase rate was 4.68%. Participants can purchase less of the annuity that they had previously earned than they started with. Again this makes more of a difference for older participants.

44. To illustrate, we look at an age 45 participant with an annuity of \$1,000 per month payable at age 65 which was converted to an opening account balance using 6.5% interest and GATT mortality. Interest credits are applied thereafter to the account balance to the end of 2001 and interest is projected to age 65 at 4.00%. Because the conversion interest rates have fallen, the projected account balance at age 65 is converted to an annuity using 5.32% interest and GATT mortality. I find that such a participant ends up with an annuity of \$574 compared to the original \$1,000. To get back to the original \$1,000, the participant would have to have \$23,514 additional dollars credited to his cash account. Younger employees are not likely to have a \$1,000 per month annuity. But if they do, the amount that would have to be credited to their cash account will be less. For example, \$18,492 would have to be credited for a 30-year-old employee to regain the original \$1,000 per month annuity. If as is more typical the younger employee has a lesser annuity, e.g., \$500 per month, the amount that would have to be credited would be one-half of that, or \$9,246.

45. Thus, the values of the opening account balances, which were made lower by not including the values of early retirement benefits or the benefits earned in the 5-year transition period and by the pre-retirement mortality discount, are decreased further as a result of the decline in annuity purchase interest rates after opening accounts were established. The

conjunction of these factors, all of which weigh more heavily on older employees, creates very long wear-away periods.

46. To calculate the expected wear-away periods exactly, I prepared the spreadsheets attached as Exhibit G. These spreadsheets can be used to calculate the duration of the wear-away for any Plan participant. There are two variations for the former Sonat and Coastal employees. To calculate the duration of the wear-away, the inputs are age, service, the frozen benefit amount and the cash balance account at the end of the 5-year transition period, and salary. The key assumptions are 4% salary increases and constant interest rates going forward from 2002. If salary was assumed to be constant, the wear-away periods would last even longer.

47. The spreadsheet provides three methods to measure the wear-away periods. The first is to compare the present value of the prior plan benefit with the cash balance account at the beginning of the year. The wear-away period ends when the cash balance account exceeds the present value of the prior (and now-frozen) plan benefit. The second and third methods compare the annuities derived from the cash balance accounts accumulated to age 65 with the frozen prior benefits that are already in annuity form. The difference between the second and third method is that the second uses an annuity conversion interest rate of 5.5% whereas the third uses the conversion interest rate in the year immediately following the end of the 5-year transition period (5.32% for El Paso, 4.86% for Sonat and 4.68% for Coastal). Generally, the products of the three methods are within one year of each other.

48. For older participants, the spreadsheet and the spreadsheet results show that the wear-away periods last a very long period of time, often in excess of 10 years. For example, the wear-aways for Alice Ballesteros (Ex. G-1) and Anna G. (Ex. G-3), who were both age 50 at the

end of the five-year transition periods, are 11-12 years and 7-9 years respectively. The second and third methods show that wear-away is somewhat sensitive to interest rates, e.g., the period of wear-away will often increase by one year depending on whether a 5.5% or 4.68% interest is used to convert the cash balance account to a monthly retirement benefit. The pattern of wear-aways for the Coastal employees is more involved than for El Paso and Sonat, but all of the former Coastal employees with longer wear-aways such as Anna G. are older, whereas no younger employee has a significant period of wear-away. Dr. Bardwell, the statistical expert retained by the Plaintiffs, has analyzed the wear-aways in more detail in his report.

49. To compute damages from the wear-aways to date, I set up spreadsheets (the Ex. H series) to accumulate the pay credits and interest on those pay credits (at the interest crediting rates) which were credited to participants' cash accounts but are not actually paid because of the wear-away design. For example, Alice Ballesteros' cash balance pay and interest credits from January 1, 2002 to the end of 2006 when she retired accumulate to \$28,604. The damages for Sonat and Coastal employees are less currently because those wear-aways went into effect more recently, on January 1, 2005 for Sonat and April 1, 2006 for Coastal. The pay credits used in all of these computations are only current through the second quarter of 2007. The results of these calculations are included in the results attached to Dr. Bardwell's report. The total damages to date can be calculated simply by tabulating the results.

I declare under penalty of perjury that the foregoing is true to the best of my knowledge.

Signed:   
Claude Poulin

Date: April 15, 2008

**Exhibits:**

- A. Curriculum vitae
- B. List of cases with testimony
- C. List of documents and data reviewed
- D. Decreasing accrual rate spreadsheet
- E. Final average pay to career average pay comparison
- F. Benefit reductions spreadsheets
- G. Wear-away duration spreadsheets
- H. Wear-away damages spreadsheets

**CURRICULUM VITAE  
OF CLAUDE POULIN**

**EDUCATION:** Fellow of the Society of Actuaries, Chicago, 1972

Laval University, School of Business Administration  
Quebec City, 1966, Degree in Actuarial Science

University of Montreal, 1963, B.A., Mathematics

**EMPLOYMENT:** **POULIN ASSOCIATES, INC.**  
Since 1980 3180 Aspen Dale Lane  
Delaplane, VA 20144  
(202) 297-9516

Founder and president of Poulin Associates, Inc., an independent actuarial and employee benefit consulting firm with offices in Washington, D.C., Virginia and Montreal, Canada; special expertise as a consultant and actuarial expert witness in ERISA cases (pension and welfare benefits).

1969 to 1980 **UNITED AUTOMOBILE WORKERS (UAW),** Detroit, Michigan

Senior Actuarial Consultant and Assistant Director of the UAW Social Security Department; responsible for monitoring over 3,000 pension and welfare plans for the Union

1966 to 1969 **SUN LIFE ASSURANCE COMPANY,** Montreal, Canada

Actuarial Assistant, pensions and group insurance operations

**PROFESSIONAL CREDENTIALS:** Member of the American Academy of Actuaries

Enrolled Actuary under ERISA

Fellow of the Canadian Institute of Actuaries

Member of the International Actuarial Association

Appointed by the Governor of the State of Connecticut as Actuarial Trustee of the Connecticut State Employees' Retirement Commission

PROFESSIONAL  
CREDENTIALS  
(continued)

Member of the 1979 Panel of Actuaries and Economists to the Social Security Advisory Council, members of which were appointed by President Carter.

