Pensions - Handbooks (Company) ✓

CONTRIBUTORY ANNUITY PLAN

(As Amended in 1950)

RETIREMENT INCOME

[Chicago, Ill., 1951]

INTERNATIONAL HARVESTER Company.

TO HARVESTER MEN AND WOMEN:

The Contributory Annuity Plan as liberalized in 1950, and which is explained in this booklet, is a further indication of the Company's interest in the welfare of its employes and its desire to encourage them in building up retirement income for themselves and their beneficiaries. In 1950 the eligibility requirements were changed, the vesting provisions were liberalized, and minimum amounts of retirement income were established.

During 1950 some of the unions representing Harvester employes insisted upon a variety of plans of the non-contributory type under which retirement income is limited to certain specific amounts. The Contributory Annuity Plan, however, provides the opportunity to "build up" a larger retirement income because, in addition to the substantial contributions made by the Company, employes who participate also make contributions on their own behalf by regular payroll deductions. More Harvester employes are members of the Contributory Annuity Plan than any other retirement plan now in effect in our Company.

If you are already a member of the Plan, the booklet should be interesting to you and your family, and we urge you to continue your membership so that you will be entitled to all of the benefits it provides. If you are eligible to participate and have not yet made application for membership, we suggest that you study the Plan and its advantages as we believe it offers the means of accumulating additional retirement benefits.

Sincerely,

John L. McCaffrey

President

INTERNATIONAL HARVESTER COMPANY

CONTRIBUTORY ANNUITY PLAN

(As Amended in 1950)

THIS BOOKLET summarizes the principal features of the International Harvester Company's Contributory Annuity Plan.

With respect to Part I, the Company has entered into a group annuity contract with the John Hancock Mutual Life Insurance Company and the Connecticut General Life Insurance Company. It is not possible to set forth in this booklet the complete provisions of such contract. Such contract, however, constitutes the controlling document and if there should be any inconsistencies between it and this booklet or should this booklet omit matters contained in that contract which may be material, the terms of that contract will prevail.

Should any of the provisions of Part I and Part II of the booklet be inconsistent with the provisions of any applicable agreement between the Company and any collective bargaining agent which has accepted the Plan for the employes it represents, the provisions of such agreement shall prevail, subject, however, to the terms of the group annuity contract.

INTRODUCTION

On January 1, 1944, a Contributory Annuity Plan was offered to all salaried employes of the Company with five or more years of continuous service.

This Contributory Annuity Plan was amended February 1, 1950 and is now offered to employes with two or more years of continuous service, whether salaried or hourly paid, subject to agreements with the appropriate bargaining units in the case of employes represented by labor unions. The amended Plan provides for the same rates of employe contributions and annuity benefits as did the 1944 Contributory Annuity Plan, but certain other provisions have been liberalized.

The amended Contributory Annuity Plan became available on March 15, 1950, to managerial employes, and to salaried and non-salaried employes not represented by labor unions. As to employes represented by labor unions, the Plan is effective with respect to each bargaining unit on the date specified in the contract with the union accepting such Plan on behalf of the employes in such bargaining unit.

The Contributory Annuity Plan now offered consists of two parts as follows:

> Part I, which provides for the purchase of annuities by joint contributions of participating employes and the Company. The annuity benefits under this Part are provided under a group annuity contract issued to the Company by John Hancock Mutual Life Insurance Company and Connecticut General Life Insurance Company.
>
> Part II, which provides for supplemental payments, at Company expense, to employes whose retirement income from Social Security benefits, from annuities purchased by the Company's contributions under Part I, and from any other retirement benefits paid for by the Company, is less than the minimum monthly income to which they are entitled. Supplemental payments under Part II are not covered under the group annuity contract, but are provided through payments by the Company to a trust or an insurance company or companies, at the option of the Company.

The benefits of Part II are available only to those employes who participate in Part I; except, however, that any employe who is ineligible to participate in Part I because he is age 65 or over (60 or over for women) at the time the Plan becomes available to him, may still receive benefits under Part II if he is otherwise eligible for such benefits.

HIGHLIGHTS

OF

CONTRIBUTORY ANNUITY PLAN

(AS AMENDED IN 1950)

1. WHO MAY JOIN THE PLAN?

Any regular employe with two or more years of continuous service, unless he is in a collective bargaining unit represented by a labor union which has not accepted the Plan.

2. HOW MUCH DO I CONTRIBUTE?

Your contributions will be equal to 3% of the first $3,000, plus 6% of the excess over $3,000 of your annual earnings.

3. HOW MUCH RETIREMENT INCOME DOES THE PLAN PROVIDE FOR ME?

The Plan will provide a normal annual retirement income equal to ⅓ of the total of all of your contributions during membership in the Plan.

For employes retiring at or after age 65 with 25 years of continuous service, a minimum of $100 per month from Social Security benefits and from retirement benefits paid for by the Company is provided. In certain other cases a reduced minimum is provided.

4. WHEN DO I RETIRE?

Your normal retirement date is the first day of the month following your 65th birthday (60th for women) unless such birthday is on the first day of a month, in which event your normal retirement date is your 65th birthday (60th for women). Provision is made for earlier retirement under certain conditions.

5. HOW IS MY RETIREMENT INCOME PAID?

It normally is paid monthly. Under the normal form of annuity this monthly payment will be made to you during your lifetime after retirement, with a minimum of 10 years' payments. Other forms of annuity are available.

6. WHAT IF I DIE BEFORE I RETIRE?

(a) If you die before age 55 (50 for women) your beneficiary will be paid your contributions with credited interest.

(b) If you die between ages 55 and 65 (50 and 60 for women), under the normal form of annuity, your beneficiary will be paid, for 10 years, a monthly annuity equal to the amount which would have been paid to you if you had elected an early retirement effective at the time of your death.

7. WHAT IF I LEAVE THE HARVESTER COMPANY BEFORE I RETIRE?

(a) You may have your contributions with interest returned to you if you are under age 55 (50 for women).

(b) If you have 15 or more years of continuous service at the time of termination, and do not withdraw your own contributions, you will have a right to receive at normal retirement date an annuity based on both your own and the Company's contributions or you may elect to take such annuity on a reduced basis at an earlier retirement date.

