BENEFITS QUESTIONS & ANSWERS
NON-REPRESENTED SALARIED EMPLOYEES

Every effort has been made to answer these questions accurately. However, if there is any inconsistency between these responses and the Plan documents applicable to the benefits described, the Plan documents will govern.

GENERAL

1. **Why is this planned forced reduction considered a partial shutdown of the non-represented salaried workforce?**

   The planned force reduction is considered a partial shutdown because it will affect a significant number of our salaried non-represented workforce. Historically, a 20% force reduction has been considered the threshold for partial shutdown consideration.

2. **Why are these additional force reductions being implemented at this time?**

   Bethlehem's business situation continues to deteriorate and requires us to take further drastic cost reduction actions in all areas to improve our short-term financial performance and outlook for 2002.

3. **Will there be one effective shutdown date or multiple effective shutdown dates for individual departments?**

   All force reductions are to be accomplished no later than January 31, 2002, which is the partial shutdown date. However, any reductions that can occur prior to January 31, 2002 will be made. Employee notifications will begin before the end of November 2001. All affected salaried non-represented employees will be advised individually of their last day worked.

4. **If an individual is laid off as a result of the partial shutdown, what force reduction benefits will he/she be eligible to receive?**

   All salaried non-represented employees laid off effective January 31, 2002 as a result of this partial shutdown will receive shutdown benefits. Employees with a layoff effective date prior to January 31, 2002 initially will be laid off as a permanent force reduction and, as such, will be eligible to receive Income Protection Plan (IPP) benefits until January 31, 2002 when shutdown benefits will take effect.

5. **What are shutdown benefits?**

   Shutdown benefits include early pensions such as Rule-of-65 and 70/80 pensions or severance. However, anyone who is eligible for a 70/80 pension could retire January 31, 2002 and Rule-of-65 eligible employees could begin receiving their pension in 90 days versus the current two-year layoff period for both these types of pensions. In addition, if an individual elects to retire or go on layoff, health and life insurance coverage or conversion will be available. See Summary of Benefits for more details.

6. **Will the Income Protection Plan (IPP) be available for non-represented salaried employees who are affected by the partial shutdown effective January 31, 2002?**

   No. The Income Protection Plan eligibility requirements do not provide benefits if you are affected by a shutdown. However, employees with a layoff effective date prior to January 31, 2002 initially will be laid off as a permanent force reduction and, as such, will be eligible to receive Income Protection Plan (IPP) benefits until January 31, 2002 when shutdown benefits will take effect.

7. **If an individual is affected by a layoff on or after October 1, 2001 but before January 31, 2002, is that layoff considered part of a permanent force reduction (i.e., IPP benefits) or a shutdown (i.e., no IPP benefits)?**

   Employees laid off prior to January 31, 2002 will be considered part of a permanent force reduction. Effective January 31, 2002, however, all employees who are on layoff as a result of a permanent force reduction will have their employment status changed to layoff as a result of a shutdown effective January 31, 2002. As such, no further IPP payments will be made after January 31, 2002 to any salaried non-represented employee. Affected employees who are eligible for special early pensions (i.e., Rule of 65 and 70/80) may be eligible to elect immediate retirement on or after January 31, 2002 in accordance with the shutdown benefit provisions.

8. **Will IPP continue to be paid to those individuals affected by a position elimination pre-October 1, 2001?**

   As indicated in Answer 7 above, employees who were laid off prior to January 31, 2002 as a result of a permanent force reduction will have their employment status changed to layoff as a result of a partial shutdown effective January 31, 2002. As such, no further IPP payments will be made after January 31, 2002 to any salaried non-represented employee affected by a permanent force reduction. However, affected employees who are eligible for special early pensions (i.e., Rule of 65 and 70/80) may be eligible to elect immediate retirement on or after January 31, 2002 in accordance with the shutdown benefit provisions.

