

*Insurance for the
Retirement Income Plan for Pilots
of US Airways, Inc.*

*is
Provided
By*



July 2004

PBGC's Customer Service Pledge

We will:

Return your call within one workday.

Acknowledge your letters within one week.

Have staff available Monday - Friday from 8:00 AM to 5:00 PM Eastern Time to answer your calls.

Send you a Newsletter at least once a year.

Introduction

Pension Benefit Guaranty Corporation (PBGC)

PBGC is a federal corporation created under the Employee Retirement Income Security Act of 1974 to guarantee your pension benefits. We currently guarantee the benefits earned by some 44 million American workers and retirees.

The benefits provided by the Retirement Income Plan for Pilots of US Airways, Inc. are insured by PBGC. Your pension plan terminated March 31, 2003, and PBGC became trustee on that same day.

Our headquarters is in Washington, D.C., and we have field offices staffed with authorized representatives to provide pension services to many of our participants. Your Field Benefit Administrator is:

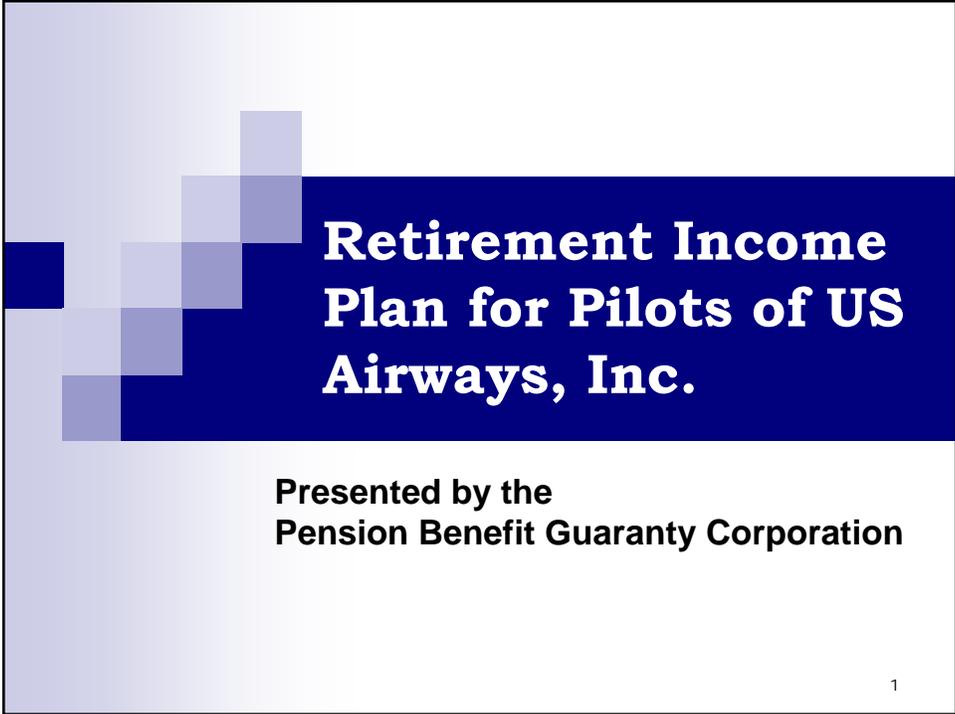
**Randstad North America
PBGC Authorized Representative**

You may call us at anytime you have questions. To reach your Field Benefit Administrator, you may call our **Customer Service Center at 1-800-400-7242 (toll free)**. For the TTY/TDD users, call the federal relay service at **1-800-877-8339 and ask to be connected to 1-800-400-7242** (available Monday through Friday 8:00 AM to 5:00 PM Eastern Time). You may write to us at:

**Pension Benefit Guaranty Corporation
P. O. Box 151750
Alexandria, VA 22315-1750**

To help us provide the best possible service to you, please keep us informed of any address changes. When you write to us, include your Plan name (**Retirement Income Plan for Pilots of US Airways, Inc.**), case number (**19933400**), social security number and daytime telephone number.

