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-trusted plans.

Plan Assets (1st)

Recoveries (2nd)

Benefits from Voluntary Employee Contributions
PC1

Benefits from Mandatory Employee Contributions
PC2

Benefits for Those Who Retired or Were Eligible to Retire 3 Yrs or More Before the Plan Termination Date or Bankruptcy Filing Date, as Applicable
PC3

All Remaining Guaranteed Benefits and Certain Non-Guaranteed Benefits
PC4

All Remaining Nonforfeitable Benefits
PC5

All Remaining Benefits
PC6

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

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

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-trusted plans, and then to benefits that are limited to majority owners.

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-trusted plans, and then to benefits that are limited to majority owners.

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

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