

Before you begin to receive your monthly pension benefit from PBGC, you have an important decision to make: How do you wish to receive your monthly benefit?

This question is complex and could be one of the most important financial decisions you will ever make. Your decision affects the amount of your monthly benefit and how much your beneficiary will receive after your death. The best option for you depends on your age, health, and other financial resources, as well as the age, health, and financial needs of anyone for whom you wish to provide a benefit. If you are married, you should discuss this choice with your spouse. You may also want to discuss this choice with other family members or friends and, possibly, a financial advisor. The following information is designed to help you make an informed choice.

You may choose your plan's "automatic" benefit form or one of the PBGC optional benefit forms, described below. Your plan's "automatic" benefit form is the benefit form your plan would pay you if you do not make an election. Your automatic benefit form may be the same as one of the PBGC optional benefit forms.

- ***If you are unmarried***, you may choose your plan's automatic benefit form for unmarried participants or any of the PBGC optional benefit forms described below. This automatic benefit form in most plans is a straight-life annuity or a certain-and-continuous annuity (see the descriptions below).
- ***If you are married***, your automatic benefit form is a joint-and-survivor annuity with your spouse as beneficiary. You may choose that benefit form, or, with your spouse's written consent, you may choose your plan's automatic benefit form for unmarried participants or any of the PBGC optional benefit forms, with your spouse or another person as beneficiary.

***Please note that your spouse has a legal right to the survivor benefit under your pension plan's automatic benefit form for married participants. You can elect a different benefit form or a beneficiary other than your spouse only if your spouse consents by signing Section 3 of the Application and having the signature notarized.***

## **PBGC OPTIONAL BENEFIT FORMS**

This section describes each of the benefit forms that PBGC offers, with examples using a participant named Sam who is applying for a benefit. Sam will be age 65 when his benefit payments begin. He is married to Carol, who will be 61 years old when Sam's benefit payments begin. We show what Sam and Carol would receive under each benefit form, assuming Sam names Carol as his beneficiary.

### **Straight-Life Annuity**

A straight-life annuity provides a fixed monthly benefit for the rest of your life only. No survivor benefit will be paid upon your death, but you should name a beneficiary for anything that is owed at the time you die, ex. uncashed checks.

***Example:*** Sam elects a straight-life annuity, and he receives \$500 a month for the rest of his life. After Sam dies, Carol does not receive any benefits.

### **Joint-and-Survivor Annuities**

A joint-and-survivor annuity provides a benefit for the rest of your life at an amount reduced from the straight-life annuity amount, with your choice of 50%, 75%, or 100% of that reduced amount to be paid to your beneficiary if you die before that person. If your beneficiary dies before you, your benefit will remain at the reduced level, and no survivor benefits will be payable when you die.

You may name your spouse or someone else as your beneficiary. You cannot change your beneficiary after PBGC makes your first payment. The amount of your benefit will depend on the age of your beneficiary and the survivor percentage you choose.

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**Examples**

- *Joint-and-50% Survivor Annuity: Sam receives \$450 a month for the rest of his life. If Sam dies first, Carol receives \$225 a month for the rest of her life. If Carol dies first, Sam continues to receive \$450 a month for the rest of his life.*
- *Joint-and-75% Survivor Annuity: Sam receives \$429 a month for the rest of his life. If Sam dies first, Carol receives \$322 a month for the rest of her life. If Carol dies first, Sam continues to receive \$429 a month for the rest of his life.*
- *Joint-and-100% Survivor Annuity: Sam receives \$409 a month for the rest of his life. If Sam dies first, Carol receives \$409 a month for the rest of her life. If Carol dies first, Sam continues to receive \$409 a month for the rest of his life.*

**Joint-and-50% Survivor “Pop-up” Annuity**

The “pop-up” annuity is the same as the joint-and-50% survivor annuity (described above) except that if your beneficiary dies before you, your benefit “pops up” to the straight-life annuity amount. Like the other joint-and-survivor benefit forms, you may choose your spouse or someone else to be your beneficiary. The amount of your benefit will depend on the age of your beneficiary. You cannot change your beneficiary after PBGC makes your first payment.

**Example:** *Sam elects a joint-and-50% survivor “pop-up” annuity and receives a payment of \$444 a month. If Sam dies first, Carol receives \$222 a month for the rest of her life. However, if Carol dies first, Sam’s benefit “pops up” to his straight-life annuity benefit amount of \$500 a month for the rest of his life.*

**Certain-and-Continuous Annuities**

A certain-and-continuous annuity provides a benefit for the rest of your life at an amount reduced from the straight-life annuity amount. If you die within 5, 10 or 15 years *after the date your benefits are first payable* (the Annuity Starting Date (ASD) you choose on your benefit application in item 1), your designated beneficiary will receive the benefit for the remainder of that “certain” period. If you die after the certain period, no survivor benefit is payable. You may choose any beneficiary for your certain-and-continuous annuity, such as your spouse, another person, an estate, a trust, a church or other organization, etc. You can change this beneficiary designation at any time. If your beneficiary dies before you and before the end of the certain period, you should designate a new beneficiary. The amount of your benefit is the same regardless of whom you designate as beneficiary.

