



PBGC and United Airlines

How does United's termination affect the PBGC deficit?

The American Academy of Actuaries¹ Pension Practice Council provides this educational fact sheet to discuss recent statements regarding the termination of United Airlines' pension plans and the impact that termination will have on the financial situation of the Pension Benefit Guaranty Corp (PBGC).

On May 10, a bankruptcy judge approved United Airlines' request to terminate its pension plans. The PBGC will take over the UAL pension plans. In return, the PBGC may receive up to approximately \$1.5 billion in securities for the reorganized airline.

United's total unfunded accrued benefits: \$9.8 billion

United's unfunded guaranteed benefits: \$6.6 billion

The PBGC does not take on the total amount of unfunded accrued benefits, which in United's case is \$9.8 billion.

It will not pay the \$3.2 billion in non-

guaranteed benefits, which consists of certain benefits above the maximum guaranteed and recent benefit improvements that have not be fully phased-in. The maximum guaranteed benefit for plans terminated in 2005 is \$3801.14 per month (or \$45,613.68 per year) for a worker retiring at age 65. There is a lower guarantee for those individuals who retire early or if there is a benefit for a survivor.

Total unfunded accrued benefits:	\$ 9.8 billion
Non-guaranteed benefits:	— \$ 3.2 billion
Unfunded guaranteed benefits:	\$ 6.6 billion

PBGC's deficit according to their 2004 Annual Report was \$23.3 billion, which included United's plans

The PBGC includes, in their deficit, certain probable terminations (i.e., companies for which PBGC anticipates taking over pension plans in the near future). In its 2004 annual report, the PBGC included \$16.9 billion for certain probable terminations, which included United Airlines' unfunded guaranteed benefits. Therefore, despite some reports to the contrary, PBGC's deficit does not increase with United's termination. In fact, the \$1.5 billion in securities from UAL could decrease the PBGC deficit.

For more information, please contact Ron Gebhardt'sbauer, the Academy's senior pension fellow (202.223.8196) or Tracey Young, the Academy's media relations manager (202.785.7872).

¹ The American Academy of Actuaries is the public policy organization for actuaries of all specialties within the United States. In addition to setting qualification standards and standards of actuarial practice, a major purpose of the Academy is to act as the public information organization for the profession. The Academy is nonpartisan and assists the public policy process through the presentation of clear, objective analysis. The Academy regularly prepares testimony for Congress, provides information to federal elected officials and congressional staff, comments on proposed federal regulations, and works closely with state officials on issues related to insurance.