(c) If you leave after 55 (50 for women), regardless of your length of service, you cannot withdraw your own contributions, but you will have the right to receive at normal retirement date an annuity based on both your own and the Company's contributions or you may elect to take such annuity on a reduced basis at an earlier retirement date.

8. WHAT HAPPENS UPON MY DEATH AFTER RETIREMENT?

If you have not received your annuity payments for 10 years, your beneficiary, under the normal form of annuity, will receive these payments for the balance of the 10 year period.

Other questions and answers will be found on pages 18 to 25 and on page 36.

PART I

PROVISIONS COVERING ANNUITIES PURCHASED BY JOINT CONTRIBUTIONS OF EMPLOYES AND THE COMPANY

MEMBERSHIP

ELIGIBILITY

1. Any regular employe of the Company less than 65 years of age (60 for women) who has two years of continuous service with the Company is eligible to participate in the Plan if he meets either of the following conditions:

(a) He is not in a collective bargaining unit represented by a labor union.

(b) He is in a collective bargaining unit represented by a labor union, and the union has accepted the Plan on behalf of the employes in such bargaining unit.

JOINING THE PLAN

2. An eligible employe may join the Plan on the date he becomes eligible or at any time thereafter. His participation in the Plan will become effective on the first day of the month following the date he joins the Plan. In order to join the Plan and become entitled to its benefits, an eligible employe must sign and file with the Company an application, designating his beneficiary and authorizing deduction from his earnings of the required contributions. An employe may change his beneficiary at any time by filing with the Insurance Companies the form provided for that purpose.

CERTIFICATE OF MEMBERSHIP

3. The Insurance Companies will issue a certificate of membership to each employe who joins the Plan.

CONTRIBUTIONS AND ANNUITY BENEFITS

CONTRIBUTIONS BY EMPLOYES

4. Each participating employe will contribute, through regular payroll deductions, amounts equalling 3% of the first $3,000 of his earnings received in each calendar year, plus 6% of his earnings in excess of $3,000. For this purpose, earnings shall include all compensation from the Company.

COMPANY CONTRIBUTIONS AND ANNUITY BENEFITS

5. The Company's contributions during each fiscal year will be such amount as is necessary, together with the employe's contributions, to provide for each employe an annuity equal to 33⅓% of his contributions during the year, said annuity to begin at his normal retirement date as defined in paragraph 6. This annuity is designated as the employe's normal annuity.

RETIREMENT UNDER THE PLAN

NORMAL RETIREMENT DATE

6. The normal retirement date of an employe is the first day of the month coincident with or next following his 65th birthday (60th for women).

7. An employe who retires on his normal retirement date (and who has not elected an optional form of annuity) will be entitled to the full annuity purchased for him under the Plan (33⅓% of his total contributions). On reaching normal retirement date, an employe's contributions shall stop and his annuity shall begin.

EARLY RETIREMENT DATE

8. The early retirement date of an employe may be the first day of any month within the 10 year period prior to his normal retirement date. An employe who retires on an early retirement date will be entitled to receive an annuity of such amount as the total of his own contributions and the contributions by the Company on his behalf up to such early retirement date will buy under the terms of the group annuity contract, such annuity to begin on the first day of the month the employe may elect, but not later than his normal retirement date.

NORMAL FORM OF ANNUITIES

9. The normal form of annuity will be payable from the employe's normal or earlier retirement date and will stop with the last payment prior to his death; except that in case a retired employe dies prior to having received 10 years of annuity payments, his beneficiary will receive the annuity payments due for the balance of the 10 year period. In case a retired employe dies after having received 10 years of annuity payments, no payments will be made to his beneficiary.

CONTINGENT ANNUITANT OPTION

10. An employe will have the right to elect an optional form of annuity, termed the "contingent annuitant option," providing a reduced income during his lifetime and, after his death, a life income to a surviving contingent annuitant designated by him at the time the election is made. The election

of this option is subject to certain restrictions in the group annuity contract which include the requirement that the employe make his election at least five years before retirement, or if he requests such option within the five-year period he must furnish evidence of good health.

LIFE ANNUITY OPTION

11. An employe will have the right to elect an optional form of annuity, termed the "life annuity option," providing somewhat larger monthly payments than he would receive under the normal form, but payable for his life only, without any payments to a beneficiary in case of death after retirement. This option must be elected at least one year prior to retirement.

PAYMENT OF ANNUITIES

12. Retirement annuities are payable in monthly installments. If any monthly amount payable under the Plan, either to an employe or to his designated beneficiary is less than $10 per month, the Insurance Companies reserve the right to pay such annuity in quarterly installments or to make a cash settlement as provided by the group annuity contract.

TERMINATION OF EMPLOYMENT

TERMINATION BEFORE AGE 55 (50 FOR WOMEN)

13. (a) If an employe's service with the Company is terminated prior to age 55 (50 for women) and prior to his completion of 15 years of continuous service, he may elect to take a cash refund equal to the total of his own contributions under the Plan, plus such interest as the group annuity contract provides, or he may elect to purchase a paid-up annuity in such amount as his own contributions will buy under the group annuity contract.

(b) If an employe's service with the Company is terminated prior to age 55 (50 for women) and he has at the time of such termination 15 years of continuous service to his credit, he may at the time of termination elect to take a cash refund equal to the total of his own contributions under the Plan, plus such interest as the group annuity contract provides. If, however, he does not withdraw his own contributions, he will be entitled to receive at his normal retirement date an annuity based upon both his own contributions and the Company's contributions on his behalf, or he may elect to take such an annuity on a reduced basis after attaining age 55 (50 for women).

TERMINATION AFTER AGE 55 (50 FOR WOMEN)

14. If an employe's service with the Company is terminated after age 55 (50 for women), regardless of his length of service, he will not be entitled to a cash refund of his own contributions, but he will be entitled to receive at his normal retirement date an annuity based upon both his own contributions and the Company's contributions, or he may elect to take such an annuity on a reduced basis at an earlier retirement date.

DEATH BEFORE AGE 55 (50 FOR WOMEN)

15. If an employe dies before age 55 (50 for women) an amount equal to the total of his own contributions under the Plan, with interest as the group annuity contract provides, will be paid to his designated beneficiary.