Member of the Pension Benefit Guaranty Corporation (PBGC) 1977 Panel on Contingent Employer Liability Insurance.

Member of the 1977 Task Force of the Financial Accounting Standards Board (FASB) on Accounting and Reporting for Employee Benefit Plans.

Member of the Bureau of National Affairs (BNA) Pension Reporter Advisory Board (1981-1987).

Testified before Committees of the United States House and Senate on ERISA and related matters.

Testified before several Canadian Commissions on pension reform.

Frequent radio and television commentator on economic and social affairs.

## **Exhibit B**

### **Prior Expert Testimony**

Jamal Kifafi, et al. v. Hilton Hotels Retirement Plan, Civil Action No. 98-1517 (CKK), filed in the United States District Court for the District of Columbia.

Janice C. Amara, et al. v. CIGNA Corp. and CIGNA Pension Plan, Civil Action No. 3:01-CV-2361(MRK) in the United States District Court for the District of Connecticut.

Engers, et al. v. AT&T and AT&T Management Pension Plan, Civil Action No. 98-CV-3660 (SRC) in the United States District Court for the District of New Jersey (Newark).

McCarthy, et al. v. Dun & Bradstreet, et al., Civil Action No. 03:CV 431(SRU) filed in the United States District Court for the District of Connecticut.

Shaver, et al. v. Siemens Westinghouse Retirement Plan, et al. Civil Action No. 02-1424 in the United States District Court for the Western District of Pennsylvania.

Loewy, et al. v. Motorola Inc. Pension Plan, et al., Case No. CV 03-2284 PHX FJM filed in the United States District Court for the District of Arizona.

Richards, et al. v. Fleet Boston Financial Pension Plan, Civil Action No. 3:04CV1638(JCH) filed in the United States District Court for the District of Connecticut.

Drutis, et al., v. Rand McNally & Company and Quebecor World, Inc., Civil Action No. 5:04-CV-00269-KSF in the United States District Court for the Eastern District of Kentucky.

George Tedeshi, et al. v. Mercer Human Resource Consulting, et al., Civil Action No. 04ca003566 in the Superior Court of the District of Columbia, Civil Division.

J. Michael Charles, et al. v. Pepco Holdings, Inc., et al., Civil Action No. 05-702 (SLR) filed in the United States District Court for the District of Delaware.

Sunder and Jarodsky v. U.S. Bank Pension Plan, et al., Civil Action No. 4:05-CV-01153-ERW in the United States District Court for the Eastern District of Missouri, Eastern Division.

Grant M. Walker, et al. v. Monsanto Company Pension Plan, et al., Civil Action No. 04-436-JPG in the United States District Court for the Southern District of Illinois.

**Documents Reviewed**

- Tomlinson v. El Paso Class Action Complaint filed December 29, 2004
- Plaintiffs' Opposition to the Motion to Dismiss
- Plaintiffs' Motion for Class Certification and Conditional Approval of ADEA Collective Action, with supporting brief and exhibits
- Judge Walker Miller's March 22, 2007 and March 19, 2008 Decisions
- El Paso Pension Plan document effective January 1, 2001
- CBP Select SPD dated August 23, 2002
- Mercer's Calculation Reference Manual for the El Paso Pension Plan
- Summary description with examples of Coastal benefit formula
- El Paso's Form 5500 for the 2002 plan year
- El Paso's Actuarial Valuation Report for the 2002 plan year
- Pension records for Wayne Tomlinson, Alice Ballesteros and Gary Muckelroy
- Online calculator benefit projections for Wayne Tomlinson, Alice Ballesteros and Gary Muckelroy (P-345 to 407)
- Sample data for Sonat and Coastal employees, including Scott W., James N., Carl S., Conrad B. and Anna G.
- An "extranet" for Mercer's BeneCalc pension administration system
- Spreadsheets for 956 El Paso, 547 Sonat and 1372 Coastal class members
- Declaration and exhibits of Kevin Minor of Mercer related to calculations of wear-away
- Ratios, graphs, data, scatter diagrams, PowerPoint slides, and actuarial assumptions related to Mercer's 1996 calculations of benefit reductions from the change to the cash balance formula

**El Paso Pension Plan**  
**Benefit Accrual Rates (Before Wear-away)**

Age (1)	Salary (2)	Pay Credits (3)	Value at Normal Retirement (4)	Benefit Accrual at Normal Retirement Age (5)	Rate of Benefit Accrual (6)
45	54,900	3,294	8,037	715	1.30%
46	57,096	3,997	9,157	815	1.43%
47	59,380	4,157	8,942	796	1.34%
48	61,755	4,323	8,732	777	1.26%
49	64,225	4,496	8,565	762	1.19%
50	66,794	4,676	8,420	749	1.12%
51	69,466	4,863	8,420	749	1.08%
52	72,245	5,057	8,420	749	1.04%
53	75,134	5,259	8,420	749	1.00%
54	78,140	5,470	8,420	749	0.96%
55	81,265	5,689	8,420	749	0.92%
56	84,516	5,916	8,420	749	0.89%
57	87,897	6,153	8,420	749	0.85%
58	91,413	6,399	8,420	749	0.82%
59	95,069	6,655	8,420	749	0.79%
60	98,872	6,921	8,420	749	0.76%
61	102,827	7,198	8,420	749	0.73%
62	106,940	7,486	8,420	749	0.70%
63	111,217	7,785	8,420	749	0.67%
64	115,666	8,097	8,420	749	0.65%
65	120,293	8,420	8,420	749	0.62%

**Assumptions**

Salary 1997	\$54,900
Salary Scale	4.00%
Pay Credit (in 1997 with 63 points)	6.00%
Pay Credit (in 1998 and later years)	7.00%
Interest Credit	Plan and 5-Year Treasury rates*
Discount Rate	5.32%
Mortality	GATT
Normal Retirement Age	65

\*6.5% in 1997-99, 6.03% in 2000, 5.78% in 2001, with minimum 4% rate thereafter.