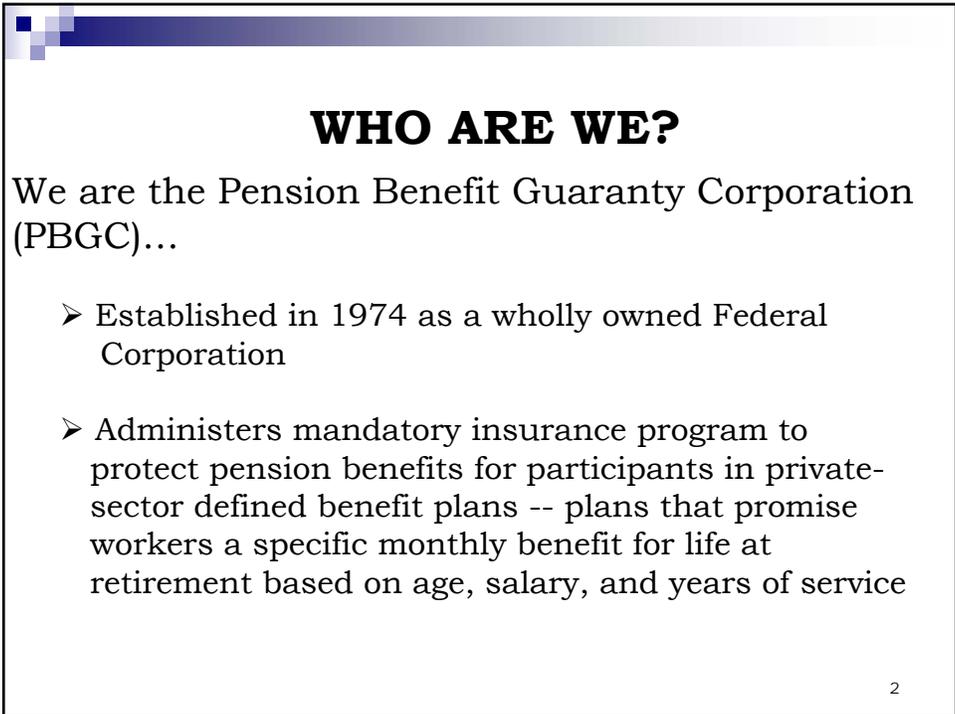
Our web site address is: **www.pbgc.gov**



Retirement Income Plan for Pilots of US Airways, Inc.

**Presented by the
Pension Benefit Guaranty Corporation**

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WHO ARE WE?

We are the Pension Benefit Guaranty Corporation (PBGC)...

- Established in 1974 as a wholly owned Federal Corporation
- Administers mandatory insurance program to protect pension benefits for participants in private-sector defined benefit plans -- plans that promise workers a specific monthly benefit for life at retirement based on age, salary, and years of service

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Pension Benefit Guaranty Corporation

- Provides protection for nearly 44 million workers and retirees in more than 31,000 private-sector defined benefit pension plans
- Assumes control of terminated underfunded defined benefit plans and administers and pays their benefits



Pension Benefit Guaranty Corporation

- Currently oversee over 3,300 terminated pension plans with over 900,000 participants and beneficiaries
- Pays retirement benefits based on the provisions of each plan

How Are We Financed?

- (1) Premiums paid by plan sponsors of covered plans
- (2) Assets from trusteed plans

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Retirement Income Plan for Pilots of US Airways, Inc.

Estimated funding status of Plan

68% underfunded = \$2.5 billion

Total plan assets = \$1.2 billion

Total plan liabilities = \$3.7 billion

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How Are We Financed?

- (3) Recoveries from employers that terminate underfunded plans, and
- (4) Investment income

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Pension Benefit Guaranty Corporation

PBGC is financially sound with sufficient assets to pay benefits far into the future

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Plan Administration

As Trustee, all services will be provided by PBGC

Call: 1(800) 400-PBGC (7242)
(8:00 AM – 5:00 PM Eastern Time)

Write: Pension Benefit Guaranty Corporation
P.O. Box 151750
Alexandria, VA 22315-1750

E-mail: www.pbgc.gov

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Services Provided By PBGC's Customer Contact Center 1 (800) 400 – PBGC (7242)

- Applications to Start Benefits
- Electronic Direct Deposits
- Benefit Estimates
- Survivor Benefits
- Tax Withholding Changes
- Address Changes
- General Information/Questions

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Retirees/ Beneficiaries

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Retirees/Beneficiaries

- Benefit Payments/Federal Tax Withholdings
Will continue without interruption
(State/Local taxes are not withheld by PBGC)

STATE STREET CORPORATION

(PBGC'S Paying Agent)

- As of June 1, 2003 State Street Corporation began making your payments
- Directly to you - checks mailed 3 business days before 1st of the month
- Electronic Deposit - transferred to your financial institution on the 1st of the month

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Form Of Benefit

Will the benefit form I chose before PBGC became trustee remain the same?

Yes

For example: If you chose the Joint and 50% Survivor option, that option is still in effect

Note: Your benefit form cannot be changed once you begin receiving payments

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Retirees/Beneficiaries Information PBGC Needs From You

A completed
Payee Information Form



Payee Information Form

PBGC Form 701
Approved OMB 1212-0055
Expires 04/30/06

Pension Benefit Guaranty Corporation.
P.O. Box 151750 Alexandria Virginia 22315-1750

For assistance, call 1-800-400-7242

(Proof documents NOT required)

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Non-Retirees

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(Non-Retirees) To Complete Our Records We Need...

Completed **General Information Form**
and
Photocopies of Proof Documents

- Participant's birth certificate
- Spouse's birth certificate, if married
- Marriage or Death certificate, if applicable

NOTE: This form does not start benefit payments. You must request and complete an application package

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When Can I Start My Benefit?

- When eligible according to your plan's provisions
- Even before PBGC's processing is completed (Benefits will be paid on an estimated basis)
- Even if working for another company
- Even if not yet receiving Social Security benefits
- Call PBGC to request a benefit estimate even before our final processing is complete.