DEATH AFTER AGE 55 (50 FOR WOMEN) AND BEFORE ANNUITY PAYMENTS BEGIN

16. If an employe dies after age 55 (50 for women) and before his normal or early retirement date, the death benefits will be as follows:

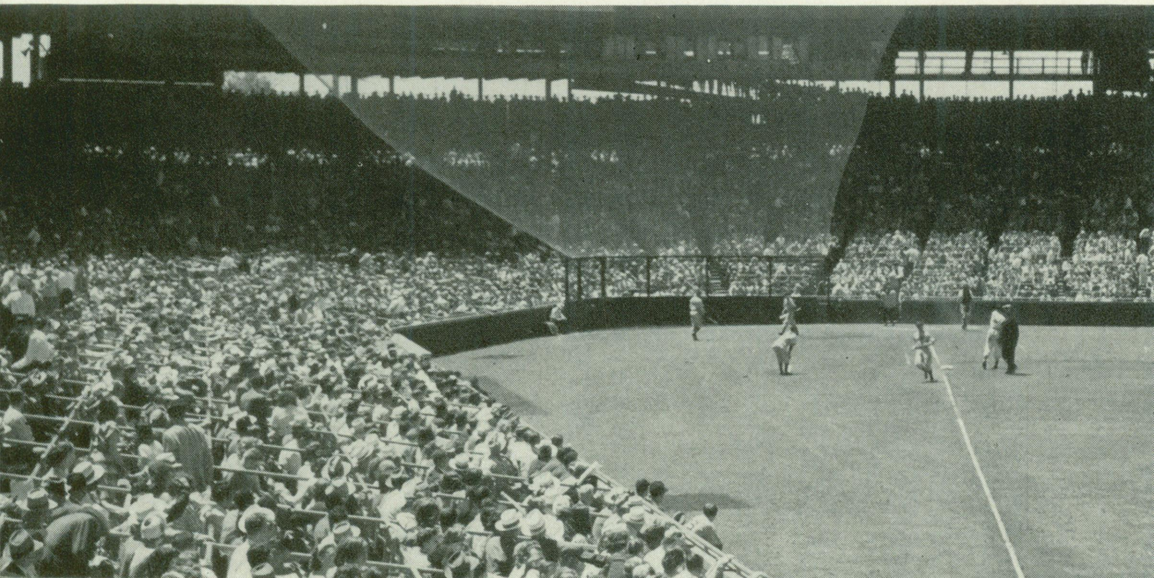
(a) If he had not elected an optional form of annuity, his designated beneficiary will be paid for 10 years a monthly annuity equal to that which the employe would have been entitled to receive had he retired on the first day of the month following that in which he died, and had elected to have his annuity payments commence on such date.

(b) If he had elected the contingent annuitant option (see paragraph 10), the contingent annuitant will be paid the annuity provided by that option.

(c) If he had elected the life annuity option (see paragraph 11), his designated beneficiary will be paid for 10 years a monthly annuity determined in the same manner and to the same extent as in (a) above.

DEATH AFTER ANNUITY PAYMENTS BEGIN

17. When a retired employe dies, death benefits, if any, will be determined in accordance with the form of annuity which is in effect for him. (See paragraphs 9, 10, and 11.)



GENERAL PROVISIONS

CONTINUOUS SERVICE

18. In the case of employes who are in a collective bargaining unit represented by a labor union, and there is in effect a contract with that union accepting this Plan on behalf of such employes, which contract specifies how continuous service shall be determined, such contract shall govern the determination of continuous service for purposes of this Plan. In all other cases, continuous service for purposes of this Plan shall begin with the date of employment, provided continuity of service has not been broken by any of the following reasons:

(a) An employe voluntarily leaves the Company's employ.

(b) An employe is discharged.

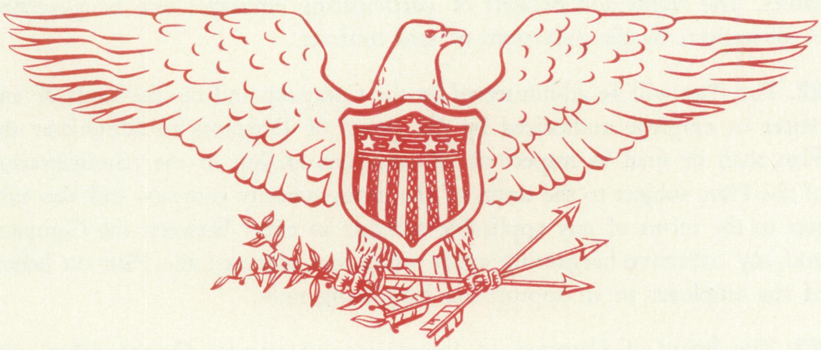
(c) Due to layoff because of no work, a period of more than three years has elapsed since the employe last worked for the Company.

(d) An employe who has been laid off because of no work fails to report when recalled within a period of five working days. This five-day period may be waived provided a satisfactory explanation is given for not reporting.

(e) An employe fails to report for work at the termination of a leave of absence or vacation unless prevented from doing so by a satisfactory reason.

(f) An employe retires under this Plan or any other plan of the Company.

Former employes re-entering service after their continuity of service has been broken by any of the foregoing reasons shall be considered new employes and their continuous service will be computed from the date they re-enter service.



MILITARY SERVICE

19. An employe's absence while serving in the armed forces of the United States shall not be regarded as a break in the continuity of service under this Plan provided such military service is of the type for which re-employment rights are provided by law, and provided further that such absence does not exceed the time required to perform such military service and the employe thereafter applies for re-employment with the Company within the period prescribed by law.

ASSIGNMENT OF BENEFITS

20. The purpose of the Plan being to provide retirement annuities for employes, the Company's contributions are made upon the condition that an employe may not withdraw his contributions so long as his continuity of service with the Company has not been broken, and that none of the benefits provided by the Plan may be borrowed against, assigned, or anticipated at any time.

ADMINISTRATION OF PLAN

21. All contributions to the Plan by employes and the Company will be remitted currently by the Company to the John Hancock Mutual Life Insurance Company on behalf of the Insurance Companies. Each Insurance Company will assume a portion of the liability for annuity payments, refunds, and death benefits due to employes and beneficiaries in the proportion and to the extent that it has received premiums for these purposes. The John Hancock Mutual Life Insurance Company is the administrator of the group annuity contract and makes all payments of benefits on behalf of both companies. The rights and benefits of participating employes will be governed in all respects by the provisions of said contract.