**Comparison of Benefit Accruals and Accrued Benefits under Career Average and Final Average Formulas (Last 60 Months)**

Age	Service (Beginning of Year)	Annual Earnings	Final Average Earnings	<u>Final Average Accumulation</u>		<u>Career Average Accumulation</u>	
				Benefit Accrual	Accrued Benefit	Benefit Accrual	Accrued Benefit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
31	1	\$30,000	\$30,000	\$420	\$420	\$420	\$420
32	2	31,200	30,600	437	857	437	857
33	3	32,448	31,216	480	1,337	454	1,311
34	4	33,746	31,848	517	1,853	472	1,784
35	5	35,096	32,498	425	2,278	491	2,275
36	6	36,500	33,798	565	2,843	511	2,786
37	7	37,960	35,150	607	3,450	531	3,317
38	8	39,478	36,556	651	4,101	553	3,870
39	9	41,057	38,018	697	4,798	575	4,445
40	10	42,699	39,539	746	5,544	598	5,043
41	11	44,407	41,120	798	6,342	622	5,664
42	12	46,184	42,765	853	7,196	647	6,311
43	13	48,031	44,476	911	8,107	672	6,983
44	14	49,952	46,255	973	9,080	699	7,683
45	15	51,950	48,105	1,038	10,118	727	8,410
46	16	54,028	50,029	1,106	11,224	756	9,166
47	17	56,189	52,030	1,178	12,402	787	9,953
48	18	58,437	54,111	1,255	13,657	818	10,771
49	19	60,774	56,276	1,335	14,992	851	11,622
50	20	63,205	58,527	1,420	16,413	885	12,507
51	21	65,734	60,868	1,510	17,923	920	13,427
52	22	68,363	63,303	1,605	19,527	957	14,384
53	23	71,098	65,835	1,704	21,231	995	15,380
54	24	73,941	68,468	1,809	23,041	1,035	16,415
55	25	76,899	71,207	1,920	24,961	1,077	17,491
56	26	79,975	74,055	2,037	26,998	1,120	18,611
57	27	83,174	77,017	2,160	29,157	1,164	19,775
58	28	86,501	80,098	2,289	31,447	1,211	20,986
59	29	89,961	83,302	2,426	33,873	1,259	22,246
60	30	93,560	86,634	2,570	36,442	1,310	23,556
61	31	97,302	90,100	1,458	37,900	1,362	24,918
62	32	101,194	93,704	1,516	39,416	1,417	26,335
63	33	105,242	97,452	1,577	40,993	1,473	27,808
64	34	109,451	101,350	1,640	42,632	1,532	29,340
65	35	113,829	105,404	1,705	44,338	1,594	30,934

Benefit Accrual Rate as % of Final Average Earnings	1.40% (For first 30 years)	0.91%
	1.20% (For all service)	0.84%

Reduction Percentage	(For first 30 years)	35%
	(For all service)	30%

Assumptions:

- Salary Scale: 4%
- Service Limited to 30 Years under Final Average Plan
- Rate of Benefit Accrual of 1.4%

**EL PASO (EPNG) CASH BALANCE PENSION PLAN**  
**Reductions in Future Benefits**

**Wayne Tomlinson**

Age on January 1, 2002 50  
 Vest Service on January 1, 2002 24  
 FAME on January 1, 2002 \$9,910.70  
 Ann Salary 2001 \$145,401.00  
 Frozen Benefit on January 1, 2002 \$3,304.38  
 Cash Balance Account on January 1, 2002 \$133,414.50  
 Credited Service on January 1, 2002 22.4167  
 Net Accrual Rate (calculated) 0.0149

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
Year	Age at BoY	Credited Service at BoY	FAME at BoY	Integration Level (1/3 of SSWB)	Monthly Age 65 Benefit under Prior Plan (BoY)	Cash Balance Account at BoY	Cash Balance Proj to Age 65	Age 65 Benefit from Cash Bal	Age + Service	Pay Credit %	Interest Crediting %	Salary	Interest Credit	Pay Credit	Cash Balance @ 12/31	Cash Ben less Frozen Amount	Prior Plan Ben less Frozen Amount	Percentage Reduction in Future Benefits	
2002	50	22.42	9,911	2,358	3,304	133,415	240,272	1,782	74	7.00%	4.00%	151,217	5,577	10,585	149,577				
2003	51	23.42	10,307	2,452	3,575	149,577	259,018	1,921	76	7.00%	4.00%	157,266	6,240	11,009	166,825				
2004	52	24.42	10,719	2,550	3,876	166,825	277,776	2,060	78	7.00%	4.00%	163,556	6,947	11,449	185,221				
2005	53	25.42	11,148	2,652	4,197	185,221	296,544	2,199	80	7.00%	4.00%	170,089	7,701	11,907	204,828				
2006	54	26.42	11,594	2,759	4,536	204,828	315,324	2,339	82	7.00%	4.00%	176,903	8,504	12,383	225,715				
2007	55	27.42	12,058	2,869	4,898	225,715	334,114	2,478	84	7.00%	4.00%	183,979	9,359	12,879	247,954		0	1,592	100%
2008	56	28.42	12,540	2,984	5,278	247,954	352,915	2,617	86	7.00%	4.00%	191,338	10,270	13,394	271,618				
2009	57	29.42	13,042	3,103	5,682	271,618	371,728	2,757	88	7.00%	4.00%	198,991	11,239	13,929	296,786				
2010	58	30.42	13,563	3,227	6,026	296,786	390,550	2,897	90	7.00%	4.00%	206,951	12,269	14,487	323,542				
2011	59	31.42	14,106	3,356	6,267	323,542	409,384	3,036	92	7.00%	4.00%	215,229	13,365	15,066	351,973				
2012	60	32.42	14,670	3,490	6,518	351,973	428,229	3,176	94	7.00%	4.00%	223,838	14,528	15,669	382,170		0	3,214	100%
2013	61	33.42	15,257	3,630	6,779	382,170	447,085	3,316	96	7.00%	4.00%	232,792	15,764	16,295	414,229				
2014	62	34.42	15,867	3,775	7,050	414,229	465,951	3,456	98	7.00%	4.00%	242,103	17,075	16,947	448,251				
2015	63	35.42	16,502	3,926	7,332	448,251	484,828	3,596	100	7.00%	4.00%	251,787	18,467	17,625	484,343				
2016	64	36.42	17,162	4,083	7,625	484,343	503,717	3,736	102	7.00%	4.00%	261,859	19,943	18,330	522,616		572	4,626	88%
2017	65	37.42	17,849	4,247	7,930	522,616	522,616	3,876	-	7.00%	4.00%	-	-	-	-				

Exhibit F-2

**EL PASO (SONAT) CASH BALANCE PENSION PLAN**  
 Reductions in Future Benefits

Scott W.