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When Do I Apply For My Benefits?

- About 4 months before ready to start benefits, request application package
- Return completed package no earlier than 90 days before your benefit start date
 - Signature on certain forms cannot be more than 90 days old

(At this time, you can make your election regarding federal tax withholdings)

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Normal Forms Of Benefits

➤ Single Participants:

Straight Life Annuity

➤ Married Participants:

Joint and 50% Survivor Annuity

- 50% of benefit payable to spouse at participant's death
- Automatic, unless waived by both

Note: Your benefit form cannot be changed once you begin receiving payments

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PBGC Optional Forms Of Benefits Non-Retirees

- Straight Life Annuity
- Certain and Continuous Annuities for 5, 10, 15 years
- Joint and 50%, 75%, or 100% annuity
- Joint and 50% survivor "pop-up" annuity

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**Will My Spouse Receive A
Benefit If I Die Before I Retire?**

Yes

50% of your benefit can be paid
to your spouse at your earliest
retirement eligibility date

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**All
Participants**

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When Will I Know My Final Benefit Amount?

Approximately 3 years from when PBGC took over the plan (March 31, 2003):

PBGC will issue a benefit determination letter after all data has been collected and reviewed

However:

- Retirees/beneficiaries will continue to be paid
- Non-Retirees can start benefits when eligible

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What If Information Used to Reach Final Benefit is Incorrect?

Call 1 (800) 400-PBGC (7242)
to resolve discrepancy

or

File Appeal

Within 45 days from determination letter
(Instructions included with letter)

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Problems?

Call: Problem Resolution Officer
1 (800) 400-7242 ext. 4014

Write: Office of the Problem Resolution Officer
Pension Benefit Guaranty Corporation
1200 K Street, NW
Washington, DC 20005-4026

E-mail: PARTICIPANT.PRO@pbgc.gov

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Health Coverage Tax Credit Under the 2002 Trade Act

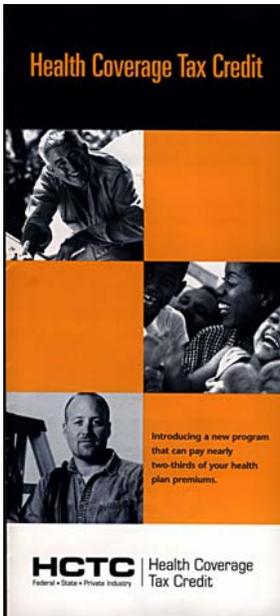
Provides Income Tax Credit = 65% of health insurance premium, also known as the "Health Coverage Tax Credit" (HCTC)

Advance Credit (requires application)
End-of-the-Year Credit

Who may be Eligible?

Individual receiving a PBGC benefit who is age 55 or older, and **NOT** eligible for Medicare or Medicaid

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Health Coverage Tax Credit

For information about HCTC

Call : 1-866-628-HCTC (4282)
TDD/TTY callers, please
call 1-866-626-HCTC
(4282)

Browse: <http://www.irs.gov>
IRS keyword: HCTC

HCTC is administered by the IRS.

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REMINDER!!

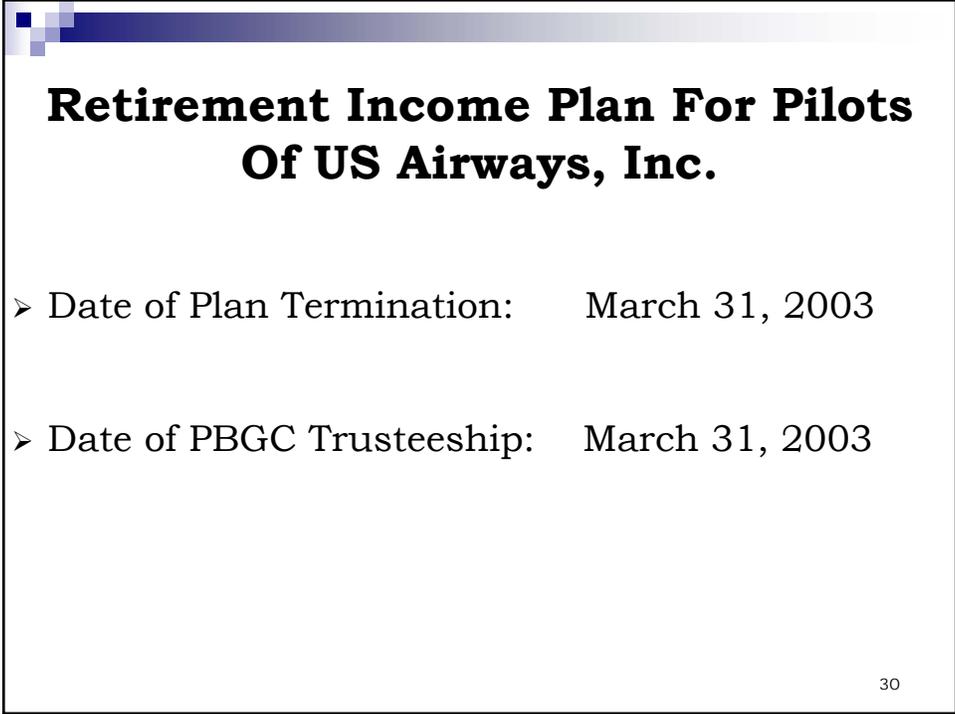
Keep your mailing address
current with PBGC

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Guaranteed Benefits

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Retirement Income Plan For Pilots Of US Airways, Inc.