22. The Plan will be administered by the Company and the decisions of any officer or employe authorized by the Board of Directors to administer the Plan shall be final in respect of all questions arising in the administration of the Plan, subject to the terms of the group annuity contract, and also subject to the terms of any applicable contract in effect between the Company and any collective bargaining agent which has accepted the Plan on behalf of the employes in an appropriate bargaining unit.

23. The Board of Directors of International Harvester Company has used and will use its best judgment in selecting or approving the Insurance Companies with which annuity contracts are written for the benefit of employes, but no liability for the payment of benefits to employes or their beneficiaries under the Plan shall be imposed upon the Company, the officers or directors, or the stockholders.

AMENDMENT OR TERMINATION OF THE PLAN

24. The Company hopes that this Plan will prove of value both to employes and the Company and that it may be continued indefinitely. To meet any changed conditions, the Company reserves the right to change, amend, or discontinue the Plan if and when this is advisable in its judgment, provided that no such action shall deprive any employe of any rights acquired by reason of contributions theretofore made under the Plan, and provided also that no such action shall be made with respect to any eligible group of employes which is contrary to the terms of any agreement in effect between the Company and a collective bargaining agent representing such group. The Plan is offered in the belief that it meets all governmental requirements as set out in Sections 165 and 23(p) of the Internal Revenue Code and the Treasury Regulations authorized to be issued thereunder, and that if any such laws and regulations should require retroactive changes preventing the carrying out of any part of the Plan, such adjustments as equity may require will be made with any employe adversely affected.

QUESTIONS AND ANSWERS TO PART I

MEMBERSHIP

ELIGIBILITY

1. Q. What employes are eligible to join the Plan?

A. Any regular employe less than 65 years of age (60 for women), with two or more years of continuous service, who is not in a collective bargaining unit represented by a labor union; or who is in a collective bargaining unit represented by a labor union which has accepted the Plan on behalf of the employes it represents.

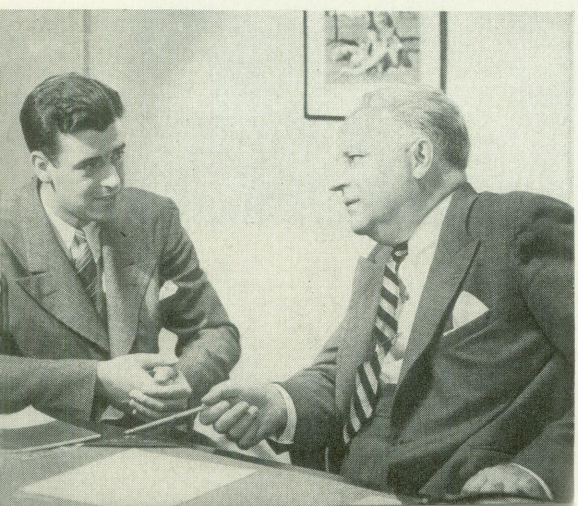
2. Q. When will an employe who is otherwise eligible but who now has less than two years of continuous service be eligible to join the Plan?

A. On the date he completes two years of continuous service.

JOINING THE PLAN

3. Q. What must an eligible employe do to join the Plan?

A. Complete and sign the application furnished to him which includes designation of a beneficiary and authorization for the Company to make the required payroll deductions.



4. Q. Does an employe have to pass a medical examination to join the Plan?

A. No.

5. Q. If an employe does not join the Plan as soon as he is eligible, may he do so at a later date?

A. Yes, but in order to qualify for the minimum monthly retirement income (See Part II) the employe must join within 60 days after he becomes eligible or before age 35, whichever is later.

6. Q. What is the effect if an employe does not join the Plan as soon as eligible within the time periods provided?

A. Neither he nor the Company will contribute during the period he is not a member and therefore his annuity will be proportionately smaller. Moreover, if he does not join within the periods specified in answer to question 5, he will lose his right to qualify for the minimum monthly retirement income.

CERTIFICATE OF MEMBERSHIP

7. Q. What evidence will an employe have to show his participation?

A. He will receive a certificate issued by the Insurance Companies which will indicate his inclusion under the group annuity contract and the name of his beneficiary.

BENEFICIARIES

8. Q. Who may be named as beneficiary?

A. Wife, husband, or anyone an employe may desire, including his estate. The employe may name joint beneficiaries or contingent beneficiaries.

9. Q. May an employe later change his beneficiary?

A. Yes.

10. Q. Why is it advisable to name a person as beneficiary?

A. Because the person named as beneficiary will be entitled to receive any death benefits payable, without legal proceedings.

11. Q. If the person named as beneficiary is not living at the employe's death, to whom is the death benefit paid?

A. The Insurance Companies will pay the death benefit to the executors or administrators of the employe's estate, except that the Insurance Companies may, in such a case, at their option make payment of such amount to anyone of, or jointly to, any member of the following surviving relatives of the employe: wife, husband, mother, father, child or children, brother or brothers, sister or sisters.

CONTRIBUTIONS AND ANNUITY BENEFITS

CONTRIBUTIONS BY EMPLOYES

12. Q. What contributions are required of a participating employe?

A. A participating employe is required to contribute 3% of his earnings until such time as he has earned $3,000 in a calendar year. Thereafter his contributions will be at the rate of 6% of his earnings for the balance of the calendar year.

13. Q. If at the time an employe joins the Plan he has earned $2,400 in that calendar year what will be his rate of contributions for the remainder of that year?

A. On the next $600 of his earnings his contribution will be at 3%; thereafter at 6%.

14. Q. May an employe contribute more than or less than the above rates?

A. No.

15. Q. How will these contributions be made?

A. By payroll deductions only.

16. Q. May an employe make contributions when he is not receiving pay?

A. No.

17. Q. When will the first payroll deduction be made after an employe joins the Plan?

A. The first payroll deduction will be made from his first pay of the following month.

18. Q. How often does an employe contribute?

A. (a) If he is paid weekly, each pay day.

(b) If he is paid semi-monthly or monthly, his full contribution will be deducted from his pay at the end of the month.

