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General FAQs about PBGC

United States: Pension Benefit Guarantee Corporation (PBGC)

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Pension Benefit Guaranty Corporation
A U.S. GOVERNMENT AGENCY

General FAQs About PBGC

ESPAÑOL

What is the Pension Benefit Guaranty Corporation (PBGC)?

PBGC is a federal agency created by the Employee Retirement Income Security Act of 1974 (ERISA) to protect pension benefits in private-sector defined benefit plans - the kind that **typically** pay a set monthly amount at retirement. If your plan ends (this is called "plan termination") without sufficient money to pay all benefits, PBGC's insurance program will pay you the benefit provided by your pension plan up to the limits set by law. (Most people receive the full benefit they had earned before the plan terminated.) Our financing comes from insurance premiums paid by companies whose plans we protect, from our investments, from the assets of pension plans that we take over as trustee, and from recoveries from the companies formerly responsible for the plans, but not from taxes. Your plan is insured even if your employer fails to pay the required premiums.

What can PBGC tell me about my pension?

If you're a participant in a pension plan that PBGC insures but that has **not** yet been taken over ("trusteed"), PBGC generally will have no information specifically about you, your plan, or your benefits under that plan. Your information and your pension benefit remain with the employer that promised you a pension. PBGC gathers this information only after PBGC trustees the plan. This means you'll find only general information below about our insurance programs and how they operate, including our guarantees. If PBGC has trusteeed your pension plan, we'll have only limited information about your plan and your benefits until we've had time to obtain and review your plan's records - typically after several months.

When Companies Reorganize: Bankruptcy

If my plan sponsor files for bankruptcy, does that necessarily mean that my pension plan will end (terminate)?

No. Plan termination is a separate event from filing for bankruptcy. If your plan sponsor (usually your employer) has filed for bankruptcy, that does not necessarily mean your pension plan has been or will be terminated. Many plan sponsors emerge from bankruptcy without terminating their plans. However, if your plan has not terminated and you have questions about whether your plan could terminate, contact your plan administrator.

Are there any special rules if my plan ends in bankruptcy?

If your plan entered bankruptcy on or after September 16, 2006, the following rule applies:

If your plan sponsor (usually your employer) files a petition for bankruptcy protection before your plan ends, and is still in bankruptcy when the plan ends, PBGC uses the bankruptcy filing date instead of the termination date for your plan to determine the guaranteed pension benefit amount.

You can find more information about the [bankruptcy date rule](#) here.

Do the bankruptcy date rules depend on whether my plan ends in Chapter 11 or Chapter 7 bankruptcy?

No. The rules are the same regardless of type of bankruptcy, but they generally apply only if your plan has not emerged from bankruptcy before the date your plan ends.

Where else can I find general information on bankruptcy?

[The Department of Labor](#) has a Web page describing the effects of bankruptcy on your employee benefits.

When Pension Plans End: Termination

How can an employer terminate a pension plan?

There are two ways an employer can terminate its pension plan.

Standard Termination

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. Your 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 a 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.

Distress Termination

If the plan does not have enough money to pay all pension benefits owed to participants and the employer is in financial distress, the employer may apply for a [distress termination](#). PBGC cannot grant the application, however, unless the employer proves to us or to a bankruptcy court that the employer cannot remain in business unless the plan is terminated. If the application is granted, we normally will take over as trustee of the plan and pay plan benefits, up to the legal limits.

When does PBGC terminate a pension plan?

Under the law PBGC may take action on its own to end a pension plan if termination is needed to protect the interests of plan participants or of the PBGC insurance program. For example, PBGC will end a plan if it will be unable to pay benefits when due.

How can I find out if my pension plan is underfunded?

Your plan administrator must give you an annual written notice about the funded status of the plan. You also have a legal right to obtain information about your plan's funding by requesting the information in writing from your plan administrator.

How will I know if my pension plan is ending?

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

What other information should I receive?

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 as trustee of your plan. Initially we will give you 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.

How To Know if Your Pension Plan is Covered

What types of plans does PBGC insure?

PBGC insures defined benefit plans offered by private-sector employers. Most promise to pay a specified benefit, usually a monthly amount, at retirement. Others, including cash-balance plans, may state the promised benefit as a single value. PBGC does not insure defined contribution plans, which are retirement plans that do not promise specific benefit amounts, such as profit-sharing or 401(k) plans.

These FAQs cover only single-employer plans, which are normally sponsored by an individual company for the benefit of its workers. Another PBGC program insures multiemployer plans covering unionized workers of

non-related employers in the same industry, such as trucking or construction.

How can I find out if my pension plan is insured by PBGC?

The easiest way is to ask your employer or plan administrator for a copy of the "Summary Plan Description," or SPD. The SPD will state whether your plan is covered by the PBGC program. Although we insure most defined benefit plans, some are not covered.

