RETIREMENT PLAN

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cost will drop to about $1,000,000 per year. The First National Bank of Chicago has been selected as trustee of the pension trust which the company will establish and the Bankers Life Company of Iowa will underwrite the annuity plan. The program will be administered by a committee of employees to be named by the Board of Directors. Under the program the Directors of the company retain the right to alter or discontinue the plan, but all funds paid into it are irrevocable, and must be left so long as any obligations remain under it.

The Retirement Program has two separate plans—the first, known as the Pension Plan, automatically applies to all full time employees throughout the company with five or more years of continuous service who have not reached the age of 65 years on December 1, 1943. The entire cost of the pension plan will be borne by the company. McBain announced that the company plans to provide substantially the same monthly income retirement benefits for all older employees not eligible for the plan who have had five or more years of continuous service. All employees will be retired at age 65 and will receive from the Pension Trust Fund monthly benefits based upon length of continuous service and pre-retirement income. An employee earning less than $3,000 per year with 20 years continuous service will receive a monthly income ranging from 40 to 58 per cent of his pre-retirement earnings, and from 50 to 68 per cent for an employee with 40 years service. These figures include social security payments by the government, variations in which account for the differing percentages. Provision is also made for earlier retirement with proportionately reduced benefits.

The second part, or Annuity Plan, is optional for employees earning more than $3,000 per year, who are automatically covered by the Pension Plan, but whose pension and social security benefits together would return them a lower percentage of their pre-retirement income than those in the lower brackets due to the fact that no social security benefits are paid on earnings above $3,000 per year. Employees electing to participate in the Annuity Plan will contribute from two to four per cent on that part of their yearly earnings in excess of $3,000 and the company will contribute substantially larger amounts to be added to the employee's contribution, the total being used to purchase an individual annuity insurance contract for the employee's benefit. Seventy-five per cent of the employees eligible must join the plan in order to make it effective. Benefits vary with income levels, McBain said, but in general are higher in ratio to earnings for the lower than the upper brackets.

Mr. McBain's letter to all employees follows:

* * *

October 22, 1943

To All Employes of All Divisions
of Marshall Field & Company:

Your management believes that the welfare of this Company is inseparable from the welfare of its employes.

Because of this belief, I recommended, and the Board of Directors has adopted an employe Retirement Program to become effective December 1, 1943. The program was adopted subject to approval of our shareholders at a special meeting to be held November 15th, and subject to approval by the United States Treasury Department. Assuming our shareholders approve the Program, it will be put in effect December 1st, subject to Treasury Department approval. We believe this will be obtained, but probably not before the early part of 1944.

The Program provides for the payment of a retirement income to virtually every full-time employe in every Division of Marshall Field & Company who, after December 1, 1943, reaches the age of 65 years, and who, at the time of his retirement, has been in our employ at least five years.

The Normal Retirement Date under the Program is the December 1st nearest the 65th birthday of the employe, though under certain conditions employes may retire at earlier or later ages. The first Normal Retirement Date will be December 1, 1944.

We have selected age 65 as the normal retirement age after careful study of the pension practices of other companies, and after full consideration of our experience with our own older employes.

For reasons beyond our control, it has not been practicable to include in the Program employes who reached or will reach their 65th birthday on or prior to December 1, 1943. The Company expects, however, to provide those employes who have five or more years of continuous service with substantially the same monthly retirement income as those participating in the Retirement Program will receive under the Program.

Retirement Income Depends Mainly On Length of Service and Earnings.

Retirement benefits payable under the Program will be based upon each employe's average annual earnings during a specified period preceding his retirement, and upon his length of service. No contributions will be required of employes whose compensation is $3,000 per year or less; those earning over $3,000 will bear a very small fraction of the cost of the Program.

The Company expects to make an initial payment of approximately $1,-950,000 this year to put the Program into operation, and plans to make payments in similar amounts annually for eleven years, after which the annual cost will drop to a considerably lower figure. The Company necessarily reserves the right to suspend or vary the amount of annual payments, and to modify or discontinue the Program. However, all contributions to the Pension Plan made after its approval by the Treasury Department will be made irrevocably. Consequently, all such funds, should it ever be necessary to terminate the Program ,would have to be used equitably and solely for the benefit of those who come under the Program, until all liabilities to them had been met. The Company could not recover these funds.

The Program provides, together with Social Security benefits, an annual retirement income for each eligible employe equal to a substantial proportion of his average annual earnings during certain years immediately preceding his retirement. The proportion will depend upon his length of service and his earnings level. It generally will be higher for employes in the lower earnings ranges than for those in the higher ranges, assuming the same length of service. A ceiling provision in the Program establishes a limit to the retirement income which employes in the higher earnings ranges may receive.

To illustrate how the Program will affect employes: It provides that retirement incomes, including Social Security benefits, of practically all eligible employes with 20 years of continuous service shall be between 40 and 58 percent of their pre-retirement earnings. The corresponding figures for employes with 40 years of service are 50 and 68 percent.

The Retirement Program Comprises Two Separate Plans:

1. The Pension Plan, which requires no contributions from employes and in which all full-time employes, with the exceptions previously noted, will participate.

2. The Annuity Plan, in which employes with earnings in excess of $3,000 per year may participate if they so elect. This Plan becomes effective only if 75 percent or more of the eligible employes join.

Employes' contributions toward the Annuity Benefits purchased under this part of the Program will amount to between 2 and 4 percent of earnings over $3,000. The Company's contribution will substantially exceed that of employes.

No Social Security benefits are paid on earnings over $3,000; therefore, the Annuity Plan is necessary to provide

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