**Examples:**

- *5-year Certain-and-Continuous Annuity: Sam receives \$494 a month for the rest of his life. If Sam dies within five years of his ASD, Carol receives \$494 a month for the remainder of the five-year period. If Sam dies after the 5 year period, Carol does not receive any benefits.*
- *10-year Certain-and-Continuous Annuity: Sam receives \$477 for the rest of his life. If Sam dies within ten years of his ASD, Carol receives \$477 a month for the remainder of the ten-year period. If Sam dies after the 10 year period, Carol does not receive any benefits.*
- *15-year Certain-and-Continuous Annuity: Sam receives \$452 a month for the rest of his life. If Sam dies within 15 years of his ASD, Carol receives \$452 a month for the remainder of the 15-year period. If Sam dies after the 15 year period, Carol does not receive any benefits.*

## SUMMARY OF EXAMPLES

These examples assume that Sam (participant) will be age 65 and Carol will be age 61 when benefit payments start. These examples assume that in Sam's plan the automatic form of benefit is a straight-life annuity for an unmarried participant and a joint-and-50% survivor annuity for a married participant. Automatic forms vary from plan to plan but a straight-life annuity and a joint-and-50% survivor annuity are common.

Benefit Form	Sam's Benefit	Carol's Survivor Benefit	Additional Explanation
A. Plan's Automatic Benefit Form for Unmarried Participants (Straight Life Annuity)	\$500	None	Carol will not receive any benefits after Sam's death.
B. Plan's Automatic Benefit Form for Married Participants (Joint-and-50% Survivor Annuity)	\$450	\$225	If Sam dies first, Carol's survivor benefit will be paid for the rest of her life. If Carol dies first, Sam's benefit continues at the same amount for the rest of his life.
C. Straight Life Annuity	\$500	None	Carol will not receive any benefits after Sam's death.
D. Joint-and-50% Survivor Annuity	\$450	\$225	If Sam dies first, Carol's survivor benefit will be paid for the rest of her life.
E. Joint-and-75% Survivor Annuity	\$429	\$322	If Carol dies first, Sam's benefit continues at the same amount for the rest of his life.
F. Joint-and-100% Survivor Annuity	\$409	\$409	
G. Joint-and-50% Survivor "Pop-up" Annuity	\$444	\$222	If Sam dies first, Carol's survivor benefit will be paid for the rest of her life. If Carol dies first, Sam's benefit will increase to \$500 for the rest of his life.
H. 5-year Certain-and-Continuous Annuity	\$494	\$494	If Sam dies before the end of the 5-year, 10-year, or 15-year certain period (whichever he chooses), Carol will receive benefits for the remainder of that period. The certain period starts on the <b>ASD</b> chosen.
I. 10-year Certain-and-Continuous Annuity	\$477	\$477	
J. 15-year Certain-and-Continuous Annuity	\$452	\$452	If Sam dies after the end of the certain period, Carol will not receive any benefits.

**Information on Federal Tax Withholding** – Tax laws require that we withhold federal income tax from your pension payments unless you instruct us to do otherwise. You have three choices. Please read them carefully and make your selection on page 6 of the application. You may choose:

A) To have PBGC withhold no federal income taxes from your payments (not available if you live outside of the United States).

B) To have PBGC follow IRS guidance and calculate your withholding.

If you choose this option, you need to tell us if you are married and the number of allowances you claim. It is possible that we will not withhold any federal income tax even if you choose this option – if, for example, your benefit is low or if you claim a large number of allowances. You may increase the amount we withhold by claiming fewer allowances, by having additional money withheld, or by electing option C.

C) To have PBGC withhold the amount or percentage you tell us to withhold each month.

**What if not enough taxes are withheld based on your choice?**

PBGC withholds taxes based on the election you make when you apply for your pension benefit. If you have other income that would affect the amount of taxes you owe, you may need to pay additional taxes. You may also need to pay penalties to the IRS. You may wish to consult a tax specialist or the IRS about your decision.

**What happens if you do not choose any option?**

If you do not choose one of these options, we will withhold federal taxes as if you were a married individual with three allowances. The amount we will withhold depends on your monthly pension.

**What if you want to pick a different option later?**

You may change your option at any time. To choose a different option, simply call the PBGC Customer Contact Center at 1-800-400-7242. We will then send you a tax withholding form to complete. Depending on when we receive it, we will make the change by the next month or the month after that.

**What if you don't live in the United States?**

If you live outside the United States, you cannot elect option A. You may be eligible for special tax treatment under a tax treaty with the country you reside in. We will send you additional information after you file your application.

When determining your federal tax withholding, you may find it helpful to read the IRS instructions for completing the IRS Form W-4P (Withholding Certificate for Pension or Annuity Payments). You can print a copy from the IRS Internet site under Forms, Instructions and Publications at [www.IRS.gov](http://www.IRS.gov).

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