



[www.dp3.org](http://www.dp3.org)

*There will surely be many questions from retired pilots following the Friday announcement that Delta will file immediately with the PBGC for a distress termination of the pilots' qualified pension plan. Nearly every pilot's individual situation will be subtly different, but we have distilled some important information from the PBGC website at [www.pbgc.gov](http://www.pbgc.gov) that will generally apply to all retired pilots and their families.*

*What you read below is copied verbatim from the PBGC website. It is far from all the information available there, such as discussions about QDROs, the Health Care Tax Credit and several other subjects. Please visit the site at your leisure for more information.*

*The following pages should provide you with a basic understanding about what is ahead. What you will not find is the ability to calculate your individual benefit once the lengthy process is complete. The PBGC's own estimate of when final calculations may be complete is two to three years. (Some USAirways pilots are just now beginning to receive their final calculations—nearly 3 ½ years after their plan was terminated.)*

*We hope this information is helpful until more detailed knowledge becomes available.*

*Jim Gray  
Chairman, DP3*

## **What happens when PBGC takes over a plan?**

PBGC reviews your plan's records to determine what benefits each person will receive. To ensure PBGC has the correct information, we will ask you to complete an information form.

If you are already receiving a pension, we will continue paying you without interruption during our review. These payments, an **estimate** of the benefits that PBGC can pay under the insurance program, may be less than you were receiving from your plan but will be paid in the annuity form you chose at retirement.

If you have not yet retired, we will pay you an estimated benefit when you become eligible and apply to PBGC to begin payments. About four months before

you are ready for your benefits to begin, contact PBGC by calling the Customer Contact Center toll-free at 1-800-400-7242 (for TDD/TTY users call toll-free at 1-800-877-8339).

We pay most benefits by Electronic Direct Deposit, sending your monthly payments directly to your financial institution. If you do not want to use direct deposit, you may still receive your benefit by check.

## How pension plans end

### When an employer ends a pension plan

Employers can end a pension plan through a process called “plan termination.” There are two ways an employer can terminate its pension plan.

The employer can end the plan in a **standard termination** but only after showing PBGC that the plan has enough money to pay all benefits owed to participants. The plan must either purchase an annuity from an insurance company (which will provide you with lifetime benefits when you retire) or, if your plan allows, issue one lump-sum payment that covers your entire benefit. Before purchasing your annuity, your plan administrator must give you an advance notice that identifies the insurance company (or companies) that your employer may select to provide the annuity. PBGC’s guarantee ends when your employer purchases your annuity or gives you the lump-sum payment.

If the plan is not fully funded, the employer may apply for a **distress termination** if the employer is in financial distress. To do so, however, the employer must prove to a bankruptcy court or to PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

### When PBGC terminates a pension plan

Under certain circumstances, PBGC may take action on its own to end a pension plan. Most terminations initiated by PBGC occur when PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

### How you will know if your plan is ending

If your employer wants to end the plan, your plan administrator must notify you in writing that your plan is ending. You must get this notice, called the Notice of Intent to Terminate, at least 60 days before the "termination" date. If PBGC is

terminating the plan, we notify the plan administrator and often publish a notice about our action in local and national newspapers.

In a **standard termination**, you should receive a second letter describing the benefits you will receive, called the Notice of Plan Benefits, generally no later than six months after the date proposed for your plan's termination.

In a **distress termination**, or a termination initiated by PBGC, our communication with you begins when we take over your plan as trustee. Initially we will provide you with general information about the pension insurance program and our guarantees. We will be able to provide more specific information about your benefits after we have had an opportunity to review the plan's records, assets, benefit liabilities, and your participation in the plan.

### **Additional benefits after a plan ends**

You cannot earn additional benefits after the plan ends.

## **What to do if your pension plan ends**

### **1. Look for official notification**

If your employer wants to end the plan, your plan administrator must notify you in writing that your plan is ending. You must get this notice, called the Notice of Intent to Terminate, at least 60 days before the "termination" date.

If PBGC is terminating the plan, we notify the plan administrator and often publish a notice about our action in local and national newspapers.

In a standard termination, you should receive a second letter describing the benefits you will receive, called the Notice of Plan Benefits, generally no later than six months after the date proposed for your plan's termination.

In a distress termination, or a termination initiated by PBGC, our communication with you begins when we take over your plan as trustee. Initially we will provide you with general information about the pension insurance program and our guarantees. We will be able to provide more specific information about your benefits after we have had an opportunity to review the plan's records, assets, benefit liabilities, and your participation in the plan.

### **2. Complete all requests for information promptly**

PBGC reviews your plan's records to determine what benefits each person will receive. To ensure PBGC has the correct information, we will ask you to complete an information form.

If you are already receiving pension benefits from your pension plan we will ask

you to complete the [Participant Information Form](#). (If you are already receiving a pension, we will continue paying you without interruption during our review. These payments will be an **estimate** of the benefits that PBGC can pay under the insurance program, and they may be less than you were receiving from your plan.) If you are not yet receiving pension benefits we will ask you to complete a [Beneficiary Designation \(not currently receiving pension benefits\) Form](#).