19. Q. What does the Company do with the contributions it collects from the employes?

A. These contributions, together with the Company contributions, are paid each month to the Insurance Companies.

20. Q. May an employe withdraw his contributions in whole or in part?

A. No.

21. Q. Will an employe receive regular statements of the total amount of his contributions?

A. Yes. A statement of his account will be sent to him annually by the Company.

CONTRIBUTIONS BY THE COMPANY

22. Q. What will the Company contribute toward the cost of the Plan?

A. Based upon past experience the Company will contribute about 65% of the total cost of the annuities and the employes will contribute about 35%. In addition, the Company will pay the administrative cost.

ANNUITY BENEFITS

23. Q. What is the amount of the annuity which will be purchased each year with the joint contributions of the employe and the Company?

A. The amount of the annuity thus purchased will be equal to ⅓ of the employe's contributions during that year, based upon the normal form of annuity to begin at normal retirement date.

24. Q If an employe retires before age 65 (60 for women) or elects an optional form of annuity, will the amount of his annuity be affected?

A. Yes. (See questions 28 and 32).

RETIREMENT UNDER THE PLAN

NORMAL RETIREMENT DATE

25. Q. What is the normal retirement date at which an employe becomes eligible for annuity benefits?

A. The first day of the month coincident with or next following the date he reaches age 65 (60 for women).

26. Q. What will be the amount of an employe's annuity benefit at the normal retirement date?

A. He will receive each year an amount equal to ⅓ of the total contributions made by him.

EARLY RETIREMENT

27. Q. May an employe retire before the normal retirement age of 65 (60 for women) and receive benefits under this Plan?

A. Yes, an employe may retire at any time after he reaches age 55 (50 for women).

28. Q. If an employe retires prior to his normal retirement age and elects to have the annuity payments start at once, what effect will it have on his annuity?

A. The amount of his annuity will be reduced in accordance with his age at retirement.

29. Q. What is the reason for this reduction?

A. This reduction is necessary because the payments start at an earlier age and will normally be paid over a longer period of time.

NORMAL FORM OF ANNUITY

30. Q. What is meant by normal form of annuity?

A. This term means the annuity benefits which an employe will receive if he has not elected an optional form of annuity.

31. Q. For how long will annuity payments be made under the normal form of annuity?

A. For the remainder of the employe's life with a minimum of 10 years' payments.

Example—Assume an employe has contributed $2,520 to the Plan. He will be entitled to an annuity equal to ⅓ of his contributions or $840 each year. This annuity will be paid for 10 years certain or for life whichever is longer. This means that if he dies within the 10 year period, he and his beneficiary will receive annual payments of $840 for 10 years or a total of $8,400. However, if he lives for 20 years after retirement, he will have received 20 annual payments of $840 or a total of $16,800.

OPTIONAL FORMS OF ANNUITY

32. Q. What optional form of annuity may an employe elect instead of the normal form of annuity?

A. The following options are available:

(a) Contingent annuitant (joint annuity) option.
If this option is elected, the employe has the right to name some other person, called a contingent annuitant, to receive annuity payments after his death. In such event, the annuity paid to the employe will be smaller, but upon the death of the employe, annuity payments will be continued to the contingent annuitant as long as he or she lives.

(b) Life annuity (no refund) option.
If this option is elected, a somewhat larger annuity will be paid the employe after his retirement but for his life only, without any payments to a beneficiary in case of death after retirement.

33. Q. If the employe wishes to choose one of these options in place of the normal form of annuity, what are the requirements?

A. In general, the requirements are:

(a) The contingent annuitant option must be elected at least five years before an employe retires, unless the employe furnishes the Insurance Companies with satisfactory evidence of good health. After this option has been granted, the contingent annuitant cannot be changed nor can the option be cancelled unless such change or cancellation is approved by the Insurance Companies.

(b) The life annuity option must be elected at least one year before an employe retires. When this option is granted, it cannot be cancelled unless such cancellation is approved by the Insurance Companies.

34. Q. If an employe has elected the contingent annuitant option and his contingent annuitant dies before his retirement, what is the effect?

A. His election of the contingent annuitant option will cease to be in effect and he will receive an annuity on the basis of the normal form.

35. Q. If an employe has elected the contingent annuitant option and he dies before his retirement, what is the effect?

A. His election of the contingent annuitant option is inoperative if his age is less than 55 (50 for women). If the employe is over 55 (50 for women), the contingent annuitant will be paid an annuity for life. The amount of the annuity will be based on the total of the employe's and the Company's contributions to the date of his death and also on the attained ages of the employe and his contingent annuitant.

PAYMENT OF ANNUITIES

36. Q. When will an employe receive his first annuity payment?

A. As of the first day of the month coincident with or next following attainment of his normal or earlier retirement age. Normally the annuity will be paid monthly, each payment being one-twelfth of the yearly amount.

TERMINATION OF EMPLOYMENT

TERMINATION BEFORE AGE 55 (50 FOR WOMEN)

37. Q. If the employe, who has less than 15 years of continuous service, terminates his employment or if the Company terminates his employment before age 55 (50 for women) what are his rights?

A. He may withdraw his own contributions together with such interest as the group annuity contract may provide (at present 2% compounded annually) or he may elect to receive a paid-up annuity in such amount as his own contributions will buy.

38. Q. If an employe, who has more than 15 years of continuous service, terminates his employment or if the Company terminates his employment before age 55 (50 for women), what are his rights?

A. He may withdraw his own contributions and accumulated interest. If, however, he does not withdraw his own contributions, he will be entitled to receive at his normal retirement date, an annuity based upon both his own and the Company's contributions or he may elect to take such an annuity on a reduced basis at an earlier retirement date.

TERMINATION AFTER AGE 55 (50 FOR WOMEN)

39. Q. If an employe terminates his service or if the Company terminates his employment after age 55 (50 for women), what are his rights?

A. He cannot withdraw his own contributions. He will, however, be entitled to receive at his normal retirement date, an annuity based upon both his own and the Company's contributions or he may elect to take such an annuity on a reduced basis at an earlier retirement date. This is true, regardless of the length of continuous service of the employe.