9. **For those employees who have Rule of 65 pension eligibility, when does their 90 day period begin?**

   The 90-day waiting period begins on the last day worked/paid, regardless of whether the layoff commenced before or after January 31, 2002.

10. **Where can employees call to have their pension and benefit questions answered prior to employee meetings?**

    Affected employees are strongly urged to hold all questions until the employee benefit meetings. However, employees can direct questions of an urgent nature to Bethlehem Steel's Customer Call Center at 8-232-6369 (Beth-Com-Net) or toll free at 1-866-456-2384.

11. **Will Bethlehem provide outplacement services for all affected employees?**

    Yes. Bethlehem will provide appropriate outplacement services for all employees affected by the shutdown.

12. **Will employees be considered for transfer to other Bethlehem ongoing operations?**

    Yes, but such opportunities may be very limited.

13. **Will employees lose their unused vacations at the time of shutdown?**

    No. For non-pension eligible employees, any unused current year vacation will be paid upon request. For pension eligible employees, any unused vacation for the year of retirement can be paid while on layoff or included in the Special Payment at retirement.

    Employees who elect layoff and remain on layoff status through the following year (e.g., laid off 1/31/02 and still on layoff 1/1/03) will be eligible to be paid 2003 vacation either as cash or as part of their Special Payment, if pension eligible.

14. **Under what condition is 2002 vacation paid?**

    Salaried employees who perform work in 2001 and have not quit, retired, died, severed or been discharged prior to January 1, 2002 will be eligible for 2002 vacation.

15. **What happens to the Floating Holiday?**

    Floating holidays must be taken as time off prior to the employee's last day worked.

16. **If someone is on salary continuance and is affected by the shutdown, what happens at the time of shutdown?**

    Salary continuance (disability absence allowance) ceases as of the date of the shutdown.

17. **Will supervisory employees be given the opportunity to return to the bargaining unit?**

    Yes. Supervisory employees who have seniority rights in the bargaining unit will be given the opportunity to return to the bargaining unit provided a bargaining unit position is available. Employees with seniority rights in the bargaining unit will be given an explanation of differences in benefits/pensions under each pay basis so they can make an informed decision.

18. **If I am laid off, can I elect layoff, continue to accrue service and remain enrolled in active medical coverage?**

    Yes. Employees laid off as a result of the partial shutdown may elect to continue on layoff and accrue up to two years additional age and service. A laid off employee may continue active medical coverage for a period of time, based on years of continuous service, provided the appropriate contributions are made.

19. **If an employee is on layoff status from Bethlehem and still enrolled in benefit coverage, what happens if he becomes employed elsewhere?**

If a laid-off employee becomes reemployed while still enrolled in benefit coverage his/her benefit coverage with the new employer would be considered "primary" and Bethlehem coverage would be considered "secondary".

20. **Can employees rely on answers to Bethlehem benefit questions that may show up in local newspapers?**

No. Bethlehem benefits are governed by various Plans and Agreements regulated by numerous laws and regulations. The only benefit information that employees should rely on is that provided in the appropriate company-provided documents.

21. **What is COBRA coverage?**

COBRA (Consolidated Omnibus Budget Reconciliation Act) is a Federal law that enables employees to temporarily extend their health coverage benefits in certain instances where coverage would otherwise end. This coverage is employee-paid.

22. **Can an exempt salaried employee elect to receive severance allowance and still be paid for unused vacation?**

Yes, however, any additional vacation for which you become eligible after the shutdown date but prior to election of severance is deducted from the severance payment.

23. **How soon after electing severance allowance will an employee be paid the severance allowance?**

Severance allowance payments are made within approximately one month following the request.

24. **If an employee becomes employed by another employer during the 90-day shutdown election period, will the employee be entitled to elect severance allowance from Bethlehem?**

Yes. Payment of severance allowance will result in the employee's continuous service being broken. If the employee is subsequently offered and accepts employment with Bethlehem, the entire amount of severance allowance must be repaid.

