

## Notice Of Pending Election Of Multiemployer Plan Status

### For [Insert name of pension plan]

#### Introduction

This notice is to inform you that [insert pension plan name] (Plan) will be submitting to the Pension Benefit Guaranty Corporation (PBGC) an election to be treated as a multiemployer pension plan for purposes of federal law. This election will be made pursuant to the Pension Protection Act of 2006. A plan's status as a single-employer plan or a multiemployer plan determines how your pension benefits will be guaranteed by the PBGC, a federal agency, should the plan terminate without enough money to pay pension benefits. This notice, required by federal law, describes the principal differences between the two guarantee programs and benefit restrictions for single and multiemployer plans.

#### Benefit Payments Guaranteed by the PBGC for Single-employer Plans

If a single-employer pension plan terminates without enough money to pay all benefits, the PBGC will take over the plan and pay pension benefits through its insurance program. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The PBGC pays pension benefits up to certain maximum limits.

The maximum guaranteed benefit is [insert appropriate amount from PBGC web site] per month, or [insert appropriate amount from PBGC web site] per year, payable in the form of a straight life annuity, for a 65-year-old person in a plan that terminates in [insert applicable plan year]. The maximum benefit may be reduced for an individual who is younger than age 65. [If the Plan does not provide for commencement of benefits before age 65, you may omit this sentence.] The maximum benefit will also be reduced when a benefit is provided to a survivor of a plan participant.

The PBGC guarantees "basic benefits" earned before a plan is terminated, which includes [Include the following guarantees that apply to benefits available under the Plan.]:

- pension benefits at normal retirement age;
- most early retirement benefits;
- annuity benefits for survivors of plan participants; and
- disability benefits for a disability that occurred before the date the plan terminated.

The PBGC does not guarantee certain types of benefits [Include the following guarantee limits that apply to the benefits available under the Plan.]:

- The PBGC does not guarantee benefits for which you do not have a vested right when a plan terminates, usually because you have not worked enough years for the company.
- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements at the time the plan terminates.
- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.
- Early retirement payments that are greater than payments at normal retirement age may not be guaranteed. For example, a supplemental benefit that stops when you become eligible for Social Security may not be guaranteed.
- Benefits other than pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay, are not guaranteed.
- The PBGC generally does not pay lump sums exceeding \$5,000.

Even if certain benefits are not guaranteed, participants and beneficiaries still may receive some of those benefits from the PBGC depending on how much money the terminated plan has and how much the PBGC collects from the employer.

## Benefit Payments Guaranteed by the PBGC for Multiemployer Plans

If a financially troubled multiemployer plan becomes insolvent, it must reduce benefit payments to the highest level that can be paid from the plan's available financial resources. A plan is insolvent for a plan year if its available financial resources are not sufficient to pay benefits when due for the plan year. If such resources are not enough to pay benefits at a level specified by law, the plan must apply to the PBGC for financial assistance. The PBGC, by law, will loan the plan the amount necessary to pay benefits at the guaranteed level.

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first \$11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next \$33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is \$35.75 per month times a participant's years of credited service.

*Example 1:* If a participant with 10 years of credited service has an accrued monthly benefit of \$500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the participant's years of service ( $\$500/10$ ), which equals \$50. The guaranteed amount for a \$50 monthly accrual rate is equal to the sum of \$11 plus  $\$24.75 (.75 \times \$33)$ , or \$35.75. Thus, the participant's guaranteed monthly benefit is \$357.50 ( $\$35.75 \times 10$ ).

*Example 2:* If the participant in Example 1 has an accrued monthly benefit of \$200, the accrual rate for purposes of determining the guarantee would be \$20 (or  $\$200/10$ ). The guaranteed amount for a \$20 monthly accrual rate is equal to the sum of \$11 plus  $\$6.75 (.75 \times \$9)$ , or \$17.75. Thus, the participant's guaranteed monthly benefit would be \$177.50 ( $\$17.75 \times 10$ ).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency. Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or non-pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

Summary of Benefit Payments Guaranteed by PBGC		
	Single-Employer Plan	Multiemployer Plan
<b>PBGC Guaranteed Benefit</b> (benefit must be vested)	Participant's accrued benefit under plan, subject to limitations	100% of first \$11 monthly benefit rate, plus 75% of next \$33, x years of credited service
<b>Statutory Guarantee Limitations:</b>		
<b>Maximum Guarantee</b>	\$47,659/year in 2006 (indexed) (adjusted for age and benefit form)	\$35.75/month x years credited service (not indexed). If 10 years of service - \$4,290/year. If 30 years of service - \$12,870/year
<b>Benefit increase by plan amendment</b>	If increase is less than 5 years old at date of plan termination, guarantee is phased-in at 20%/year (For monthly benefit increase of \$100 or less, phase-in rate is \$20/year)	No guarantee for benefit increase in effect less than 5 years before plan termination or insolvency

## New Benefit Restrictions Based on Plan's Funding Status

Due to a recent change in federal law, significantly underfunded pension plans will be subject to corrective measures, without regard to PBGC involvement. The type of corrective measure will depend

on how underfunded the plan is, as well as the type of plan. Generally, beginning in 2008, single-employer plans that are less than 60% funded may not pay lump sum benefits or shutdown benefits and must freeze future benefit accruals; plans that are less than 80% funded may pay partial lump sums and may not adopt certain benefit improvements. Generally, beginning in 2008, multiemployer plans that are less than 65% funded, or meet other liquidity or funding shortfalls, must adopt new benefit and contribution structures that will improve the plan's funded status within a specified period of time, may reduce previously earned benefits (but not less than the participant's accrued benefit payable at normal retirement age), and may not pay lump sum benefits in excess of \$5,000; plans that are less than 80% funded, or meet other funding shortfalls, must adopt new benefit and contribution structures to meet specified funded benchmarks, and may increase benefits only with the actuary's certification that such benefits are paid for out of contributions not required to meet the benchmarks.

### **Where to Get More Information**

For more information about this notice, you may contact [*enter name of plan administrator*], at [*enter phone number and address*]. For more information about the PBGC and benefit guarantees, go to PBGC's web site, [www.pbgc.gov](http://www.pbgc.gov), or call PBGC toll-free at 1.800.400.7242 (TTY/TDD users may call the Federal relay service toll free at 1.800.877.8339 and ask to be connected to 1.800.400.7242).