- Date of Plan Termination: March 31, 2003
- Date of PBGC Trusteeship: March 31, 2003

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Vesting Schedule

Employment Termination Date	Years of Vesting Service	Vesting %
On or after January 1, 1989	0 - 4	0%
	5 or more	100%
Before January 1, 1989	5	50%
	6	60%
	7	70%
	8	80%
	9	90%
	10	100%

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Examples of Benefits that are Not Covered by PBGC

- Health Care Benefits
- Unpaid Leave
- Defined Contribution Plans (401(k) plans, Target Benefit Plan, etc.)
- Life Insurance
- Non-Qualified Plans (Top Hat Plan)

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When Can You Receive A Benefit?

- Normal Retirement:

- Age 60

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When Can You Receive A Benefit?

- Early Reduced Retirement:

- Age 50 and 5 Years of Vesting Service

- Reduced by .25% for Each Month Between Ages 55 and 60 and Further Reduced .50% for Each Month Between Ages 50 and 55.

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Early Retirement Reduction

<u>Retirement Age</u>	<u>Early Retirement Factor</u>
60	100%
58	94%
56	88%
54	79%
52	67%
50	55%

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Special Rule For Disability Retirement

- Must be totally and permanently disabled.
- Must be receiving a disability benefit under the Additional Benefit Programs.
- Must have met the disability requirements by Date of Plan Termination, March 31, 2003.

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Components Used to Calculate Your Benefit

- I. Final Average Earnings
- II. Credited Service
- III. Target Plan Benefit

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Components Used to Calculate Your Benefit

I. Final Average Earnings:

The average of your monthly compensation during the highest paid 36 consecutive months out of your last 120 months of credited service.

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Components Used to Calculate Your Benefit

II. Credited Service:

- Service from Date of Hire to the Earlier of Date of Plan Termination or the Date of Separation
- Calculated in Years and Months of Service
- Credited Service is Limited to 30 Years

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Components Used to Calculate Your Benefit

III. Target Plan Benefit:

- Defined Contribution Plan
- Effective January 1, 1983

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How Are Benefits Determined?

Based on the provisions of your plan;
subject to the limits set by law.

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PBGC Limits

- Maximum Guaranteed Benefit
- Phase-In

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What is the PBGC Maximum Guaranteed Benefit?

\$3,664.77 per month at age 65 as a Straight Life Annuity for plans that terminated in 2003

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What Determines Your Maximum Guaranteed Benefit?

Date of Plan Termination

Your Age

Your Spouse's Age

Your Form of Benefit

These determine the PBGC Age Reduction Factors and Form Conversion Factors.

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Maximum Guaranteed Benefit Early Retirement Factors

Retiree/ Beneficiary Age at DOPT*	PBGC Early Retirement Percentage	PBGC Maximum Straight Life Annuity Benefit
65	100%	\$3,664.77
60	65%	\$2,382.10
55	45%	\$1,649.15
50	35%	\$1,282.67
45	25%	\$916.19

*Uses years and months of age. If you retire after DOPT, March 31, 2003, Maximum Guaranteed Benefit considers your age at Date of Retirement (DOR).

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Maximum Guaranteed Benefit Form Conversion Factors

Retiree/Beneficiary Age at later of DOPT and DOR	Joint & 50% Survivor Benefit*
65	\$3,298.29
60	\$2,143.89
55	\$1,484.24
50	\$1,154.40
45	\$824.57

The Maximum Guaranteed Benefit is reduced for the Surviving Spouse Benefit, if elected.

*Assumes the Participant and Beneficiary are the same age

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What Benefits Are Subject to Phase-In?

Any benefit improvements that were made within five years of the Date of Plan Termination.

These improvements will be pro-rated at the greater of \$20 or 20% per year.

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What Increases In Your Plan Are Subject to Phase-In?

- I. Early Retirement Incentive Program (ERIP)
- II. Internal Revenue Code Section 415 Maximum Benefit Limit
- III. Internal Revenue Code Section 401 (a) (17) Maximum Pension Earnings Limit
- IV. 1% Cost of Living Adjustments (Former Piedmont Pilots)

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What Increases In Your Plan Are Subject to Phase-In?

I. Early Retirement Incentive Program Effective May 1, 1998 (\$80/80%)

- Age Option
- Credited Service Option
- Age and Credited Service Option

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What Increases In Your Plan Are Subject to Phase-In?

