

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 the plan's "automatic" benefit form or one of the PBGC optional benefit forms, described below. The plan's "automatic" benefit form is the benefit form the 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.

PBGC OPTIONAL BENEFIT FORMS

This section describes each of the benefit forms that PBGC offers you, with examples using a payee named Sam who is applying for a benefit at age 65. We show what Sam and his beneficiary Carol would receive under each benefit form.

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.

***Example:** Sam elects a straight-life annuity, and he receives \$500 a month for the rest of his life. No one receives any benefits after Sam dies.*

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 benefit amount. If you die within 5, 10 or 15 years after *the date your benefits are first payable* (the Annuity Starting (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 15 year period, Carol does not receive any benefits.*

SUMMARY OF EXAMPLES

Benefit Form	Sam's Benefit	Carol's Benefit	Additional Explanation
A. The form your plan would pay you automatically, if different from below	Benefit amounts depend on benefit form payable under the plan.		
B. 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. If Sam dies after the end of the certain period, Carol will not receive any benefits. The certain period starts on the ASD chosen.
C. 10-year Certain-and-Continuous Annuity	\$477	\$477	
D. 15-year Certain-and-Continuous Annuity	\$452	\$452	
E. Straight Life Annuity	\$500	None	Carol will not receive any benefits after Sam's death.

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 5 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're 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 PBGC's 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.