



Transport Workers Union of America

WHAT WE ARE GOING TO COVER

IMPORTANT FACTS

PBGC RULES

EXAMPLES

Retired

Active - Eligible to Commence Pension Benefit

Active - Not Eligible to Commence Pension Benefit

FREQUENTLY ASKED QUESTIONS

PREFUNDING & RETIREE MEDICAL INSURANCE

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Important Facts:

- Bankruptcy filing date (BFD): **November 29, 2011**
- **“2011” PBGC Guarantee Table will control maximum guaranteed benefits at specific retirement ages**
- **If the plan stays with AA (‘as is’ or ‘frozen’ i.e. soft/hard freeze)
You continue accruing Credited Service (CS) during bankruptcy until benefits are frozen**
- **If the plan is terminated (ends) and the PBGC Trustees the plan
Your accrual of CS as of 11/29/2011 won’t be guaranteed by PBGC**
- **Obtain current documentation of your credited service as of BFD**

Q: What is the Pension Benefit Guaranty Corporation (PBGC)?

A: It is a federal agency that insures pension benefits. If your plan ends (this is called “plan termination”) without sufficient money to pay all benefits, PBGC’s insurance program will pay you the benefit provided by your pension plan up to the limits set by law.

Q: Do I accrue pension benefits during bankruptcy ?

A: If the plan ends up staying with AA and is later frozen (soft/hard), Pension Benefits are earned until the plan freeze date.

Hard Freeze - NO ACCRUALS

Soft Freeze - DEPENDS

If the plan goes to the PBGC, no PB are guaranteed after 11/29/11.

Q: Will my pension benefit be reduced if the plan terminates and goes to the Pension Benefit Guaranty Corporation (PBGC)?

A: It depends. PBGC's maximum guarantee of pension benefits will be determined as of the Bankruptcy Filing Date.

Therefore, if the plan terminates and goes to the PBGC, then the 2011 PBGC Maximum Guarantee Table shall govern all pension benefits on a go-forward basis.

[If the plan pays temporary supplements (i.e. Leveling option to 62 or full Social Security Age), then the PBGC may not be able to guarantee that part of the pension benefit in excess of the normal retirement age.]

(See examples that follow.)

PBGC Bankruptcy Filing Date Rule & My Pension Benefit

STATUS	Already Retired	Active & Eligible to Commence Pension	Active but In-Eligible to Commence Pension
PBGC Guidelines	"SAME FORM" RULE	≥ Age 55 and 15 yrs CS	≤ Age 55 and < 15 yrs CS
Pension Benefit	"SAME FORM" RULE (unless exceeds PBGC Maximum Guarantees)	-Income LO is gone -Can start pension during bankruptcy or later (you decide) Upon PBGC trusteeship of plan, EE entering pay status will choose from PBGC's benefit menu options	-Income LO is gone -Cannot start pension until age 60 or 62?? (12/8/2011) Upon PBGC trusteeship of plan, EE entering pay status will choose from PBGC's benefit menu options

Maximum Guarantee Benefit Example – *Already Retired*

Retiree is 63 and retired 6 years ago in 2005 at age 57. He had 20 years of Credited Service (CS) with AA at his retirement date and receives a Joint & Survivor 50% pension benefit of \$1,900/month.

What will happen to the Retiree's pension benefit of \$1,900/month if the plan ends (PBGC) or freezes (AA)?

- Will it...
- a. Decrease
 - b. Stay the same

EXAMPLE : Already Retired

The bankruptcy filing date, not the date your plan ends, becomes the basis for applying the legal limitations on your Guaranteed pension benefit.

Questions to ask yourself:

- What year did I commence my pension?
- What year did AA file bankruptcy?
- What was my age as of the year of BFD?
- What PBGC Table Year applies to me in determining my guarantee pension benefit?
- Is my current pension more or less than the PBGC Guarantee as of the BFD?

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PBGC Maximum Monthly Guarantees for 2011*		
Age	2011 Straight-Life Annuity	2011 Joint and 50% Survivor Annuity**
65	\$4,500.00	\$4,050.00
64	\$4,185.00	\$3,766.50
63	\$3,870.00	\$3,483.00
62	\$3,555.00	\$3,199.50
61	\$3,240.00	\$2,916.00
60	\$2,925.00	\$2,632.50
59	\$2,745.00	\$2,470.50
58	\$2,565.00	\$2,308.50
57	\$2,385.00	\$2,146.50
56	\$2,205.00	\$1,984.50
55	\$2,025.00	\$1,822.50
54	\$1,935.00	\$1,741.50
53	\$1,845.00	\$1,660.50
52	\$1,755.00	\$1,579.50
51	\$1,665.00	\$1,498.50
50	\$1,575.00	\$1,417.50
49	\$1,485.00	\$1,336.50
48	\$1,395.00	\$1,255.50
47	\$1,305.00	\$1,174.50
46	\$1,215.00	\$1,093.50
45	\$1,125.00	\$1,012.50

Retiree continues with the same benefit of \$1,900/month. NO CHANGES!