II. Internal Revenue Code Section 415 Maximum Benefit Limit

The Internal Revenue Code limits the overall amount of **benefits** that may be provided under a defined benefit plan.

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Internal Revenue Code Section 415 Maximum Benefit Limit

<u>Year</u>	<u>IRC 415 Limit</u>	<u>Phase-In</u>
2003	\$160,000	
2002	\$160,000	20%/\$20.00
2001	\$140,000	40%/\$40.00
2000	\$135,000	60%/\$60.00
1999	\$130,000	
1998	\$130,000	

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What Increases In Your Plan Are Subject to Phase-In?

III. Internal Revenue Code Section 401 (a) (17) Maximum Pension Earnings Limit

The Internal Revenue Code limits the amount of **compensation** that may be taken into account in computing a benefit under a defined benefit plan.

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Internal Revenue Code Section 401 (a) (17) Maximum Pension Earnings Limit

<u>Year</u>	<u>IRC Limit</u>	<u>Phase-In</u>
2003	\$200,000	
2002	\$200,000	20%/\$20.00
2001	\$170,000	
2000	\$170,000	60%/\$60.00
1999	\$160,000	
1998	\$160,000	

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What Increases In Your Plan Are Subject to Phase-In?

IV. 1% Cost of Living Adjustment (COLA)

For Former Piedmont Pilots Only:

- 1% COLA Applied on January 1st of Each Year After Retirement
- COLA Applies to Benefits Earned Prior to May 1, 1990

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1% Cost of Living Adjustment (COLA)

<u>Effective Date</u>	<u>Phase-In</u>
January 1, 2003	0%
January 1, 2002	20%/\$20.00
January 1, 2001	40%/\$40.00
January 1, 2000	60%/\$60.00
January 1, 1999	80%/\$80.00
January 1, 1998	100%

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Sample Benefit Calculation

Date of Birth: June 1, 1952
Date of Hire: January 1, 1983
Last Date Benefit Earned: March 31, 2003

Normal Retirement Date: June 1, 2012
Date of Retirement: June 1, 2012

Age at Date of Retirement: 60
Form of Benefit: Straight Life

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Sample Benefit Calculation

Final Average Monthly Earnings:	\$12,000.00
Total Years of Credited Service (CS):	20.25
CS prior to January 1, 2003:	20.00
CS on or after January 1, 2003:	.25
Target Plan Monthly Benefit Amount:	\$550.00

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US Airways Normal Retirement Benefit Formula

2.4% of Final Average Earnings x CS*
Plus
1.8% of Final Average Earnings x CS**
Plus
1% of Final Average Earnings x CS***
Minus
Target Plan Benefit Amount

* Credited Service prior to January 1, 2003 limited to your first 25 years.

** Credited Service on or after January 1, 2003 limited to your first 25 years.

*** Credited Service in excess of 25 years up to a maximum of 5 years.

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Calculation of Benefit Example

Retirement Benefit Formula:

$$\begin{aligned} & 2.4\% \times \$12,000 \times 20 \\ & \quad \textbf{plus} \\ & 1.8\% \times \$12,000 \times .25 \\ & \quad \textbf{plus} \\ & 1\% \times \$12,000 \times 0 \\ & \quad \textbf{minus} \\ & \quad \$550.00 \\ & \quad = \\ & \quad \$5,264.00 \end{aligned}$$

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Maximum Guaranteed Benefit (MGB)

- A) Estimated Monthly Plan Benefit: **\$5,264.00**
- B) PBGC 2003 MGB at age 60: **\$2,382.10**
- C) Guaranteed Benefit is the lesser
of \$5,264.00 and \$2,382.10 = **\$2,382.10**

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Former Pacific Southwest Airlines (PSA) Pilots

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Former Pacific Southwest Airlines (PSA) Pilots

- Pacific Southwest Airlines Retirement Plan for Flight Deck Employees
- Merger Effective Date: April 9, 1988

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Benefit Formula For Former PSA Pilots

- The benefit formula defined in the PSA Retirement Plan for Flight Deck Employees using service prior to the effective date of the merger, April 9, 1988.

Plus

- The benefit formula defined in the Retirement Income Plan for Pilots of US Airways, Inc. using service as of the effective date of the merger, April 9, 1988.

Total Credited Service Limited to 30 Years

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Benefit Formula For Former PSA Pilots

$2\% \times \text{Final Average Earnings} \times \text{CS}$

- Credited Service as of April 9, 1988 is used.
- Credited Service is limited to a maximum of 30 years.

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Final Average Earnings For Former PSA Pilots

- The average monthly salary during the highest paid 60 consecutive months out of the last 120 months of service.
- 80% of the yearly compensation earned after the Merger Date is considered .

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Maximum Benefit For Former PSA Pilots

The benefit will never exceed the amount of the benefit calculated under the US Airways benefit formula using the sum of the credited service before and after the effective date of the merger .