Age on January 1, 2005 39  
 Vesting Service on January 1, 2005 8  
 FAME on January 1, 2005 \$6,095  
 AnnSalary 2004 \$76,068.00  
 Frozen Benefit on January 1, 2005 \$680.98  
 Cash Balance Account on January 1, 2005 \$24,060.99  
 Credited Service on January 1, 2005 7.1667  
 Net Accrual Rate (calculated) 0.0156

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Year	Age at BoY	Credited Service at BoY	FAME at BoY	Monthly Age 65 Benefit under Prior Plan (BoY)	Cash Balance Account at BoY	Cash Bal Proj to Age 65	Age 65 Cash Bal	Age + Service	Pay Credit %	Interest Crediting %	Salary	Interest Credit	Pay Credit	Cash Balance @ 12/31	Cash Bal Ben less Frozen Amount	Prior Plan Ben less Frozen Amount	Percentage Reduction in Future Benefits
2005	39	7.17	6,095	681	24,061	66,708	476	47	5.00%	4.00%	79,111	1,037	3,956	29,054			
2006	40	8.17	6,339	808	29,054	77,452	553	49	5.00%	4.00%	82,275	1,254	4,937	35,245			
2007	41	9.17	6,593	943	35,245	90,343	645	51	6.00%	4.00%	85,566	1,509	5,134	41,888			
2008	42	10.17	6,856	1,087	41,888	103,241	737	53	6.00%	4.00%	88,989	1,781	5,339	49,008			
2009	43	11.17	7,131	1,242	49,008	116,145	829	55	6.00%	4.00%	92,548	2,074	5,553	56,635			
2010	44	12.17	7,416	1,408	56,635	129,057	922	57	6.00%	4.00%	96,250	2,387	5,775	64,787	241	727	57%
2011	45	13.17	7,713	1,584	64,797	141,977	1,014	59	6.00%	4.00%	100,100	2,722	6,006	73,524			
2012	46	14.17	8,021	1,773	73,524	154,904	1,106	61	6.00%	4.00%	104,104	3,080	6,246	82,850			
2013	47	15.17	8,342	1,974	82,850	167,839	1,199	63	6.00%	4.00%	108,268	3,478	7,579	93,907			
2014	48	16.17	8,676	2,188	93,907	182,922	1,306	65	7.00%	4.00%	112,599	3,932	7,862	105,721			
2015	49	17.17	9,023	2,416	105,721	198,014	1,414	67	7.00%	4.00%	117,103	4,416	8,197	118,335	733	1,735	58%
2016	50	18.17	9,384	2,659	118,335	213,115	1,522	69	7.00%	4.00%	121,787	4,934	8,525	131,794			
2017	51	19.17	9,759	2,918	131,794	228,224	1,630	71	7.00%	4.00%	126,659	5,485	8,866	146,145			
2018	52	20.17	10,149	3,193	146,145	243,342	1,738	73	7.00%	4.00%	131,725	6,073	9,221	161,439			
2019	53	21.17	10,555	3,485	161,439	258,469	1,846	75	7.00%	4.00%	136,994	6,700	9,590	177,729			
2020	54	22.17	10,977	3,786	177,729	273,606	1,954	-	7.00%	4.00%	-	-	-	-	1,273	3,115	59%

Exhibit F-3

EL PASO (COASTAL) CASH BALANCE PENSION PLAN  
Reductions in Future Benefits

Anna G.

Age on April 1, 2006 50  
Vesting Service on April 1, 2006 21  
FAME on April 1, 2006 \$5,054  
AnnSalary 2005-1Q06 \$67,625.00  
Frozen Benefit on April 1, 2006 \$1,321.11  
Cash Balance Account on April 1, 2006 \$63,029.57  
Credited Service on April 1, 2006 21.0830  
Net Accrual Rate (calculated) 0.0124

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Year	Age at BoY	Credited Service at BoY	FAME at BoY	Monthly Benefit Age 65 under Plan (BoY)	Cash Balance Account at BoY	Cash Balance to Age 65	Age 65 Benefit from Cash Bal	Age + Service	Pay Credit %	Interest Crediting %	Salary	Interest Credit	Pay Credit	Cash Balance @ 12/31	Cash Bal Ben less Frozen Amount	Prior Plan Ben less Frozen Amount	Percentage Reduction in Future Benefits
2006	50	21.08	5,054	1,321	63,030	119,037	850	71	7.00%	4.33%	70,330	2,141	3,692	68,862			
2007	51	22.08	5,257	1,439	68,862	124,655	880	73	7.00%	4.33%	73,143	3,114	5,120	77,087			
2008	52	23.08	5,467	1,565	77,097	133,769	955	75	7.00%	4.33%	76,069	3,480	5,325	85,902			
2009	53	24.08	5,685	1,698	85,902	142,860	1,020	77	7.00%	4.33%	79,112	3,871	5,538	95,310			
2010	54	25.08	5,913	1,839	95,310	151,929	1,085	79	7.00%	4.33%	82,276	4,289	5,759	105,358			
2011	55	26.08	6,149	1,989	105,358	160,976	1,150	81	7.00%	4.33%	85,567	4,735	5,990	116,083	0	668	100%
2012	56	27.08	6,395	2,148	116,083	170,001	1,214	83	7.00%	4.33%	88,990	5,210	6,229	127,522			
2013	57	28.08	6,651	2,316	127,522	179,003	1,278	85	7.00%	4.33%	92,549	5,718	6,478	139,718			
2014	58	29.08	6,917	2,495	139,718	187,982	1,343	87	7.00%	4.33%	96,251	6,259	6,738	152,715			
2015	59	30.08	7,194	2,676	152,715	196,941	1,407	89	7.00%	4.33%	100,102	6,835	7,007	166,557			
2016	60	31.08	7,482	2,863	166,557	205,878	1,470	91	7.00%	4.33%	104,106	7,449	7,287	181,293	149	1,462	90%
2017	61	32.08	7,781	2,895	181,293	214,792	1,534	93	7.00%	4.33%	108,270	8,102	7,579	196,975			
2018	62	33.08	8,092	3,010	196,975	223,686	1,598	95	7.00%	4.33%	112,601	8,797	7,882	213,654			
2019	63	34.08	8,416	3,131	213,654	232,557	1,661	97	7.00%	4.33%	117,105	9,537	8,197	231,388			
2020	64	35.08	8,752	3,256	231,388	241,407	1,724	99	7.00%	4.33%	121,789	10,322	8,525	250,235	466	2,065	77%
2021	65	36.08	9,103	3,386	250,235	250,235	1,787		7.00%	4.33%							

