

Generally, PBGC's guarantee is based on a pension for each year of service a person earns under his or her pension plan. We sometimes summarize the maximum guarantee as \$12,870 per year (with 30 years of service). We use 30 years as a way of estimating the amount of time people may spend in a career covered by the pension plan. But it is just an estimate, the maximum guarantee would actually be less for people who worked fewer than 30 years and more for those who worked longer. As a monthly benefit amount, we guarantee a payment equal to:

- 100% of the first \$11 of the monthly benefit rate, **plus** 75% of the next \$33 of the monthly benefit rate,
- **times** the participant's years of credited service.

The guaranteed monthly benefit, therefore, is limited to \$35.75 per month ($(\$11 \times 100\%) + (\$33 \times 75\%) = \35.75) times a participant's year of credited service. The guaranteed benefit is not adjusted for inflation or cost-of-living increases.

Proposed

To make a rounded but close to a \$25,000 guarantee, 100% of the first \$22 and 75% of the next \$63 could be used to make a \$24,930 Guarantee. (with 30 years service)

The proposed PBGC chart would look like this.

| Example 1 |
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| <p>Plan's monthly benefit rate is \$20 per year of service.</p> <ul style="list-style-type: none"> • This is fully guaranteed, since \$20 is below the \$22 that is 100% guaranteed. <p>PBGC's maximum annual guaranteed benefit for a participant who has:</p> <ul style="list-style-type: none"> • 40 years of service is \$9,600 ($\\$20 \times 12 \text{ months} \times 40 \text{ years}$) • 30 years of service is \$7,200 ($\\$20 \times 12 \text{ months} \times 30 \text{ years}$) • 20 years of service is \$4,800 ($\\$20 \times 12 \text{ months} \times 20 \text{ years}$) • 10 years of service is \$2,400 ($\\$20 \times 12 \text{ months} \times 10 \text{ years}$) |
| Example 2 |
| <p>Plan's monthly benefit rate is \$40 per year of service.</p> <ul style="list-style-type: none"> • The guaranteed benefit is limited to \$35.55 per year of service, as follows: $\\$22.00 = 100\%$ of the first \$22.00 $\underline{\\$13.55} = 75\%$ of the next \$ 18.00 ($\\$40 - \\22) $\\$35.55$ <p>PBGC's maximum annual guaranteed benefit for a participant who has:</p> <ul style="list-style-type: none"> • 40 years of service is \$17,064 ($\\$35.55 \times 12 \text{ months} \times 40 \text{ years}$) • 30 years of service is \$12,798 ($\\$35.55 \times 12 \text{ months} \times 30 \text{ years}$) • 20 years of service is \$8,532 ($\\$35.55 \times 12 \text{ months} \times 20 \text{ years}$) • 10 years of service is \$4,266 ($\\$35.55 \times 12 \text{ months} \times 10 \text{ years}$) |

Example 3

Plan's monthly benefit rate is \$100 per year of service.

- The guaranteed benefit is limited to \$69.25 per year of service, as follows:
\$22.00 = 100% of the first \$22.00
\$47.25 = 75% of the next \$63.00 ($\$100 - \$22 = \78, partial guarantee of up to \$63)
\$69.25

PBGC's maximum annual guaranteed benefit for a participant who has:

- 40 years of service is \$33,240 ($\$35.75 \times 12 \text{ months} \times 40 \text{ years}$)
- 30 years of service is \$24,930 ($\$35.75 \times 12 \text{ months} \times 30 \text{ years}$)
- 20 years of service is \$16,620 ($\$35.75 \times 12 \text{ months} \times 20 \text{ years}$)
- 10 years of service is \$8,310 ($\$35.75 \times 12 \text{ months} \times 10 \text{ years}$)