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Former Piedmont Pilots

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Former Piedmont Pilots

- **Piedmont Aviation, Inc. Pilot Retirement Plan:**
 - Merger Effective Date: May 1, 1990

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Benefit For Former Piedmont Pilots

The benefit earned under the Piedmont Plan
using service prior to the effective date of
the
merger, May 1, 1990.

Plus

The benefit earned under the US Airways
Plan
using service as of the effective date of the
merger, May 1, 1990.

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Former Piedmont Pilots

2.4% of Final Average Compensation x CS*

Plus

1% of Final Average Compensation x CS**

* Creditable Service limited to a maximum of 25 years.

** Creditable Service in excess of 25 years up to a maximum of 5 years.

70



Final Average Earnings For Former Piedmont Pilots

- The average of your monthly compensation during the highest paid 36 consecutive months out of the last 120 months of service.
- Earnings while working for US Airways are included.

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Former Shuttle Pilots

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Shuttle Pilots

➤ **Shuttle, Inc. Fixed Benefit Retirement Income Plan:**

- Plan Merger Effective Date:
January 1, 2000
- Benefit Merger Effective Date:
February 1, 2000

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Benefit For Former Shuttle Pilots

The benefit earned under the Shuttle Plan using service prior to the effective date of the benefit merger, February 1, 2000.

Plus

The benefit earned under the US Airways Plan using service as of the effective date of the benefit merger, February 1, 2000.

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Former Shuttle Pilots

1% of Final Average Earnings x Active Service*

Plus

1.26% of Final Average Earnings x Active Service**

* Active Service through February 19, 1990 limited to a maximum of 35 years.

** Active Service after February 19, 1990 through the benefit merger date limited to a maximum of 35 years.

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Benefits For Former Shuttle Pilots

- The average of your monthly earnings during the highest paid 42 consecutive months out of the last 120 months of service.
- Earnings while working for US Airways are included.
- Final Average Earnings is limited to \$170,000

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Maximum Benefit For Former Shuttle Pilots

The benefit will never exceed the amount of the benefit calculated under the US Airways benefit formula using the sum of the credited service before and after the effective date of the benefit merger .

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Recoupment

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Recoupment of Overpayment

- We generally collect overpayments by reducing your future monthly payments.
- The reduction is an actuarial calculation based on life expectancy.
- You owe no interest on money PBGC overpaid to you.
- The reduction begins 45 days after the benefit determination letter, or if you have appealed, after the appeal decision is finalized.

Note: If underpaid, PBGC pays the underpayment amount with interest.

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Recoupment Example

- Total Benefit Before Limitations:
\$5,264.00
- Total Benefit After Limitations:
\$2,382.10
- Monthly Overpayment:
 $\$5,264.00 - \$2,382.10 =$
\$2,881.90

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Recoupment Example

- 14 Months Of Overpayment
- Total Overpayment:
 $14 \times \$2,881.90 = \$40,346.60$

81

Recoupment Example

- Life Expectancy: 25 years
- Annual Repayment Amount =
 $\$40,346.60 / 25 \text{ years} = \$1,613.86$
- Monthly Repayment Amount:
 $\$1,613.86 / 12 \text{ months} = \134.49

Life Expectancy will vary based on your age and gender.

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Summary Plan Description

Retirement Income Plan for Pilots of US Airways, Inc.

Case Number: 19933400
Date of Plan Termination: March 31, 2003
Date of Trusteeship: March 31, 2003

Plan History: The plan was started January 1, 1958 to provide retirement benefits for pilots of the then Allegheny Airlines. The original plan required pilots to contribute a portion of the cost of providing benefits. Pilots from Lake Central Airlines and Mohawk Airlines joined the plan December 31, 1968 and April 12, 1972, respectively. Beginning December 1, 1972, the employer paid the entire cost of the plan. The original benefit formula, before December 1, 1972, provides a minimum benefit for pilots who were participants on that date. Effective January 1, 1978, the current benefit formula was adopted. Effective January 1, 1983, a companion plan, the Target Benefit Plan was adopted. Target Plan benefits offset the benefits payable under this plan. Contributions to the Target Benefit Plan ceased in 1988. Pilots from Pacific Southwest Airlines, Piedmont Airlines and the Shuttle joined the plan April 9, 1988, May 1, 1990 and January 1, 2000, respectively. The plan offered enhanced benefits to pilots who elected to retire under the Early Retirement Incentive Program, during the window period from March 1, 1998 to April 30, 1998, and who actually retired between June 1, 1998 and May 1, 2000. The last restatement of the plan was adopted February 22, 2002 and effective January 1, 2001.

Eligibility: Employees became participants automatically when they first worked as a pilot for US Airways and were on the pilot system seniority list.

Benefit

Components: The following components are used for calculating plan benefits:

Age

Calculated in years and months.