PBGC usually does not insure plans offered by:

- professional service employers (such as doctors and lawyers) that have never had more than 25 active participants since the enactment date of ERISA, the federal pension law,
- church groups, or
- federal, state, or local governments.

Please see also [Finding Your Insured Pension Plan](#) and [Insured Single-Employer Plans FAQs](#).

What Termination Means to You: Your Pension Benefits

Can I earn additional benefits after my plan's termination date?

No. You cannot earn additional benefits under your plan after it terminates.

What happens when PBGC takes over as trustee of my plan?

PBGC reviews your plan's records to determine the benefits each person will receive. The amount we pay is subject to limits set by law.

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

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.

We deposit most benefits into participants' accounts electronically, the safest, most secure, and simplest method. If you do not want to use direct deposit, you may still receive your benefit by check.

When does PBGC make its determination of my benefit?

After we have completed our review of all plan data and records, we will notify you in writing of your PBGC benefit and your right to appeal our determination. If you are receiving an estimated benefit, the letter will inform you whether your future payments will change and, if so, how much higher or lower they will be than the amount you are currently receiving.

What happens if my estimated benefit is too high or too low?

If your estimated benefits have been lower than the amount that PBGC ultimately determines you should be receiving, PBGC will make up the difference in a single payment with interest when we have completed our review of your plan.

If your estimated benefits have been higher than the amount you should be receiving, we will correct your future monthly payments to the final amount as calculated by PBGC. Typically, payments will be further reduced by no more than 10 percent each month to account for the higher payments already received.

What benefits does PBGC guarantee?

PBGC guarantees "basic pension benefits," subject to legal limits. These include:

- pension benefits at normal retirement age,
- most early retirement benefits,
- disability benefits, and
- annuity benefits for survivors of plan participants.

The guarantee applies only to benefits earned before the plan terminates; however, if the plan terminates while your employer is in bankruptcy, the guarantee may be limited to benefits earned before the bankruptcy. Additional limitations may apply to certain airline industry plans.

The pension benefit PBGC pays depends on

- provisions of your plan,
- legal limits,
- the form of your benefit,
- your age,
- plan assets, and
- amounts (if any) PBGC recovers from employers for plan underfunding.

We do not guarantee health and welfare benefits, severance and vacation pay, life insurance, lump-sum death benefits, certain other death benefits, and other non-pension benefits. PBGC benefits are not increased for cost-of-living adjustments (COLAs).

For more information see, [what PBGC guarantees](#) and our [maximum guarantee tables](#).

What is the maximum amount that PBGC can guarantee by law?

PBGC's maximum benefit guarantee is set each year under provisions of ERISA. The maximum guarantee applicable to a plan is fixed as of that plan's

termination date except for cases where termination occurs during a plan sponsor's bankruptcy, in which case the [maximum guarantee](#) may be fixed as of the [date the sponsor entered bankruptcy](#). An earlier date also may apply to certain airline industry plans.

The [maximum guarantee](#) is lower if you begin receiving payments from PBGC before age 65 or if your pension includes benefits for a surviving spouse or other beneficiary. The maximum guarantee is higher if you are over age 65 when you begin receiving benefits from PBGC.

Click the link below to see a table of the maximum amounts that PBGC can guarantee for a straight-life annuity with no survivor benefits and a joint-and-50%-survivor annuity for ages 45-65. The maximum is based on your age at the date you begin receiving benefits from PBGC.

For disability benefits, see [Guaranteed Benefits](#). Other guarantee limitations that may apply are described in the questions and answers that follow.

[Maximum monthly guarantee tables](#)

I am 65 years and six months old. Will PBGC treat me as 65 years old or 66 years old?

PBGC uses your age in years **and** months to determine benefits, even though we list ages at one-year increments on the maximum monthly guarantee tables.

Is the maximum benefit guarantee also the maximum benefit amount PBGC will ever pay?

PBGC allocates plan assets according to priority categories set down in the law, regardless of the funding level of the plan. As a result, benefits above the guaranteed level may sometimes be paid. Click [here](#) to learn more about the [priority categories](#).

Are there other limits on PBGC's guarantee?

Yes.

- If your plan was created or amended to increase benefits within five years before the plan's termination date, your benefit may not be fully guaranteed. PBGC guarantees the larger of 20% of the benefit increase or \$20 per month for each full year the benefit increase was in effect. If you own more than 50% of the business, stricter limits apply.
- If you become eligible for additional benefits as a result of an event such as the shutdown of a facility that occurs after July 26, 2005, and less than five years before your plan's termination date, the increase is not fully guaranteed.
- Additional limits may apply if the plan terminated while your employer was in a bankruptcy proceeding and for certain airline industry plans.
- Also, 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.

Special rules may apply if you are disabled.

What special PBGC guarantee rules apply to the benefits of disabled participants?

See [Guaranteed Benefits](#).