Please return your information form to PBGC within 30 days of receipt.

### **3. Review information on benefits information**

Review the "Your Guaranteed Pension" brochure included in our first mailing or explore the topics on our website:

- [☞ What PBGC guarantees](#)
- [☞ Maximum monthly guarantee tables](#)
- [☞ PBGC payments](#)
- [☞ Payments to beneficiaries](#)
- [☞ Benefits for disabled participants](#)
- [☞ Domestic relations orders](#)
- [☞ Health insurance assistance](#)
- [☞ State life and health insurance guaranty association offices](#)

Also, review the information on a special webpage we set up for each pension plan we trustee.

### **4. Look for information meetings held by PBGC**

In some cases, PBGC will hold meetings with participants to provide you with information about PBGC and discuss how we will process your benefits.

Meeting announcements will be posted on your plan's webpage.

## **What PBGC guarantees**

PBGC guarantees "basic benefits" earned before your plan ended, which include:

- [☞ Pension benefits at normal retirement age](#)
- [☞ Most early retirement benefits](#)
- [☞ Annuity benefits for survivors of plan participants](#)
- [☞ Disability benefits for disabilities that occurred before the date the plan ended](#)
- [☞ PBGC does not guarantee:](#)
  - [☞ Health and welfare benefits](#)
  - [☞ Vacation pay](#)

- ☞ Severance benefits
- ☞ Lump-sum death benefits for a death that occurs after the date the plan ended
- ☞ Disability benefits for a disability that occurs after the date the plan ended
- ☞ Legal Limits on PBGC's guarantees
  
- ☞ Generally, PBGC does not guarantee any monthly pension amount that is greater than the monthly benefit your plan would have provided if you had retired at your normal retirement age.
- ☞ The maximum amount that PBGC guarantees is set each year under provisions of ERISA.
- ☞ If your plan was created or amended to increase benefits within five years before it ended, your benefits may not be fully guaranteed.

For more information, see PBGC's publication, [Your Guaranteed Pension](#).

## Maximum monthly guarantee tables

Examples of the maximum guarantee are shown in the tables below. Each table applies to plans terminating in a given year. Example calculations are shown for a participant receiving a straight-life annuity (one with no survivor benefits) and a joint and 50% survivor annuity.

The maximum guarantee is set by law for the year in which your plan ended. The amount you receive from PBGC will be based, in part, on your age at the date you begin receiving benefits from PBGC and, if your benefit provides payments to a survivor, your survivor's age. The age reduction does not apply to certain disability retirement benefits, see [Disability benefits](#) . In joint and 50% survivor calculations below, the participant and survivor are assumed to be the same age.

### PBGC Maximum Monthly Guarantees for Plans Terminating in 2006

Age	2006 Straight-Life Annuity	2006 Joint and 50% Survivor Annuity
65	\$3,971.59	\$3,574.43
64	\$3,693.58	\$3,324.22
63	\$3,415.57	\$3,074.01
62	\$3,137.56	\$2,823.80
61	\$2,859.54	\$2,573.59
60	\$2,581.53	\$2,323.38
59	\$2,422.67	\$2,180.40

58	\$2,263.81	\$2,037.43
57	\$2,104.94	\$1,894.45
56	\$1,946.08	\$1,751.47
55	\$1,787.22	\$1,608.50
54	\$1,707.78	\$1,537.00
53	\$1,628.35	\$1,465.52
52	\$1,548.92	\$1,394.03
51	\$1,469.49	\$1,322.54
50	\$1,390.06	\$1,251.05
49	\$1,310.62	\$1,179.56
48	\$1,231.19	\$1,108.07
47	\$1,151.76	\$1,036.58
46	\$1,072.33	\$965.10
45	\$992.90	\$893.61

## **PBGC Payments if you are already receiving benefits**

### **Introduction**

When PBGC takes over as trustee of your plan, we will send you a letter informing you that we are now responsible for paying your pension benefits.

PBGC reviews your plan's records to determine what benefits each person will receive.

We will continue paying you without interruption during our review. These payments, an **estimate** of the benefits that PBGC can pay under the insurance program, may be less than you were receiving from your plan but will be paid in the annuity form you chose at retirement.

We pay most benefits by Electronic Direct Deposit, sending your monthly payments directly to your financial institution. If you do not want to use direct deposit, you may still receive your benefit by check.

When our calculations are complete, we will send you our formal determination of your benefit. Please note that this may take two to three years from the date we take over as trustee of your plan.

### **Guarantee Limits**

PBGC will pay you the benefit provided by your pension plan up to the limits set by law. There are several legal limits that PBGC must apply.

PBGC's maximum benefit guarantee is set each year under provisions of

ERISA. For pension plans ending in 2005, the maximum guaranteed amount is \$3,801.14 per month (\$45,613.68 per year) for workers who retire at age 65. This guarantee amount is lower if you begin receiving payments from PBGC before age 65 or if your pension includes benefits for a survivor or other beneficiary. The guarantee amount may be higher if you are over age 65 when you begin receiving benefits from PBGC. See [PBGC's maximum monthly guarantee tables](#) for maximum guarantee limits for straight-life and joint-and-50%-survivor annuities at various ages. For certain disability benefits, special rules apply.