PAYMENTS AFTER DEATH

DEATH BEFORE AGE 55 (50 FOR WOMEN)

40. Q. If an employe dies before age 55 (50 for women), what will his beneficiary receive?

A. His beneficiary will be paid an amount equal to the total of the employe's contributions together with accumulated interest.

41. Q. If an employe who has terminated his service with the Company dies before age 55 (50 for women), what will his beneficiary receive?

A. If he has not withdrawn his contributions, his beneficiary will receive an amount on the same basis as the beneficiary in question 40. (This is true regardless of the length of his service.)

DEATH AFTER AGE 55 (50 FOR WOMEN) AND BEFORE ANNUITY PAYMENTS BEGIN

42. Q. If an employe dies after age 55 (50 for women) and before his annuity payments begin, what will his beneficiary receive?

A. Under the normal form of annuity, his beneficiary will be paid for 10 years the same annuity which the employe would have been entitled to receive according to his age at the time of death. If the employe had elected the contingent annuitant option, his surviving contingent annuitant will be paid for life the annuity provided under that option. If the employe had elected the life annuity option, such option will cease to be in effect and the payments to his beneficiary will be the same as under the normal form of annuity.

43. Q. If an employe who has terminated his service with the Company after 15 years of continuous service and has not withdrawn his contributions, dies after age 55 (50 for women) and before his annuity payments begin, what will his beneficiary receive?

A. His beneficiary (or contingent annuitant) will receive the same benefits as those described in question 42, in accordance with the form of annuity in force for him.

DEATH AFTER ANNUITY PAYMENTS BEGIN

44. Q. If an employe dies within 10 years after annuity payments begin, what are the rights of his beneficiary?

A. Under the normal form of annuity, the same annuity payments will be continued to his beneficiary for the balance of the ten-year period.

Example—Assume that an employe has contributed $2,520. If the employe retires at age 65 and dies at age 67, the employe will have received annuity payments of $840 (1/3 of $2,520) for two years and his beneficiary will receive annuity payments of $840 for eight years more. Thus, a total of $8,400 will have been paid to the employe and his beneficiary.

If he had elected the contingent annuitant option, his surviving contingent annuitant will continue to receive for life the annuity provided under that option.

If he had elected the life annuity option, no payments will be made to anyone after his death.

45. Q. If an employe dies more than 10 years after annuity payments begin, what are the rights of his beneficiary?

A. Under the normal form of annuity no further payments will be made to anyone.

If he had elected the contingent annuitant option, his surviving contingent annuitant will continue to receive for life the annuity provided under that option.

If he had elected the life annuity option, no payments will be made to anyone.

PART II

PROVISIONS COVERING MINIMUM MONTHLY RETIREMENT INCOME

If the monthly retirement income of a retired employe from Social Security benefits and from retirement benefits paid for by the Company is less than the minimum monthly retirement income to which he is entitled under these provisions, the difference will be made up by a supplemental payment as provided herein.

The term "retirement benefits paid for by the Company" as used herein means the retirement income an employe will be entitled to receive upon retirement from the normal form of annuity purchased *by Company contributions* under the Contributory Annuity Plan (Part I), and retirement benefits paid for by the Company under any other plan or plans.

This supplemental payment is entirely separate from the annuity provided by the group annuity contract under the Contributory Annuity Plan and it is not covered by the provisions of that contract. All supplemental payments are provided entirely at the expense of the Company.

ELIGIBILITY

1. In order to qualify for a minimum monthly retirement income an employe must meet the following conditions:

(a) He must join the Contributory Annuity Plan within 60 days after first becoming eligible, or before reaching age 35, whichever is later;

(b) he must continue participation in the Contributory Annuity Plan until his retirement, making contributions continuously except during temporary absences when no earnings are received;

(c) he must retire with 10 or more years of continuous service at normal retirement age 65, with 25 or more years of continuous service for earlier retirement at or after age 60, or with 15 or more years of continuous service upon becoming totally and permanently disabled at or after age 55;

provided, however, that conditions (a) and (b) above will not apply to an employe age 65 or over (60 or over for women) at the time the Contributory Annuity Plan is first made available to him, such employe being considered to qualify for minimum monthly retirement income if he meets condition (c) above.

MINIMUM MONTHLY RETIREMENT INCOME FOR EMPLOYES RETIRING AT AGE 65

2. The minimum monthly retirement income of an employe retiring at age 65 with 10 or more years of continuous service shall be computed as follows:

(a) If he has 25 or more years of continuous service with the Company, a minimum monthly retirement income of $100 less the monthly benefit payable to him under the Federal Social Security Act. (See Example I, page 32.)

(b) If he has 10 or more but less than 25 years of continuous service with the Company, a minimum monthly retirement income which bears the same ratio to $100 less the monthly benefit payable to him under the Federal Social Security Act, as the number of his completed years of continuous service bears to 25 years. (See Example II, page 33.)

If the amount of monthly retirement income as computed above is in excess of the employe's monthly retirement benefits paid for by the Company, he will receive a monthly supplemental payment equal in amount to such excess.

In addition to the minimum monthly retirement income, the employe shall receive whatever annuity has been purchased by his own contributions under the Contributory Annuity Plan.

MINIMUM MONTHLY RETIREMENT INCOME FOR EMPLOYES RETIRING BETWEEN THE AGES OF 60 AND 65

3. The minimum monthly retirement income of an employe retiring at or after age 60, but before age 65, with 25 or more years of continuous service shall be computed as follows:

(a) The amount of $100 shall be reduced by the amount of the monthly benefit that he will be entitled to receive under the Federal Social Security Act when he meets the age requirement therefor.

(b) The amount determined under (a), shall be reduced by ½ of 1 percent for each calendar month or fraction thereof between the employe's date of retirement and his 65th birthday. (See Example III, page 33.)

If the amount of monthly retirement income as computed above is in excess of the employe's monthly retirement benefits paid for by the Company, he will receive a monthly supplemental payment equal in amount to such excess.

In addition to the minimum monthly retirement income, the employe shall receive whatever annuity has been purchased by his own contributions under the Contributory Annuity Plan.

