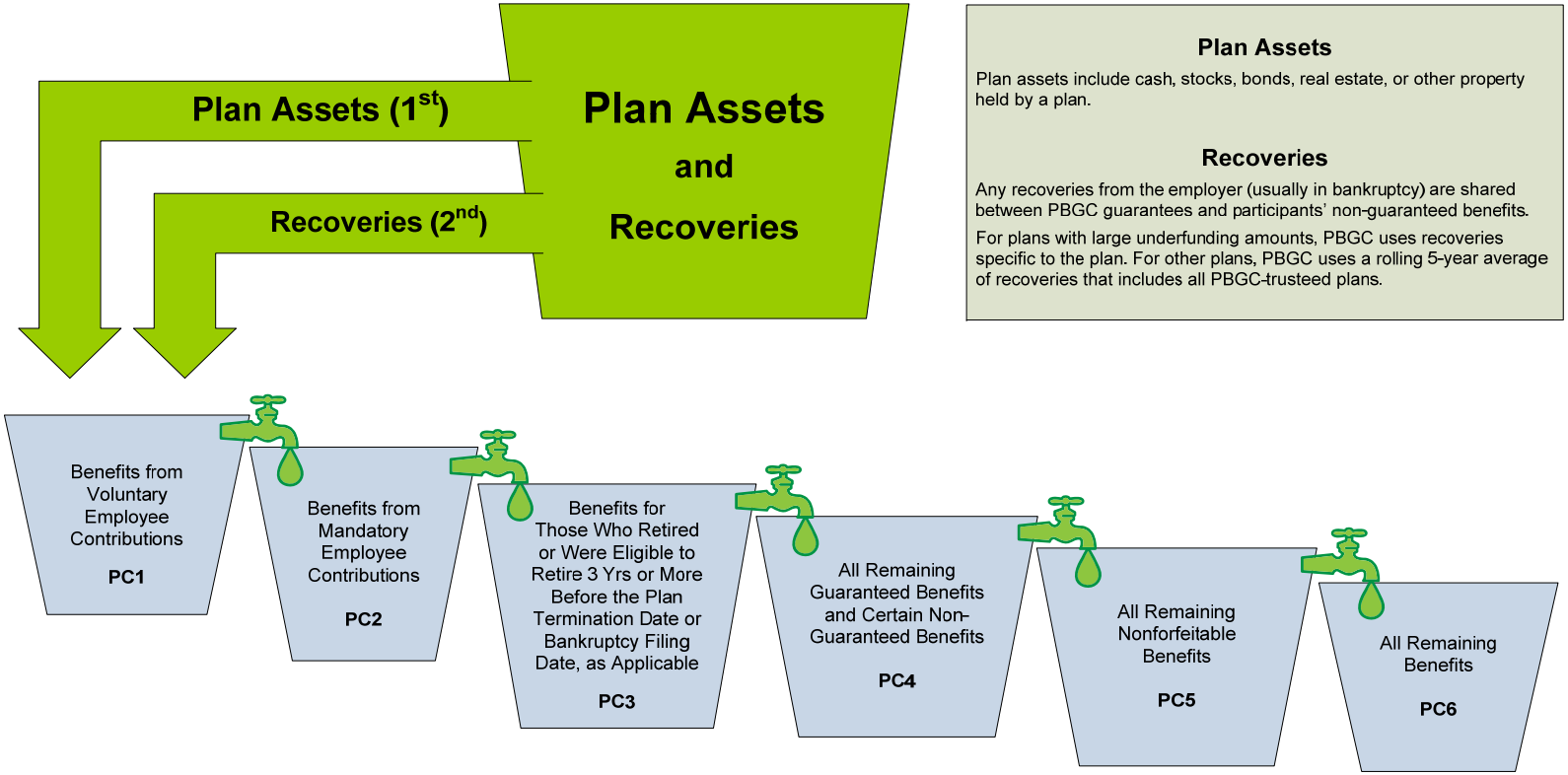
Priority Categories Allocation



Plan Assets

Plan assets include cash, stocks, bonds, real estate, or other property held by a plan.

Recoveries

Any recoveries from the employer (usually in bankruptcy) are shared between PBGC guarantees and participants' non-guaranteed benefits.

For plans with large underfunding amounts, PBGC uses recoveries specific to the plan. For other plans, PBGC uses a rolling 5-year average of recoveries that includes all PBGC-trusteed plans.

Assets/recoveries are first allocated to cover benefits from voluntary employee contributions. It is extremely rare for PBGC-trusteed plans to have these contributions.

Assets/recoveries are then allocated to cover benefits from mandatory employee contributions. It is not typical for PBGC-trusteed plans to have mandatory contributions.

Assets/recoveries are then allocated to pay for benefits of participants who retired or were eligible to retire 3 years or more before the plan termination date or bankruptcy filing date, as applicable. Benefit increases in the last 5 years are excluded.

Remaining assets/ recoveries (if any) are then allocated first to remaining PBGC-guaranteed benefits and to benefits that would be guaranteed but for the limitation that applies to participants who are receiving benefits from 2 or more PBGC-trusteed plans, and then to benefits that are limited to majority owners.

Remaining assets/recoveries (if any) are then allocated first to remaining vested but not guaranteed benefits according to the 5-year old plan provisions, and then according to subsequent plan amendments in order from the oldest to newest.

It is rare for there to be enough assets to fund PC6 benefits, but some PC6 benefits may be funded by recoveries.