In addition, if your plan was created or amended to increase benefits within five years before it ended, your benefit may not be fully guaranteed. PBGC guarantees the larger of 20% of the benefit or \$20 per month for each full year the benefit was in effect. If you own more than 10% of the business, stricter limits apply.

If your plan provides supplemental benefits, such as temporary payments, they may not be fully guaranteed. Generally, PBGC does not guarantee any monthly pension amount that is greater than the monthly benefit your plan would have provided if you had retired at your normal retirement age.

Also, there is a limit on the combined amount you can receive from PBGC's funds if you are entitled to benefits from more than one pension plan that PBGC has taken over as trustee.

### **If PBGC's estimate is too low or too high**

When we have completed our calculations:

- ☞ If we have paid you an estimated benefit that is too low, we will make up the missed amounts in a single payment with interest.
- ☞ If you receive estimated benefit payments that are too high, we will reduce future payments until the overpayment has been repaid.
- ☞ Normally PBGC will reduce the monthly amount you are due by no more than 10% to collect for an overpayment.
- ☞ PBGC does not charge interest on overpayments.

### **Cost-of-living adjustment**

PBGC will not adjust your pension yearly to account for inflation.

### **Deductions**

PBGC only deducts federal income taxes. You will have to pay separately any state taxes or other amounts (such as health insurance) now being deducted.

### **Appealing your formal determination**

You have the right to appeal PBGC's formal determination of your benefit if you can provide a specific reason why the determination is wrong.

However, if you simply have a question about your benefit or how it was calculated, you should call PBGC's Customer Contact Center for an explanation, instead of filing an appeal.

Your written appeal must be submitted within 45 days of the date of our formal determination letter informing you of your benefit.

If you need more time to resolve your question before that 45-day limit expires, you can request an extension from PBGC's Appeals Board.

## Payments to beneficiaries

PBGC makes three distinct types of payments to beneficiaries.

- ☞ Survivor benefits. If you chose an annuity form that provides survivor benefits, PBGC will pay them to the person that you designated at the time you applied for your pension benefits.
- ☞ Pre-retirement survivor benefits. If you are married and die before you begin receiving pension payments, PBGC will pay survivor benefits to your surviving spouse.
- ☞ Unpaid amounts owed to you at the time of your death. If, for example, after your death PBGC discovers that we had been paying you too little each month, we will pay the balance owed plus interest to a beneficiary.

Also, if you are entitled to or are receiving a survivor benefit when your plan ends, PBGC will continue to pay this benefit to you (adjusted for any guarantee limits) for the period provided by your plan.

Designating your beneficiary is very important, even if you have not yet begun to receive pension payments. You can find detailed instructions for naming a beneficiary or changing a previously named beneficiary with our [online account service](#).

### **Participants receiving a pension benefit**

PBGC pays survivor benefits if the benefit form you elected at the time you retired included a survivor benefit.

If you are receiving a joint-and-survivor annuity, you cannot change the beneficiary designation you made at the time you applied for benefits.

If your benefit is one that provides for survivor benefits to be paid after your death (as with a joint-and-survivor or certain-and-continuous annuity), the person

named to receive those continuing benefits will receive any payments due to you at the time of your death. If your benefit does not provide survivor benefits, you may still name someone to receive any money that may be owed to you at the time of your death. If you do not name anyone, or if the person you name dies before you, PBGC will pay the amount owed to you in this order: your spouse, your children, your parents, your estate and your next of kin.

### **Participants not yet receiving a pension benefit**

If you are married and die before you receive your first pension payment, PBGC will pay your surviving spouse a survivor benefit. Your spouse can begin this benefit as early as the date you would have been eligible to receive a benefit from PBGC.

You may designate a beneficiary for payments that PBGC may owe you at the time of your death, including certain lump-sum amounts (usually for small benefit amounts). See: [Designate a beneficiary](#)

### **When to select a benefit payment option:**

When you apply for benefits, you will have an opportunity to select the form of annuity you want and to designate a beneficiary for survivor benefits to be paid after your death (as with a joint-and-survivor or certain-and-continuous annuity). PBGC must receive your application no more than 90 days before the date you request that your benefits begin. You may change your selection by filing a new application before the date of your first payment. After the date of your first payment, you cannot change your selection.

### **Different payment options:**

Please see [Your PBGC Benefit Options: Questions and Answers for Participants](#) for information on this topic.

### **Even survivors can have beneficiaries**

If you are eligible to receive payments as the beneficiary of a pension plan participant, it is important that you also designate a beneficiary. PBGC makes two distinct types of payments that your beneficiary could become eligible to receive.

**Survivor benefits.** If you are receiving an annuity, such as a Certain-and-Continuous Annuity, that provides survivor benefits after your death, PBGC will pay them to the person that you designate.

**Unpaid Amounts** owed to you at the time of your death. If after your death, PBGC discovers that we had been paying you too little each month, we will pay the balance owed plus interest to a beneficiary.