**EL PASO (COASTAL) CASH BALANCE PENSION PLAN**  
**Reductions in Future Benefits**

**Conrad B.**

Age on April 1, 2006 39  
 Vesting Service on April 1, 2006 11  
 FAME on April 1, 2006 \$2,497  
 AnnSalary 2Q05-1Q06 \$35,147.50  
 Frozen Benefit on April 1, 2006 \$287.09  
 Cash Balance Account on April 1, 2006 \$11,908.82  
 Credited Service on April 1, 2006 11.1670  
 Net Accrual Rate (calculated) 0.0103

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Year	Age at BoY	Credited Service at BoY	FAME at BoY	Monthly Age 65 Benefit under Prior Plan (BoY)	Cash Balance Account at BoY	Cash Balance Proj to Age 65	Age 65 Cash Bal Benefit from	Age + Service	Pay Credit %	Interest Crediting %	Salary	Interest Credit	Pay Credit	Cash Balance @ 12/31	Cash Bal Ben less Frozen Amount	Prior Plan Ben less Frozen Amount	Percentage Reduction in Future Benefits
2006	39	11.17	2,497	287	11,909	35,852	256	50	6.00%	4.33%	36,553	420	1,645	13,974			
2007	40	12.17	2,597	325	13,974	40,322	288	52	6.00%	4.33%	38,016	652	2,281	16,907			
2008	41	13.17	2,701	366	16,907	46,762	334	54	6.00%	4.33%	39,536	783	2,372	20,062			
2009	42	14.17	2,809	410	20,062	53,184	380	56	6.00%	4.33%	41,118	923	2,467	23,452			
2010	43	15.17	2,921	456	23,452	59,592	426	58	6.00%	4.33%	42,762	1,074	2,566	27,092			
2011	44	16.17	3,038	508	27,092	66,984	471	60	6.00%	4.33%	44,473	1,236	2,668	30,996	184	219	16%
2012	45	17.17	3,160	559	30,996	72,359	517	62	6.00%	4.33%	46,252	1,409	2,775	35,181			
2013	46	18.17	3,286	615	35,181	78,719	562	64	6.00%	4.33%	48,102	1,603	3,367	40,151			
2014	47	19.17	3,417	675	40,151	86,111	615	66	7.00%	4.33%	50,026	1,824	3,502	45,477			
2015	48	20.17	3,554	738	45,477	93,487	668	68	7.00%	4.33%	52,027	2,061	3,642	51,180			
2016	49	21.17	3,696	806	51,180	100,843	720	70	7.00%	4.33%	54,108	2,314	3,788	57,282	433	519	17%
2017	50	22.17	3,844	878	57,282	108,183	773	72	7.00%	4.33%	56,272	2,585	3,939	63,807			
2018	51	23.17	3,998	954	63,807	115,503	825	74	7.00%	4.33%	58,523	2,875	4,097	70,779			
2019	52	24.17	4,158	1,035	70,779	122,807	877	76	7.00%	4.33%	60,864	3,185	4,260	78,223			
2020	53	25.17	4,324	1,121	78,223	130,091	929	78	7.00%	4.33%	63,289	3,515	4,431	86,169			
2021	54	26.17	4,497	1,212	86,169	137,358	981		7.00%	4.33%					694	925	25%

Exhibit G-1

**EL PASO (EPNG) CASH BALANCE PENSION PLAN**  
Duration of Wearaway by Age

Alice Bailesteros

50

Age on January 1, 2002

23

Vest/Service on January 1, 2002

25

FAME on January 1, 2002

\$5,210

Ann Salary 2001

\$63,104

Frozen Benefit on January 1, 2002

\$1,612.24

Cash Balance Account on January 1, 2001

\$66,398.44

**Duration of Wearaway**

11

Years (Present Value)

12

Years (Annuity at 5.50%)