Vesting Service

Vesting Service is used for determining your eligibility for benefits. A participant earns a year of vesting service for each calendar year that includes at least 500 hours of service. In calendar years with fewer than 500 hours of service, a participant earns a month of vesting service for each calendar month that includes at least one hour of service. Vesting service includes absences due to furlough, authorized leave and military service and, on and after December 1, 1980, absences due to disability if the participant was receiving benefits under the company-sponsored Additional Benefit Programs. In addition, Vesting Service includes periods that a participant was working in a position other than as a pilot.

Summary Plan Description

Retirement Income Plan for Pilots of US Airways, Inc.

Case Number: 19933400
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Benefits for Shuttle Pilots:

For participants in the Shuttle Plan for Pilots, before January 1, 2000, the Accrued Monthly Benefit is the lesser of (1) the sum of (a) the benefit based on the Shuttle benefit formula using Credited Service before February 1, 2000 only, and all Compensation; plus (b) the benefit based on the US Airways benefit formula using Credited Service on and after February 1, 2000, and all Compensation; or (2) the benefit based on the US Airways benefit formula using all Credited Service and all Compensation. Total Credited Service cannot exceed 30 years. Different factors are applied to the benefit based on Credited Service before February 1, 2000 for calculating the Reduced Retirement Amount

Vesting:

A participant who terminates employment with less than 5 years of Vesting Service is not entitled to a pension benefit. However, a participant who terminates employment on or after attaining the Normal Retirement Age is entitled to the Accrued Monthly Benefit, beginning immediately. A participant, who terminates employment with at least 5 years of Vesting Service and is not eligible for immediate retirement, is entitled to the Accrued Monthly Benefit beginning at the Normal Retirement Age or a reduced benefit payable as early as Age 50, as described in the Reduced Retirement Amount section. If a participant terminated employment before 1989 with fewer than 10 years of Vesting Service, the benefit is further multiplied by a percentage equal to 10 times the number of full years of Vesting Service, *e.g.*, 50 percent for 5 years of Vesting Service, 60 percent for 6 years of Vesting Service, *etc.*

Window Benefit:

Under the Early Retirement Incentive Program (ERIP), a participant who was at least age 45 by May 1, 2000 and who elected, during the window period March 1, 1998 through April 30, 1998, to accept retirement on an assigned date between June 1, 1998 and May 1, 2000 received a benefit based on a combined 60 additional months of Age and Credited Service, whichever combination provided the greatest benefit increase. Such participants also could take a greater portion of their benefit as a lump sum payment.

Plan Maximum Compensation:

The compensation used for calculating plan benefits cannot exceed the maximum amount permitted under Internal Revenue Code section 401(a)(17) for funded defined benefit plans whose benefits are not taxable to participants until receipt. Starting in 1997, this Code section limited the annual earnings that could be recognized for calculating a participant's pension to \$160,000. This same limit applies in all years before 1997. The limit for amounts earned after 1997 is as follows:

Year	Maximum Earnings
1998	\$160,000
1999	\$160,000
2000	\$170,000
2001	\$170,000
2002	\$200,000
2003	\$200,000

The plan used two different methods for applying this limit, beginning in 1997, and paid the higher of the amounts under these two methods. The first method applies the limit as described in the chart. The second method starts with the benefit the participant earned through December 31, 1996 with no limit on earnings. To that amount, it adds the additional benefit after December 31, 1996, using Credited Service after that date and the participant's Final Average Earnings based on the compensation limit in effect at the time employment terminated.

Plan Maximum

Benefit:

The annual benefit from this plan cannot exceed the maximum amount permitted under Internal Revenue Code section 415 for funded defined benefit plans whose benefits are not taxable to participants until receipt. The maximum amount is adjusted periodically to reflect increases in prevailing wages. The maximum amounts payable, as a straight life annuity at age 62, were as follows:

Year	Maximum Pension Amount
1998	\$130,000
1999	\$130,000
2000	\$135,000
2001	\$140,000
2002	\$160,000
2003	\$160,000

The maximum amounts shown in the chart apply to pilots who retire at age 60 or later. The maximum amounts shown in the chart are reduced by an actuarial reduction *from age 62* for pilots who retire before age 60. The maximum amounts are also reduced for a pilot who elects to receive his or her benefit in a form other than a straight life annuity or a qualified joint-and-survivor annuity and for a pilot who elects a partial lump sum distribution. Benefits of retired pilots reduced by the maximum pension amount increase after retirement as the maximum amount increases.

Pre-Retirement

Survivor Annuity:

Upon the death of a vested participant, the surviving spouse is eligible to receive a monthly benefit equal to one-half of the Accrued Monthly Benefit. The benefit may be adjusted for early retirement, form of benefit, and the cost of providing Pre-Retirement Survivor Spouse coverage as required by the plan provisions. The benefit is payable at the later of the first of the month following the date of death or the date on which the participant would have been first eligible to receive retirement benefits. The spouse has the option to postpone benefits to a date no later than the participant's Normal Retirement Date.

Normal Benefit Form:

Unmarried: Straight Life Annuity -- A pension payable for your lifetime with no further benefits due following your death..