25. **Will employees permanently laid off prior to the partial shutdown date of January 31, 2002 have another opportunity to elect layoff or severance?**

Another severance allowance election option is not available to employees who were permanently laid off prior to the partial shutdown date of January 31, 2002. However, employees who were permanently laid off prior to January 31, 2002, who continue to accrue continuous service and were advised that they are pension eligible (e.g., sole option, 70/80 or Rule of 65) will receive a mailing on or about December 15, 2001 that will include a personalized pension estimate as of January 31, 2002 and an election form. The election form must be completed indicating the individual's election to either immediately retire on January 31, 2002 or, if eligible, continue on layoff and retire at a later date.

26. **Can I receive severance and pension?**

An employee cannot be denied severance even if eligible for an immediate pension; however, the severance allowance payment may be reduced by (1) the value of enhanced pension benefits or (2) the value of retiree health care or both (1) and (2). In practice, most pension-eligible employees' severance allowance payments will be totally offset. However, an employee could be eligible for a deferred vested pension and still receive a severance allowance payment.

PENSION

27. **When will employees be notified of their pension benefits?**

Within two weeks after being notified of their being affected by a force reduction, affected employees will be provided with a packet of information that includes: a Pension Estimate, Summary of Partial Shutdown Benefits, List of Q&A's, and a Partial Shutdown Election Form. Detailed information regarding pension benefits can be found in the Pension Benefits for Salaried Non-represented Employees Summary Plan Description. This Summary Plan Description can be accessed through HROnline on the Corporate Intranet site.

28. **Will pension estimates be made available to employees eligible for shutdown pensions?**

Yes. Pension estimates will be generated for all pension eligible employees as of 1/31/02. Estimates will include accurate earnings and an estimated Special Payment calculation.

29. **Does the 3% early retirement reduction apply to shutdown pensions?**

Yes. The 3% early retirement reduction applies to Rule of 70/80 and Rule-of-65 pensions calculated under the Total Retirement Benefit Formula. It does not apply, however, to the service minimum, the lifetime minimum or the percent formulas.

30. **Is the $400 Supplement payable on Rule of 70/80 and Rule-of-65 pensions for salaried employees?**

No. The $400 supplement was eliminated effective 12/31/85.

31. **If a non-represented salaried employee who is eligible for a Rule-of-65 Pension elects to return to the bargaining unit, will he be entitled to receive the $400 pension supplement and SUB benefits?**

An employee who exercises the right to return to the bargaining unit, is paid for work as a bargaining unit employee, and is subsequently laid off, is then entitled to the pension, SIP and SUB benefits of that bargaining unit employee group.

If the employee who exercises the right to return to the bargaining unit is not paid for work as a bargaining unit employee, he remains in the pension and SIP coverages applicable to him as a salaried non-bargaining unit employee.

32. **If an employee has been a salaried employee (represented or non-represented) less than 5 years, what pension program will be used for pension calculation?**

Salaried pensions are calculated under four formulas: the Service Minimum, the Lifetime Minimum, the Percent and the Total Retirement Benefit Formulas. To qualify for the Total Retirement Benefit formula you must have been a salaried employee for at least 60 months at any time prior to retirement, including the 12 consecutive months ending immediately before retirement. If you don't qualify for the Total Retirement Benefit or Lifetime Minimum formulas, your pension will be calculated under both the Minimum and Percent Formulas and the higher amount will be payable.

33. **If an employee has 20 years of service as of his last day worked but age and service is less than 65, can he "creep" into a Rule-of-65 Pension or 70/80?**

Yes, provided he attains the required age and service for eligibility prior to incurring a break in continuous service. Twenty years of service is not required for a rule of 70/80 Pension but an employee must have 20 years of service as of the last day worked for a Rule-of-65 pension.