12

Years (Annuity Purchase at 5.32%)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Year	Age at BoY	Service at BoY	Age + Service	FAME at BoY	Monthly Age 65 Benefit under Prior Plan (BoY)	Present Value of Prior Plan @ BoY	Cash Balance Account at BoY	Existence of Wearaway Based on Present Value	Cash Balance Projected to Age 65	Monthly Benefit under Cash Balance Plan BoY (Rate at 5.5%)	Existence of Wearaway Based on Annuity Purchase at 5.5%	Monthly Benefit under Cash Balance Plan BoY (5.32% Rate)	Existence of Wearaway Based on 2002 Purchase Rates
2002	50	23	73	5,210	1,612	96,899	96,398	Yes	119,580	900	Yes	887	Yes
2003	51	24	75	5,418	1,612	105,214	73,758	Yes	127,725	961	Yes	947	Yes
2004	52	25	77	5,635	1,612	110,811	81,603	Yes	135,875	1,022	Yes	1,008	Yes
2005	53	26	79	5,860	1,612	116,706	89,960	Yes	144,029	1,084	Yes	1,068	Yes
2006	54	27	81	6,095	1,612	122,915	98,859	Yes	152,189	1,145	Yes	1,129	Yes
2007	55	28	83	6,339	1,612	129,454	108,328	Yes	160,352	1,207	Yes	1,189	Yes
2008	56	29	85	6,592	1,612	136,341	118,400	Yes	168,521	1,268	Yes	1,250	Yes
2009	57	30	87	6,856	1,612	143,594	129,109	Yes	176,694	1,330	Yes	1,310	Yes
2010	58	31	89	7,130	1,612	151,233	140,487	Yes	184,872	1,391	Yes	1,371	Yes
2011	59	32	91	7,415	1,612	159,279	152,573	Yes	193,054	1,453	Yes	1,432	Yes
2012	60	33	93	7,712	1,612	167,753	165,406	Yes	201,242	1,514	Yes	1,493	Yes
2013	61	34	95	8,020	1,612	176,677	179,025	Yes	209,434	1,576	Yes	1,553	Yes
2014	62	35	97	8,341	1,612	186,076	193,473	Yes	217,631	1,638	Yes	1,614	Yes
2015	63	36	99	8,675	1,612	195,976	208,795	Yes	225,833	1,699	Yes	1,675	Yes
2016	64	37	101	9,022	1,612	206,401	225,037	Yes	234,039	1,761	Yes	1,736	Yes
2017	65	38	103	9,383	1,612	217,382	242,250	Yes	242,250	1,823	Yes	1,797	Yes
2018	66	39	105	9,758	1,612	228,947	260,484	Yes	250,466	1,885	Yes	1,858	Yes
2019	67	40	107	10,148	1,612	241,127	279,795	Yes	258,686	1,947	Yes	1,919	Yes
2020	68	41	109	10,554	1,612	253,955	300,240	Yes	266,912	2,008	Yes	1,980	Yes
2021	69	42	111	10,976	1,612	267,465	321,878	Yes	275,143	2,070	Yes	2,041	Yes
2022	70	43	113	11,415	1,612	281,694	344,773	Yes	283,378	2,132	Yes	2,102	Yes
2023	71	44	115	11,872	1,612	296,680	368,990	Yes	291,618	2,194	Yes	2,163	Yes
2024	72	45	117	12,347	1,612	312,464	394,600	Yes	299,863	2,256	Yes	2,224	Yes
2025	73	46	119	12,841	1,612	329,087	421,673	Yes	308,113	2,319	Yes	2,285	Yes
2026	74	47	121	13,354	1,612	346,594	450,289	Yes	316,367	2,381	Yes	2,346	Yes
2027	75	48	123	13,889	1,612	365,033	480,526	Yes	324,626	2,443	Yes	2,408	Yes
2028	76	49	125	14,444	1,612	384,453	512,469	Yes	332,890	2,505	Yes	2,469	Yes
2029	77	50	127	15,022	1,612	404,906	546,207	Yes	341,159	2,567	Yes	2,530	Yes
2030	78	51	129	15,623	1,612	426,447	581,831	Yes	349,433	2,629	Yes	2,592	Yes
2031	79	52	131	16,248	1,612	449,134	619,440	Yes	357,711	2,692	Yes	2,653	Yes
2032	80	53	133	16,898	1,612	473,027	659,135	Yes	365,994	2,754	Yes	2,714	Yes
2033	81	54	135	17,573	1,612	498,193	701,024	Yes	374,282	2,816	Yes	2,776	Yes

**EL PASO (SONAT) CASH BALANCE PENSION PLAN**

**Duration of Wearaway by Age**

**Scott W.**

Age on January 1, 2005 39  
 Vest/Service on January 1, 2005 8  
 FAME on January 1, 2005 \$6,095  
 AnnSalary 2004 \$76,068.00  
 Frozen Benefit on January 1, 2005 \$680.98  
 Cash Balance Account on January 1, 200 \$24,060.99

2 Years (Present Value)  
 3 Years (Annuity at 5.50%)  
 3 Years (Annuity Purchase at 4.86%)

**Duration of Wearaway**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Year	Age at BoY	Service at BoY	Age + Service	FAME at BoY	Monthly Age 65 Benefit under Prior Plan (BoY)	Present Value of Prior Plan @ BoY	Cash Balance Account at BoY	Existence of Wearaway Based on Present Value	Cash Balance Projected to Age 65	Monthly Age 65 Benefit under Cash Balance Plan (Rate at 5.5%)	Existence of Wearaway Based on Annuity Purchase at 5.5%	Monthly Age 65 Benefit under Cash Balance Plan (Rate) Based on 2005 Purchase Rates	Existence of Wearaway Based on 2005 Purchase Rates
2005	39	8	47	6,095	681	27,763	24,061	Yes	56,708	502	Yes	476	Yes
2006	40	9	49	6,339	681	29,113	28,898	Yes	77,038	580	Yes	550	Yes
2007	41	10	51	6,593	681	30,528	34,890	Yes	89,435	673	Yes	639	Yes
2008	42	11	53	6,856	681	32,011	41,319	Yes	101,839	766	Yes	727	Yes
2009	43	12	55	7,131	681	33,567	48,208	Yes	114,249	860	Yes	816	Yes
2010	44	13	57	7,416	681	35,198	55,585	Yes	126,665	953	Yes	905	Yes
2011	45	14	59	7,713	681	36,909	63,479	Yes	139,090	1,047	Yes	993	Yes
2012	46	15	61	8,021	681	38,703	71,919	Yes	151,521	1,140	Yes	1,082	Yes
2013	47	16	63	8,342	681	40,584	80,935	Yes	163,960	1,234	Yes	1,171	Yes
2014	48	17	65	8,676	681	42,556	91,619	Yes	178,464	1,343	Yes	1,275	Yes
2015	49	18	67	9,023	681	44,624	103,032	Yes	192,977	1,452	Yes	1,378	Yes
2016	50	19	69	9,384	681	46,793	115,217	Yes	207,499	1,561	Yes	1,482	Yes
2017	51	20	71	9,759	681	49,067	128,216	Yes	222,028	1,671	Yes	1,586	Yes
2018	52	21	73	10,149	681	51,452	142,076	Yes	236,566	1,780	Yes	1,689	Yes
2019	53	22	75	10,555	681	53,953	156,844	Yes	251,113	1,890	Yes	1,793	Yes
2020	54	23	77	10,977	681	56,575	172,573	Yes	265,668	1,999	Yes	1,897	Yes
2021	55	24	79	11,417	681	59,324	189,315	Yes	280,233	2,109	Yes	2,001	Yes
2022	56	25	81	11,873	681	62,207	207,126	Yes	294,804	2,218	Yes	2,105	Yes
2023	57	26	83	12,348	681	65,231	226,064	Yes	309,385	2,328	Yes	2,210	Yes
2024	58	27	85	12,842	681	68,401	246,193	Yes	323,974	2,438	Yes	2,314	Yes
2025	59	28	87	13,356	681	71,725	267,577	Yes	338,571	2,548	Yes	2,418	Yes
2026	60	29	89	13,890	681	75,211	290,285	Yes	353,176	2,658	Yes	2,522	Yes
2027	61	30	91	14,446	681	78,866	314,389	Yes	367,791	2,768	Yes	2,627	Yes
2028	62	31	93	15,023	681	82,699	339,964	Yes	382,413	2,878	Yes	2,731	Yes
2029	63	32	95	15,624	681	86,718	367,090	Yes	397,045	2,988	Yes	2,836	Yes
2030	64	33	97	16,249	681	90,933	395,851	Yes	411,685	3,098	Yes	2,940	Yes
2031	65	34	99	16,899	681	95,352	426,333	Yes	426,333	3,208	Yes	3,045	Yes
2032	66	35	101	17,575	681	99,986	458,630	Yes	440,990	3,318	Yes	3,149	Yes
2033	67	36	103	18,278	681	104,846	492,837	Yes	455,655	3,429	Yes	3,254	Yes
2034	68	37	105	19,009	681	109,941	529,056	Yes	470,329	3,539	Yes	3,359	Yes
2035	69	38	107	19,770	681	115,284	567,395	Yes	485,011	3,650	Yes	3,464	Yes
2036	70	39	109	20,560	681	120,887	607,964	Yes	499,702	3,760	Yes	3,569	Yes

