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# PENSION CHANGE FACT SHEET

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AT BOSTON COLLEGE

MARCH 2006

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COMPANY NAME: Circuit City Stores, Inc.

U.S. EMPLOYEES: 42,400

TYPE OF PLAN(S): Traditional Defined Benefit — 19,000 participants affected

DATE ANNOUNCED: October 28, 2004

DATE EFFECTIVE: February 28, 2005

DESCRIPTION OF FREEZE: *Total Freeze (with some exceptions)*. All employees will stop accruing defined benefit pension benefits on February 28, 2005. The freeze does not affect 1) those who are within three years of their normal or early retirement date; 2) those that have already reached their normal or early retirement date; and 3) those who were permanently disabled before March 1, 2005.

PLAN SOLVENCY: At year end 2003, the defined benefit plan had \$195 million in assets and \$190 million in obligations.

REPORTED FINANCIAL IMPLICATION: Circuit City Stores, Inc. incurred a curtailment charge of \$1.1 million in 2005. Long-term savings from the freeze will be put towards improving the 401(k) and other programs, such as supplying college tuition reimbursement.

NEW ARRANGEMENTS FOR EMPLOYEES: Effective January 1, 2005, Circuit City Stores, Inc. matched employee contributions, dollar for dollar, up to 3 percent of salary and \$.50 per dollar for the next 2 percent of salary. Previously, for every dollar contributed, the company matched \$.25, up to 5 percent of salary. Employees continue to earn credit towards vesting. Employees who are eligible to retire, either by early or normal retirement standards, on or before February 28, 2008, are not affected by plan changes.

BACKGROUND: Circuit City Stores, Inc. is a large consumer electronics retailer. It is one of the last national retailers to move from a defined benefit to a defined contribution pension plan. The move is driven by high turnover rates in the retail industry. According to Eric Jonas, senior vice president of human resources, "this puts us in a good competitive place and brings us in line with other retailers."

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## REFERENCES

SEC Form 10-k filed May 13, 2005.

U.S. Department of Labor. 2003. *Form 5500*.

Gilligan, Gregory J. 2004. "Circuit City Will Freeze Pension Plan." *Times Dispatch*. (October 29).

Circuit City Stores, Inc. 2005. *Annual Report 2005*.

## Notes:

In regard to 'Plan Solvency,' as of February 28, 2005, pension assets (inclusive of Circuit City Stores, Inc.'s non-qualified plan) were \$226.9 million and projected benefit obligations were \$242.7 million. Benefit obligations for the defined benefit plan were \$220.4 million.

The \$1.1 million curtailment charge in the 'Reported Financial Implication' is a result of freezing both the defined benefit plan and the non-qualified pension plan.