34. **What is suitable long-term employment (SLTE)?**

Suitable Long-Term Employment is a job offer by the Company. Suitable long-term employment is defined in detail in the Pension Benefits for Salaried Non-represented Employees Summary Plan Description under the section entitled "Rule-of-65 Retirement" (beginning on page 23). This Summary Plan Description can be accessed through HROnline on the Corporate Intranet site.

35. **Do employees accrue age or continuous service while on layoff prior to election of pension?**

Yes, an employee can accrue up to two years additional age and service while on layoff.

36. **Can an employee defer electing pension after the 90-day period? How long?**

Yes. An employee can accrue continuous service on layoff for up to two years unless he incurs a break in service by electing severance allowance within the first ninety (90) days of layoff or refusing recall to work.

37. **My pension service date was adjusted because I was on layoff over two years. Will I get that back? Will allowed service be used for pension eligibility?**

Your continuous service has been adjusted and that date will remain the same unless there is a future adjustment due to a similar circumstance.

Depending on your circumstances at the time of layoff, you may receive allowed service that will be included in the calculation of any pension and that can be used to determine eligibility for a:

(1) 30-year retirement;
(2) Normal retirement if you have attained age 65 and the sum of your allowed and continuous service is 15 or more years;
(3) 62/15 Retirement;
(4) Permanent Incapacity Retirement;
(5) 70/80 Retirement;
(6) Deferred Vested Pension provided you have attained age 40 and the sum of your allowed and continuous service is 15 or more years if the final break in continuous service occurred for reasons other than quit or discharge; provided that the earliest date your allowed service can be credited is on or before the date your service breaks.

38. **Someone said if I had 20 years of service on my last day of work I would get the Rule-of-65 pension. Is that correct?**

If your age and service (must be at least 20 years) add up to at least 65 and you are not offered SLTE, you may qualify for a Rule-of-65 pension.

39. **Explain "Creeping to Pension".**

The term "creeping to pension" refers to a situation where an individual can attain pension eligibility by accruing additional age and service while on layoff so that at the end of the layoff period they have accrued enough service and age to be eligible for a pension.

40. **I can't qualify for an immediate pension. When can I get my deferred vested pension?**

If you are entitled to a deferred vested pension, you will be eligible to receive your pension at age 62 if you were at least 40 years old and had 15 years of service as of the date your service broke; otherwise, it will be payable at age 65. In either case, you can apply for it to start as early as age 60, in which case it will be actuarially reduced.

41. **When I get to age 60 will my deferred vested pension reinstate my retiree medical, life and insurance benefits and surviving spouse's benefit?**

No. You are not eligible for these benefits as a retiree on a Deferred Vested pension.

42. **Can allowed service be used to make an employee eligible for a Rule-of-65 pension?**

No.

43. **Can you sign up for unemployment before taking a pension? Can you sign up while you are collecting your pension?**

You are eligible to receive unemployment compensation if you are on layoff. You also may be eligible for unemployment compensation if you are receiving pension. Your unemployment compensation, however, may be offset by the amount of pension you are receiving. For more specific information, contact your local Unemployment Compensation Office.

44. **For what period of time are employees eligible to receive state unemployment compensation benefits?**

In most states, weekly benefits are paid to eligible employees for a duration of 26 weeks. Any extension of benefits depends on Federal legislation.

45. **What is the current unemployment compensation rate?**

The maximum weekly rates vary from state to state. Listed below are the 2001 weekly rates in states where we have a large number of employees.

Pennsylvania -- $430
Indiana -- $288
Maryland -- $280
New York -- $405

46. **What is the difference between the special initial pension payment and severance allowance?**

The Special Initial Pension Payment is the Pension Trust payment for the first three months of your retirement under certain types of pension.

Severance allowance is a lump sum payment calculated according to a schedule based on years of service. You receive severance allowance if you elect severance (in lieu of layoff) and terminate your employment.

47. **Will pension estimates be distributed to employees who are only eligible for a deferred vested pension?**

Yes.

48. **Do Profit Sharing payments paid in the last five years count as earnings in the pension calculation?**

No.