My pension plan features a temporary supplement to "bridge" the difference between my actual retirement age and the Social Security retirement age. How do I figure out whether this supplement is guaranteed?

Let's say your monthly benefit would have been \$1,000 at age 65, but you retired at age 60 with \$900 per month as your early retirement benefit plus \$600 per month as a temporary supplement payable until age 62. Your total benefit, \$1,500 per month, is larger than the \$1,000 benefit you would have received if you had retired at your normal retirement age. PBGC can pay you only \$1000 per month (\$900 per month early retirement benefit plus \$100 supplement) until age 62 and \$900 per month after age 62. Other limitations may reduce your benefit, or the allocation of the assets of the plan may increase it.

I became eligible for additional benefits when the facility where I worked was shut down. Now, my plan is terminating. Are the additional benefits guaranteed?

If an event such as a shutdown or lay-off occurred after July 26, 2005, and less than five years before your plan's termination date (or the date that the plan sponsor's bankruptcy proceeding began), the additional benefits may not be fully guaranteed. The [phase-in rule](#) described above would treat the additional benefits as if they were first adopted by the plan on the shutdown date.

Does PBGC pay survivor benefits?

Yes. PBGC will pay benefits to your surviving beneficiary if you elected a benefit form that provides survivor benefits, whether you retired before or after your plan terminated.

- If you chose a benefit form that provides survivor benefits for the life of your beneficiary (such as a joint-and-survivor annuity) we will pay these benefits only to the beneficiary you chose when you retired. In such a case, if you remarry after you retire, your new spouse usually will not be entitled to a survivor benefit.
- If you chose an annuity that pays your beneficiary only for a fixed period of time (such as a certain-and-continuous annuity), upon your death we will pay any remaining benefits to your most recently named beneficiary.

[A Qualified Domestic Relations Order \(QDRO\)](#) also may affect benefit payments.

PBGC allows all future retirees, whether married or not, to elect a benefit form that provides survivor benefits and to name a beneficiary at that time.

If you are married and die before retiring, we pay your surviving spouse a survivor benefit. Your spouse can begin this benefit as early as the date your plan permits you to retire, but typically no earlier than your 55th birthday.

If you are entitled to or are receiving a survivor benefit when your plan terminates, PBGC will pay or continue to pay your survivor benefit for the period provided by your plan.

What is a PBGC customer identification number?

Identity theft is a growing problem, and PBGC wants to help protect you. That's why we are phasing out use of Social Security numbers when we communicate with our customers. Instead, each participant in a PBGC-trusted pension plan will receive a unique customer identification number. This ID will keep your confidential information safe when you do business with PBGC.

Get your PBGC customer ID by calling us toll-free at 1-800-400-7242. [Visit our Contact Us page](#) for hours and more information.

Details You Should Know About Benefit Payments

Will PBGC adjust my pension yearly for inflation?

No, there is no cost-of-living adjustment under the law.

Can I receive my benefit from PBGC in a lump sum?

Normally, we pay benefits in monthly payments for life rather than as a lump sum. However, if the total value of your benefit is \$5,000 or less, you may

be able to receive it in a single payment.

Can I put my lump sum into an Individual Retirement Arrangement (IRA)?

Yes, most traditional IRAs or other qualified retirement plans will accept your lump-sum payment from PBGC. If you have PBGC pay the lump sum directly to your IRA or other plan, PBGC will not withhold tax from the payment. With this type of payment, called a "tax-free rollover," you will not have to pay tax until you receive payments from the IRA or other plan. You can get more information about tax-free rollovers by contacting your local Internal Revenue Service office, calling 1-800-TAX-FORM, or visiting www.irs.gov.

Can I choose the form of my annuity benefit from PBGC?

Yes, PBGC generally offers you a range of choices if your annuity begins after PBGC trustees your plan. The choices are explained on the Web page [Your PBGC Benefit Options](#). At the time you retire, we will tell you the amount you can receive under each of these annuity choices.

Will my deductions stay the same if PBGC takes over my plan?

PBGC only withholds federal income taxes and certain court-ordered deductions. You will have to pay separately any state taxes or other amounts (such as health insurance) now being deducted.

How long will my benefit be paid?

PBGC will pay your benefit for the rest of your life. Your spouse or another beneficiary may continue to receive a benefit after your death, depending on the [benefit option](#) you choose when you start payments.

Pension Benefit Guaranty Corporation

Customer Contact

For Workers & Retirees [1-800-400-7242](tel:1-800-400-7242)
8:00 a.m. to 7:00 p.m. Eastern Time Monday Through Friday
(Except Federal Holidays)

For Employers & Practitioners [1-800-736-2444](tel:1-800-736-2444)
8:00 a.m. to 5:00 p.m. Eastern Time Monday Through Friday
(Except Federal Holidays)

1200 K Street, NW, Washington DC 20005

CONTACT US

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