MINIMUM MONTHLY RETIREMENT INCOME FOR EMPLOYES RETIRING BECAUSE OF TOTAL AND PERMANENT DISABILITY BETWEEN THE AGES OF 55 AND 65

4. The minimum monthly retirement income of an employe retiring at or after age 55, but before age 65, who has 15 or more years of continuous service, and who is determined by the Company to be totally and permanently disabled, shall be computed as follows:

(a) The sum of $4 shall be multiplied by the number of completed years of such employe's continuous service, but not exceeding 25 years.

(b) From the amount as determined under (a) there shall be deducted ½ of 1 percent for each calendar month or fraction thereof between the employe's date of retirement and his 65th birthday.

(c) From the amount remaining there shall also be deducted the amount of the monthly benefit payable to the employe under the Federal Social Security Act, but this deduction shall not apply until such employe reaches the age at which he becomes eligible to receive such Social Security benefit.

(d) From the amount remaining there shall also be deducted the amount of any disability payments made to the employe under any Federal disability law other than a law designed to compensate veterans of the military, naval, or merchant marine services of the United States for service-connected disability.

If the amount of monthly retirement income as computed above is $50.00 or more per month prior to the time the employe becomes eligible to receive monthly benefits under the Federal Social Security Act and is in excess of the employe's monthly retirement benefits paid for by the Company, he will receive a monthly supplemental payment equal in amount to such excess.

If the amount of monthly retirement income as computed above is less than $50.00 per month prior to the time the employe becomes eligible to receive monthly benefits under the Federal Social Security Act, and if the employe's monthly retirement benefits paid for by the Company are less than $50.00 per month, he will receive a monthly supplemental payment in an amount sufficient to increase his monthly retirement income to $50.00 per month. (See Examples IV and V, pages 34 and 35.)

At the time the employe becomes eligible to receive a monthly benefit under the Federal Social Security Act, the amount of his monthly retirement income together with such monthly benefit shall not be less than $50.00 per month.

In addition to the minimum monthly retirement income, the employe shall receive whatever annuity has been purchased by his own contributions.

PAYMENT OF SUPPLEMENTAL RETIREMENT INCOME

5. Any supplemental payment payable under this Part II shall be paid only to the retired employe until his death; there is no provision for any payment to a beneficiary after the death of an employe.

TERMINATION OF EMPLOYMENT, OR DEATH, PRIOR TO RETIREMENT

6. In the event of the termination of employment or the death of an employe prior to retirement, no supplemental payments shall be payable.

CONTINUOUS SERVICE

7. The term "continuous service" shall be as defined in paragraph 18 of Part I.

SOCIAL SECURITY BENEFITS

8. Whenever reference is made herein to the amount of monthly benefit payable to an employe under the Federal Social Security Act, there is meant the amount to which such employe is or will be so entitled under such act as now in effect or as hereafter amended even though such Social Security benefits are not actually received by the employe because of his failure to apply for them, because of his acceptance of covered employment, or for any other reason.

TOTAL AND PERMANENT DISABILITY

9. For the purposes of Part II, the expression "total and permanent disability" shall mean such disability as renders the employe permanently incapable of performing employment with the Company. The permanency of total disability may be verified by medical examination prior to age 65 at any reasonable time.

ADMINISTRATION

10. Supplemental payments payable under Part II to retired employes entitled thereto shall be provided through deposits to a trust fund or through payments to an insurance company, at the option of the Company. Neither the provisions of Part I of the Plan, nor of the group annuity contract covering the benefits provided by Part I, shall apply to the benefits provided by Part II except to the extent specifically set forth in Part II.

11. This Part II shall be administered by the Company, and the decisions of any officer or employe authorized by the Board of Directors to administer it shall be final in respect to all questions arising in its administration, except that such administration shall be subject to the terms of any applicable contract between the Company and any labor union which has accepted the Plan.

AMENDMENT OR TERMINATION OF PART II

12. The Company hopes and expects to continue indefinitely the provision for supplemental payments made by this Part II. However, in order to meet any changed conditions, the Company reserves the right to change, amend, or discontinue this Part II if and when this is advisable in its judgment, provided that no such action shall deprive any retired employe of the right to continue to receive a supplemental payment already granted to him hereunder, and provided also that no such action shall be taken with respect to any eligible group of employes if it is contrary to the terms of any agreement in effect between the Company and a collective bargaining agent representing such group. This Part II is offered in the belief that it meets all governmental requirements as set out in Sections 165 and 23(p) of the Internal Revenue Code and the Treasury Regulations authorized to be issued thereunder, and that if any such laws and regulations should require retroactive changes preventing the carrying out of any part of the Plan, such adjustments as equity may require will be made with any employe adversely affected.

EXAMPLE I

Minimum Monthly Retirement Income for Employes Retiring at Age 65 with 25 or more Years of Continuous Service

Assume that an employe retires at age 65 with 30 years of continuous service. Assume further that his Social Security benefits amount to $61.70 per month. The difference between this amount and $100.00 is $38.30.

If the retirement benefits paid for by the Company in the case of this employe equal or exceed $38.30 per month, he will, of course, receive the total of such benefits but will not be entitled to any supplemental payments. If the monthly retirement benefits paid for by the Company in the case of this employe are less than $38.30, say $25.50, he will receive the difference as a supplemental payment, in this case $12.80 per month.

In either case, the employe will also receive the annuity purchased by his own contributions.

EXAMPLE II

Minimum Monthly Retirement Income for Employes Retiring at Age 65 who have 10 or more but less than 25 Years of Continuous Service

Assume that an employe retires at age 65 with 20 years of continuous service. Assume further that his Social Security benefits amount to $61.70 per month. The difference between this amount and $100 is $38.30.

Inasmuch as the employe has only 20 years of service at time of retirement, the amount of $38.30 is reduced by 1/25th for each year of service less than 25 years. In this example, the reduction is for 5 years (5/25ths) or 20%. The minimum monthly retirement income is therefore 80% of $38.30 or $30.64.

If the retirement benefits paid for by the Company in the case of this employe equal or exceed $30.64 per month, he will, of course, receive the total of such benefits but will not be entitled to any supplemental payments. If the monthly retirement benefits paid for by the Company in the case of this employe are less than $30.64, say $24.50, he will receive the difference as a supplemental payment, in this case $6.14 per month.

In either case, the employe will also receive the annuity purchased by his own contributions.