49. **What types of wage payments are not included in pension earnings?**

For non-represented salaried exempt employees, pension earnings are generally the same as W-2 earnings but exclude such things as Profit Sharing and annual incentive awards, lump sum merits, tuition assistance and career development program payments and one-time cash payments for transferred employees.

50. **Will United Way contributions be deducted from the Special Initial Pension Payment?**

No. United Way contributions are only subject to payroll deductions while you are an active employee.

51. **How soon is the Special Initial Pension Payment received by employees following their retirement?**

The Special Initial Pension Payment is normally paid at the end of the first month following the month of retirement. For example, if the date of retirement were 1/31/02, the Special Payment would be paid by 2/28/02.

52. **Does a spouse receive a Surviving Spouse's Benefit if an employee dies while on layoff status?**

The spouse of an employee who dies while accruing pension service on layoff would receive a Surviving Spouse's Benefit if the employee, at the time of death, had at least 15 years of continuous service and meets the eligibility requirements for the Surviving Spouse's Benefit.

53. **What happens to the Retirement Account Balance if an employee is only eligible for a Deferred Vested Pension?**

The Retirement Account Balance was the retirement benefit in effect from January 1986 thru May 1989. With the re-instatement of the pension plan in 1989 your Retirement Account Balance becomes a consideration in your pension benefit for which you have two choices:

(1) A participant can elect to receive the Retirement Account Balance at the time of termination of employment. If a person elects to receive the Retirement Account Balance, all methods of distribution are available (i.e., single cash distribution, rollover distribution, installments, or deferred distribution). There will be an offset to the Deferred Vested pension.

(2) A participant can elect to revoke the Retirement Account Balance at the time of termination of employment. If a person elects to revoke the Retirement Account Balance, there is no offset.

54. **If a non-represented salaried employee is immediately eligible (after 90 days) for a Rule-of-65 pension, is there any advantage in "creeping" to a 70/80 pension?**

No. The pension benefit formulas for similarly situated non-represented salaried employees would be the same on Rule-of-65 or 70/80 pension.

55. **Can an employee who qualified for a Rule-of-65 pension elect severance allowance?**

Yes, but since continuous service breaks with the election of severance, the employee would not be eligible to receive a Rule-of-65 pension.

56. **What happens to my social security benefits if I elect early retirement?**

If you retire from Bethlehem and do not work afterward, your social security benefit will be based on earnings ending with your termination of employment with Bethlehem. If you continue to work after retiring from Bethlehem and continue contributing to Social Security, your future benefit will be based on those additional contributions.

SALARIED SAVINGS PLAN

57. **When employees are laid off what happens to their Salaried Savings Plan?**

Upon layoff, there is no requirement to make any immediate decisions on your Savings Plan account. However, all contributions cease as of your last day worked/paid. Employees with loans from the Savings Plan are required to continue to make loan repayments while on layoff. Also, while on layoff, you can apply for withdrawals but you cannot apply for a loan. At the end of the two-year layoff period, you can elect a lump-sum distribution, installment payments or defer distribution.

58. **When employees retire, what are their Salaried Savings Plan options?**

Upon retirement, all contributions cease as of your last day worked/paid. A participant can elect an immediate lump-sum distribution, installment payments or defer distribution. Participants with outstanding loans will be provided with loan repayment options at the time of retirement. Also, while on retirement, a participant cannot make withdrawals or apply for a loan.

If your balance is less than $5,000 there is an automatic lump-sum distribution made. If the balance is $5,000 or greater, you can request a lump-sum distribution 30 days after your date of retirement.

59. **If a non-represented salaried employee wants to make a Savings Plan withdrawal of after-tax money prior to retirement, when would the withdrawal distribution be received?**

A participant in the Salaried Savings Plan who wishes to make an in-service withdrawal and receive the distribution prior to retirement should process the in-service withdrawal request through the voice response system or the Internet at least one month prior to retirement in order to receive the withdrawal before retirement.