**EL PASO (COASTAL) CASH BALANCE PENSION PLAN**  
Duration of Wearaway by Age

**Anna G.**

Age on April 1, 2006 50  
 Vest Service on April 1, 2006 21  
 FAME on April 1, 2006 \$5,054  
 Ann Salary 2Q05-1Q06 \$67,625.00  
 Frozen Benefit on April 1, 2006 \$1,321.11  
 Cash Balance Account on April 1, 2006 \$63,029.57

**Duration of Wearaway**

8 Years (Present Value)  
 7 Years (Annuity at 5.50%)  
 9 Years (Annuity Purchase at 4.68%)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Year	Age at BoY	Service at BoY	Age + Service	FAME at BoY	Monthly Age 65 Benefit under Prior Plan (BoY)	Present Value of Prior Plan @ BoY	Cash Balance Account at BoY	Existence of Wearaway Based on Present Value	Cash Balance Projected to Age 65	Monthly Benefit under Cash Balance Plan BoY (Rate at 5.5%)	Existence of Wearaway Based on Annuity Purchase at 5.5%	Monthly Benefit under Cash Balance Plan BoY (4.68% Rate)	Existence of Wearaway Based on 2006 Purchase Rates
2006	50	21	71	5,054	1,321	94,584	63,030	Yes	119,037	896	Yes	837	Yes
2007	51	22	73	5,257	98,989	68,718	68,718	Yes	124,394	936	Yes	875	Yes
2008	52	23	75	5,467	103,622	76,746	76,746	Yes	133,160	1,002	Yes	937	Yes
2009	53	24	77	5,685	108,472	85,327	85,327	Yes	141,904	1,068	Yes	998	Yes
2010	54	25	79	5,913	113,548	94,494	94,494	Yes	150,628	1,133	Yes	1,060	Yes
2011	55	26	81	6,149	118,862	104,281	104,281	Yes	159,330	1,199	Yes	1,121	Yes
2012	56	27	83	6,395	124,425	114,724	114,724	Yes	168,010	1,264	Yes	1,182	Yes
2013	57	28	85	6,651	130,248	125,860	125,860	Yes	176,670	1,329	Yes	1,243	Yes
2014	58	29	87	6,917	136,344	137,730	137,730	Yes	185,307	1,394	Yes	1,304	Yes
2015	59	30	89	7,194	142,724	150,375	150,375	Yes	193,924	1,459	Yes	1,364	Yes
2016	60	31	91	7,482	149,404	163,841	163,841	Yes	202,520	1,524	Yes	1,425	Yes
2017	61	32	93	7,781	156,396	178,173	178,173	Yes	211,095	1,588	Yes	1,485	Yes
2018	62	33	95	8,092	163,715	193,420	193,420	Yes	219,649	1,653	Yes	1,545	Yes
2019	63	34	97	8,416	171,377	209,635	209,635	Yes	228,183	1,717	Yes	1,605	Yes
2020	64	35	99	8,752	179,398	226,872	226,872	Yes	236,695	1,781	Yes	1,665	Yes
2021	65	36	101	9,103	187,793	245,187	245,187	Yes	245,187	1,845	Yes	1,725	Yes
2022	66	37	103	9,467	196,582	264,642	264,642	Yes	253,658	1,909	Yes	1,784	Yes
2023	67	38	105	9,845	205,782	285,299	285,299	Yes	262,109	1,972	Yes	1,844	Yes
2024	68	39	107	10,239	215,413	307,227	307,227	Yes	270,540	2,036	Yes	1,903	Yes
2025	69	40	109	10,649	225,494	330,494	330,494	Yes	278,950	2,099	Yes	1,962	Yes
2026	70	41	111	11,075	236,047	355,134	355,134	Yes	287,340	2,162	Yes	2,021	Yes
2027	71	42	113	11,518	247,094	381,347	381,347	Yes	295,709	2,225	Yes	2,080	Yes
2028	72	43	115	11,978	258,658	409,092	409,092	Yes	304,058	2,288	Yes	2,139	Yes
2029	73	44	117	12,458	270,764	438,498	438,498	Yes	312,388	2,351	Yes	2,198	Yes
2030	74	45	119	12,956	283,435	469,654	469,654	Yes	320,697	2,413	Yes	2,256	Yes
2031	75	46	121	13,474	296,700	502,655	502,655	Yes	328,986	2,476	Yes	2,314	Yes
2032	76	47	123	14,013	310,586	537,601	537,601	Yes	337,255	2,538	Yes	2,373	Yes
2033	77	48	125	14,574	325,121	574,599	574,599	Yes	345,505	2,600	Yes	2,431	Yes
2034	78	49	127	15,156	340,337	613,758	613,758	Yes	353,734	2,662	Yes	2,488	Yes
2035	79	50	129	15,763	356,264	655,195	655,195	Yes	361,944	2,724	Yes	2,546	Yes
2036	80	51	131	16,393	372,938	699,034	699,034	Yes	370,135	2,785	Yes	2,604	Yes
2037	81	52	133	17,049	390,391	745,401	745,401	Yes	378,306	2,847	Yes	2,661	Yes