Retiree is receiving a Joint & Survivor 50% Pension of \$1,800/month.

* Amounts shown ignore IRC Section 415 limits, which may reduce payable amounts

** Assumes participant and spouse are same age

Maximum Guarantee Benefit Example – Active & Eligible

Employee is 60 with 22 years of Credited Service as of 11/29/2011. He wants to retire at 62. His accrued benefit, payable as a Joint & Survivor 50% monthly pension benefit is \$2,300/month as of 11/29/2011.

What happens to the Employee's pension benefit of \$2,300/month if he starts receiving benefits during bankruptcy and before the plan ends (PBGC)?

EXAMPLE : Active & Eligible

Questions to ask yourself:

- What year will I commence my pension?
- What year did AA file bankruptcy?
- What PBGC Table Year applies to me in determining my guarantee pension benefit?
- Is my 11/29/11 pension benefit greater or less than the PBGC Guarantee as of the BFD?

PBGC Maximum Monthly Guarantees for 2011*		
Age	2011 Straight-Life Annuity	2011 Joint and 50% Survivor Annuity**
65	\$4,500.00	\$4,050.00
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Table Year determined by the Bankruptcy Filing Date

← Age at retirement (2013)

← Age at bankruptcy filing date (2011)

Employee's Joint & Survivor 50% Pension as of 11/29/2011 is \$2,300/month.

Retiree continues with the same benefit of \$2,300/month.

NO CHANGES!

* Amounts shown ignore IRC Section 415 limits, which may reduce payable amounts

** Assumes participant and spouse are same age

Maximum Guarantee Benefit Example – Active & Ineligible

Employee is 49 with 18 years of Credited Service as of 11/29/2011. His accrued benefit, payable as a Joint & Survivor 50% monthly pension estimate is \$1,800/month as of 11/29/2011.

What happens to the Employee's pension benefit of \$1,800/month?

EXAMPLE : Active & Ineligible

The year I'm eligible to start my pension is the year used to determine my PBGC Maximum Guarantee pension benefit; not the BFD or the plan termination date.

PBGC Maximum Monthly Guarantees for 2011*		
Age	2011 Straight-Life Annuity	2011 Joint and 50% Survivor Annuity**
65	\$4,500.00	\$4,050.00
64	\$4,185.00	\$3,766.50
63	\$3,870.00	\$3,483.00
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* Amounts shown ignore IRC Section 415 limits, which may reduce payable amounts

** Assumes participant and spouse are same age

Table Year determined by the Bankruptcy Filing Date

Employee's Joint & Survivor 50% Pension as of 11/29/2011 is \$1,800/month.

Year when 100% of pension benefit is Guaranteed.

Age at plan end (2013)
Age at bankruptcy filing date (2011)



FREQUENTLY ASKED QUESTIONS

Q: Because AA filed bankruptcy, does that mean that my pension plan will end (terminate)?

A: No. Plan termination is a separate event from filing for bankruptcy. Even though AA has filed for bankruptcy, that does not necessarily mean your pension plan has been or will be terminated.

Q: The Pension Plans are underfunded from 20% to 50%. Will my pension be reduced by 20% to 50%?

A: Generally, for most TWU Members, active or retired, you will have no reduction in your pension benefit. The PBGC's guarantee provides a floor of protection and this floor is not affected by the plan's funding level.



FREQUENTLY ASKED QUESTIONS

Q: If an employee dies will the spouse still receive a pension benefit?

A: Yes, unless the participant waived survivor benefits, with written consent of the spouse.

Q: What does the process look like if the plan is Truusted by the PGBC?

A: No disruption of income to retirees.

Notification in writing from AA or PGBC.

AA must pay a Termination fee for three years.

Audit period of 2 to 4 years.

Final benefit determination letter.

Participant has 45 days to appeal.



FREQUENTLY ASKED QUESTIONS

Q: Will the Retiree Medical go away?

A: To be determined.

Q: If it does, what happens to the money I've paid in to it?

**A: Your premiums are returned to plus/minus the earnings.
If you are retired more than 10 years, you will not have a balance in your account to refund back to you.**



SUGGESTIONS GOING FORWARD

If you are retired, generally you will have no change in pension benefits. Retiree Medical, as mentioned, to be determined. But, if you and your spouse are 65 and older, and you lose your retiree medical you can enroll in a Medicare Supplement and be covered.

If you are an active employee, make the decision when you want to retire based upon your personal financial situation and not because of the company filing bankruptcy. Also, start paying down any debt you may have.

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