EXAMPLE III

Minimum Monthly Retirement Income for Employes Retiring between the Ages of 60 and 65 with 25 or more Years of Continuous Service

Assume that an employe retires on his 62nd birthday with 27 years of continuous service. Assume further that his Social Security benefits will amount to $54.00 per month at age 65. The difference between this amount and $100.00 is $46.00.

Inasmuch as the employe is only 62 years of age at time of retirement, the amount of $46.00 is reduced by ½ of 1% for each calendar month between his date of retirement and his 65th birthday. In this example, the reduction is for 36 months at ½ of 1% per month or 18%. The minimum monthly retirement income is therefore 82% of $46.00 or $37.72.

If the retirement benefits paid for by the Company in the case of this employe equal or exceed $37.72 per month, he will, of course, receive the total of such benefits, but will not be entitled to any supplemental payments. If the monthly retirement benefits paid for by the Company in the case of this employe are less than $37.72, say $23.50, he will receive the difference as a supplemental payment, in this case $14.22 per month.

In either case, the employe will also receive the annuity purchased by his own contributions.

EXAMPLE IV

Minimum Monthly Retirement Income for Employes Retiring because of Total and Permanent Disability Between the Ages of 55 and 65 and who have 15 or more Years of Continuous Service

Case 1. An employe whose minimum monthly retirement income is increased to $50.00

Assume that an employe who has 20 years of continuous service is retired on his 57th birthday because he is totally and permanently disabled. His minimum monthly retirement income will be based upon $4.00 multiplied by his number of years of continuous service, in this case $4.00 times 20 years or $80.00. There will be no reduction because of Social Security benefits prior to age 65.

Inasmuch as the employe is only 57 years of age at time of retirement, the amount of $80.00 is reduced by ½ of 1% for each calendar month between his date of retirement and his 65th birthday. In this example the reduction is for 96 months at ½ of 1% per month or 48%. The minimum monthly retirement income as thus determined is therefore 52% of $80.00 or $41.60. *However, the monthly retirement income paid shall not be less than $50.00.*

If the retirement benefits paid for by the Company in the case of this employe equal or exceed $50.00 per month, he will, of course, receive the total of such benefits, but will not be entitled to any supplemental payments. If the monthly retirement benefits paid for by the Company in the case of this employe are less than $50.00, say $35.00, he will receive the difference as a supplemental payment, in this case $15.00 per month.

In either case, the employe will also receive the annuity purchased by his own contributions.

The minimum monthly retirement income in this example will be paid to the employe until he becomes eligible to receive his Social Security benefits at age 65. If at that time the Social Security benefits plus the retirement benefits paid for by the Company are less than $50.00 per month, the supplemental payment will be such amount as is necessary to provide a minimum monthly retirement income of $50.00; if the Social Security benefits plus the retirement benefits paid for by the Company (excluding supplemental payments) exceed $50.00 per month, no supplemental payments will be made.

EXAMPLE V

Minimum Monthly Retirement Income for Employes Retiring because of Total and Permanent Disability Between the Ages of 55 and 65 and who have 15 or more Years of Continuous Service

Case 2. An employe whose minimum monthly retirement income is more than $50.00

Assume that an employe who has 27 years of continuous service is retired on his 63rd birthday because he is totally and permanently disabled. His minimum monthly retirement income will be based upon $4.00 multiplied by his number of years of continuous service (but not exceeding 25 years)—in this case $4.00 times 25 years or $100.00. There will be no reduction because of Social Security benefits prior to age 65.

Inasmuch as the employe is only 63 years of age at time of retirement, the amount of $100.00 is reduced by ½ of 1% for each calendar month between his date of retirement and his 65th birthday. In this example, the reduction is for 24 months at ½ of 1% per month or 12%. The minimum monthly retirement income is therefore 88% of $100.00 or $88.00.

If the retirement benefits paid for by the Company in the case of this employe equal or exceed $88.00 per month, he will, of course, receive the total of such benefits, but will not be entitled to any supplemental payments. If the monthly retirement benefits paid for by the Company in the case of this employe are less than $88.00, say $25.00, he will receive the difference as a supplemental payment, in this case $63.00 per month.

In either case, the employe will also receive the annuity purchased by his own contributions.

The minimum monthly retirement income in this example will be paid to the employe until he becomes eligible to receive his Social Security benefits at age 65. At that time the monthly Social Security benefits will be deducted from the supplemental payment and the balance, if any, will continue to be paid to the employe. For example, assume that this employe receives Social Security benefits at age 65 of $60.00 per month. This amount will be deducted from the supplemental payment of $63.00 per month, and the employe will continue to receive a supplemental payment of $3.00 per month. In this case the employe would continue to receive a monthly retirement income of $88.00 made up as follows: $60.00 from Social Security benefits; $25.00 from retirement benefits paid for by the Company; and $3.00 from the supplemental payment. He would also, of course, continue to receive the annuity purchased by his own contributions. Should the Social Security benefits received amount to $65.00 per month, the supplemental payments of $63.00 per month would stop. In this case the employe would receive a monthly retirement income of $90.00 made up as follows: $65.00 from Social Security benefits and $25.00 from retirement benefits paid for by the Company. He would also, of course, continue to receive the annuity purchased by his own contributions.

QUESTIONS AND ANSWERS TO PART II

1. Q. What form of annuity (as purchased under Part I) will be used for the purpose of determining the amount of supplemental payment, if any, to be made under Part II?

A. The normal form of annuity will be used for this purpose, even though the employe has elected an optional form of annuity.

2. Q. Will the supplemental payments be made for 10 years certain the same as under the normal form of annuity under the Contributory Annuity Plan?

A. No. The supplemental payments will stop when the retired employe dies.

3. Q. If an employe chooses an optional form of retirement income under the Contributory Annuity Plan, will such option also apply to the supplemental payments?

A. No. There are no options applicable to the supplemental payments as such payments will be made to the employe during the employe's lifetime only.

4. Q. If an employe terminates his service with the Company prior to retirement, what are his rights under the Minimum Monthly Retirement Income Provisions?

A. He has no rights. The supplemental payments are made only after the employe retires.

5. Q. If the employe dies either before or after retirement, are there any death benefits provided under the Minimum Monthly Retirement Income Provisions?

A. No.

INTERNATIONAL HARVESTER COMPANY

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