**Wear-away Damages**  
**Pay Credit Accumulation in Wear-away**  
**El Paso (EPNG)**

**Alice Ballesteros**

Annuity Purchase wearaway	12
Monthly age 65 benefit under cash balance (BoY)*	1,553
Monthly age 65 benefit under cash balance (EoY)**	1,614
Frozen Benefit Amount on January 1, 2002	1,612
Quarter when wearaway ends (calculated)	4
Quarters of pay credits to accumulate (calculated)	48

\*Equals Monthly age 65 benefit under cash balance pension plan in year 2002 + wearaway period minus 1

\*\*Equals Monthly age 65 benefit under cash balance pension plan in year 2002 + wearaway period

Pay Credit Period <u>Ending on</u>	Amount of Pay <u>Credit</u>	Accum Factor <u>to 6/30/08</u>	Accumulation of pay credit <u>to 6/30/08</u>
3/31/2002	1,139.46	1.2891	\$1,468.93
6/30/2002	1,139.46	1.2764	1,454.39
9/30/2002	1,139.46	1.2637	1,439.99
12/31/2002	1,219.36	1.2512	1,525.70
3/31/2003	1,139.46	1.2388	1,411.61
6/30/2003	1,139.46	1.2266	1,397.64
9/30/2003	1,139.46	1.2144	1,383.80
12/30/2003	1,314.46	1.2024	1,580.52
3/31/2004	1,216.53	1.1905	1,448.28
6/30/2004	1,174.53	1.1787	1,384.44
9/30/2004	1,174.53	1.1670	1,370.73
12/31/2004	1,174.53	1.1555	1,357.16
3/31/2005	1,174.53	1.1441	1,343.72
6/30/2005	1,625.89	1.1327	1,841.68
9/30/2005	1,212.33	1.1215	1,359.64
12/31/2005	1,212.33	1.1104	1,346.18
3/31/2006	1,212.33	1.0985	1,331.79
6/30/2006	1,488.69	1.0868	1,617.87
9/30/2006	1,236.48	1.0751	1,329.39
12/31/2006	1,138.19	1.0636	1,210.61
3/31/2007		1.0526	0.00
6/30/2007		1.0416	<u>0.00</u>

**Grand Total**      **\$28,604**

**Total Under Wearaway**      **\$28,604**

**Wear-away Damages**  
**Pay Credit Accumulation in Wear-away**  
**(Sonat)**

**Scott W.**

Annuity Purchase wearaway	3
Monthly age 65 benefit under cash balance (BoY)*	639
Monthly age 65 benefit under cash balance (EoY)**	727
Frozen Benefit Amount on January 1, 2005	681
Quarter when wearaway ends (calculated)	2
Quarters of pay credits to accumulate (calculated)	10

\*Equals Monthly age 65 benefit under cash balance pension plan in year 2005 + wearaway period minus 1

\*\*Equals Monthly age 65 benefit under cash balance pension plan in year 2005 + wearaway period

<u>Pay Credit</u> <u>Period</u> <u>Ending on</u>	<u>Amount</u> <u>of Pay</u> <u>Credit</u>	<u>Accum</u> <u>Factor</u> <u>to 6/30/08</u>	<u>Accumulation</u> <u>of pay</u> <u>credit</u> <u>to 6/30/08</u>
3/31/2005	897.75	1.1441	1,027.07
6/30/2005	1,378.55	1.1327	1,561.52
9/30/2005	935.82	1.1215	1,049.53
12/31/2005	936.36	1.1104	1,039.74
3/31/2006	1,137.42	1.0985	1,249.50
6/30/2006	1,895.70	1.0868	2,060.20
9/30/2006	1,281.00	1.0751	1,377.25
12/31/2006	1,251.00	1.0636	1,330.59
3/31/2007	1,251.00	1.0526	1,316.77
6/30/2007	2,243.28	1.0416	<u>2,336.68</u>
		<b>Grand Total</b>	<b>\$14,349</b>
		<b>Total Under Wearaway</b>	<b>\$14,349</b>

**Wear-away Damages**  
**Pay Credit Accumulation in Wear-away**  
**(Coastal)**

**Anna G.**

Annuity Purchase wearaway	1
Monthly age 65 benefit under cash balance (BoY)*	1,267
Monthly age 65 benefit under cash balance (EoY)**	1,328
Frozen Benefit Amount on April 1, 2006	1,321
Quarter when wearaway ends (calculated)	4
Quarters of pay credits to accumulate (calculated)	4

\*Equals Monthly age 65 benefit under cash balance pension plan in year 2006 + wearaway period minus 1

\*\*Equals Monthly age 65 benefit under cash balance pension plan in year 2006 + wearaway period

Pay Credit Period <u>Ending on</u>	Amount of Pay <u>Credit</u>	Accum Factor <u>to 6/30/08</u>	Accumulation of pay credit <u>to 6/30/08</u>
6/30/2006	1,542.94	1.0868	1,676.83
9/30/2006	1,178.94	1.0751	1,267.52
12/31/2006	1,178.94	1.0636	1,253.95
3/31/2007	1,178.94	1.0526	1,240.92
6/30/2007	1,861.37	1.0416	<u>1,938.87</u>
		<b>Grand Total</b>	<b>\$7,378</b>
		<b>Total Under Wearaway</b>	<b>\$5,439</b>