Married: Joint and 50% Survivor Annuity -- A reduced pension payable during your lifetime, with 50% of this amount continuing to your spouse following your death.

Benefit Options

Offered by Plan: The Plan offered various additional survivor options, such as the Contingent Pensioner Option. The PBGC will honor these options provided you made the election *before* the date of trusteeship, March 31, 2003.

Benefit Options

Offered by PBGC:

Single-life Forms

- Straight life annuity -- a pension payable for your lifetime with no further benefits due following your death.
- Certain-and-continuous annuities for 5, 10, or 15 years -- provides you with fixed monthly benefit payments for your lifetime. If you die before the end of the time period you selected, your designated beneficiary will receive the same monthly benefit for the remainder of the period. If you die after the end of the period, benefit payments end upon your death.

Joint-life Forms

- Joint-and-survivor annuity -- 50%, 75%, or 100% -- provides you with fixed monthly benefit payments for your lifetime and, upon your death, payments continue to your spouse or other beneficiary for the rest of his or her life. The monthly benefit your spouse or other beneficiary receives is 50, 75, or 100 percent -- depending on your choice -- of the amount you were receiving while you were alive. If your beneficiary dies before you, your monthly benefit will not change.
- Joint-and 50%- survivor “pop-up” annuity differs from the joint-and-survivor annuity described above in that, if your spouse or other beneficiary dies before you, your monthly benefit will “pop-up” to the straight-life annuity amount for the rest of your life.

Lump Sums:

Can only be paid if the present value of your benefit is less than or

equal to \$5,000. The PBGC will pay interest from the date of plan termination to the payment date.

YOUR FORM OF BENEFIT CANNOT BE CHANGED ONCE BENEFITS START

Other Benefits:

Benefits payable from the Target Benefit Plan and Top Hat Plan are not covered by PBGC. Other benefits not covered by the PBGC include unpaid leave; severance pay; health and life insurance; and defined contribution plans.

PBGC Maximum

Monthly Benefit:

For plans terminating in 2003, the maximum monthly benefit guaranteed by the PBGC is \$3,664.77, payable as a Straight Life Annuity at age 65. We adjust the maximum benefit for post-retirement death benefits based on the form of benefit you elect. Except for disabled members receiving Social Security disability benefits, we also adjust the maximum benefit for commencement ages other than age 65. Based on your age at the later of your retirement age or date of plan termination (March 31, 2003), the following early retirement factors will be applied to PBGC's maximum monthly benefit at age 65 as a Straight Life Annuity (\$3,664.77).

Age	Early Retirement Factor
65	1.000
60	.650
55	.450
50	.350
45	.250
40	.200

Phase-In:

By law, PBGC does not fully guarantee benefit increases in effect less than 5 full years on the date of plan termination. PBGC's guarantee is limited to the greater of 20% of the increase or \$20 for each full year the increase was in effect. This means that PBGC's benefit guarantee is phased in over a five year period when benefits are increased. The following benefit increases are subject to the phase-in:

The Early Retirement Incentive Program (ERIP) was in effect four full years on the date of plan termination. For any benefit increase resulting from retirement under the ERIP, the guarantee is limited to the greater of 80% of the resulting benefit increase or \$80.

Each year, the maximum compensation and the maximum benefit amount in the Internal Revenue Code are recalculated in accordance with the law to reflect increases in prevailing wages. For any benefit increase resulting from these adjustments, the guarantee is limited to the greater of 20% of the resulting benefit increase or \$20 for each full year since the adjustment was made.

Each year, the benefit accrued before May 1, 1990, under the Piedmont Aviation, Inc. Pilot Retirement Plan and Trust Agreement, is adjusted upward in accordance with the plan, to reflect increases in the cost-of-living. For any benefit increase resulting from these adjustments, the guarantee is limited to the greater of 20% of the resulting benefit increase or \$20 for each full year since the adjustment was made. PBGC does not provide these cost-of-living increases after the date of plan termination, March 31, 2003.

FREQUENTLY ASKED QUESTIONS

How do I apply for benefits?

- Call our toll free telephone number 1 (800) 400-7242 for application package, or
- Write to: ***Pension Benefit Guaranty Corporation
P.O. Box 19153
Washington, DC 20036***

When do I apply for benefits?

120 days before your eligibility date

Can I have my check sent directly to my financial institution?

Yes. Your check can be wired electronically to your financial institution.

When will the check be deposited to my account?

We electronically transfer checks to financial institutions the 1st of the month.

When are checks mailed to my home?

Checks are mailed 3 business days before the first of the month. Receipt depends on the U.S. mail.

How do I report that my check has not been received?

Call: 1 (800) 400-7242

How do I report a change in address?

Call: 1 (800) 400-7242

Who can I contact if I have a problem that has not been resolved?

- Write: ***Problem Resolution Officer
Pension Benefit Guaranty Corporation
1200 K Street, NW
Washington, DC 20005***
- Call: ***1 (800) 400-7242 ext. 4014, or***
- E-mail: ***participant.pro@pbgc.gov***