

Earnings-Offset Provisions

Issue Date 08/30/2011

A. Background

In addition to a participant's vested accrued benefit, a pension plan may pay a supplemental benefit when certain plan criteria are met. Such supplements typically are payable until a participant reaches a specified age or becomes eligible for another benefit, usually disability benefits from the Social Security Administration (SSA). The plan may also provide that the supplement due for any given year is reduced ('offset') by all or part of any earnings from work that the participant has for that year. These plan provisions are commonly referred to as "earnings-offset" provisions.

Pension plans administer these provisions in a variety of ways. Plan provisions and practices differ in their timing and method for verifying earnings information, calculating earnings offsets and the actual supplement due, and making related adjustments to benefit payments. Some plans:

- 1) pay the full supplement provided by the plan for a given year,
- 2) obtain actual earnings information for that year the following year,
- 3) calculate the actual supplement that was due,
- 4) compare the actual supplement due to the supplement that was paid, and
- 5) pay any underpayment or collect any overpayment that results.

Other plans use estimated earnings in paying a supplement and later use actual earnings to calculate the actual supplement due and reconcile any differences. Plans typically collect any overpayment resulting from application of its earnings-offset provisions by making a temporary reduction in benefit payments. The amount of the reduction and the period for collecting such an overpayment also varies among plans.

Because plan provisions and practice widely vary, PBGC adopted the rules in PBGC Internal Guidance Earnings-Offset Provisions (1st edition) to administer earnings-offset provisions in trustee plans in a uniform manner.

B. Scope and Effective Date

With this edition, PBGC is:

- 1) changing the annual reporting requirements of participants to provide that participants will not routinely be required to provide proof of their earnings,
- 2) providing that PBGC will not apply a plan's earnings-offset provisions in calculating and paying estimated benefits,
- 3) providing that PBGC will honor a participant's request to suspend payment of a supplement in order to avoid potential overpayments resulting from application of a plan's earnings limitations,

- 4) describing its methodology for calculating and applying earnings-offsets in preparing to issue benefit determinations,
- 5) changing the period for collecting any overpayments specifically resulting from application of a plan's earnings limitations from nine months to twelve months,
- 6) changing its rules on the treatment of underpayments specifically resulting from application of a plan's earnings limitations, and
- 7) making minor editorial changes.

This internal guidance is effective upon issuance and applies to all plans trustee by PBGC.

- For plans trustee on or after its issuance date, the earnings-offset provisions in this internal guidance apply as of the trusteeship date.
- For plans trustee before the issuance date of this internal guidance, PBGC will begin to apply the earnings-offset provisions in this internal guidance as soon as practicable and as appropriate based on the plan's status (e.g., estimated benefits are being paid, benefit determinations are expected to be issued shortly after the issuance date, or benefit determinations have already been issued), but no later than the beginning of the 2013 calendar year.

C. Definitions

As used in this internal guidance:

1. **Benefit reduction** means a temporary reduction in a benefit payment to collect an *earnings-offset overpayment* (see C.4.). It is not a reduction in a benefit due to other factors, such as the application of form conversion factors, early retirement factors, and/or PBGC limitations on guaranteed benefits.
2. **Earnings** mean earnings as defined under a plan's earnings-offset provisions. Earnings typically include wages, salaries, tips, bonuses, commissions, and self-employment income.
 - *Actual earnings* are the earnings a participant reports as having been earned and are used to calculate actual PBGC and plan supplements (see C.6. and C.7.).
 - *Anticipated earnings* are earnings that a participant expects to earn or is projected to earn and are used to calculate anticipated PBGC or plan supplements (see C.6. and C.7.).
3. **Earnings limitation** means the rules and/or formula established in plan provisions that are used to determine or calculate the amount by which a *plan supplement* (see C.7.) is offset.
 - A plan's *maximum earnings limitation* is the threshold or amount of earnings that results in the greatest offset of the supplement.
 - Application of a plan's maximum earnings limitation typically causes the supplement to be completely offset.
4. **Earnings-offset overpayment** means the amount by which the *plan supplement* (see C.7.) and/or PBGC supplement (see C.6.) paid to a participant in a given year exceeds the actual plan supplement and/or actual PBGC supplement for that year. These overpayments are calculated and collected as provided in this internal guidance.

5. **Earnings-offset underpayment** means the amount by which the actual plan supplement (see C.7.) and/or actual PBGC supplement (see C.6.) due for a given year exceeds the plan supplement and/or PBGC supplement paid during that year. These underpayments are calculated and paid as provided in this internal guidance.
6. **PBGC supplement** means the monthly supplement payable by PBGC after application of its limitations on guaranteed benefits, asset allocation and allocation of any 4022(c) amount, but prior to application of the plan's earnings limitations, as described in this internal guidance. The PBGC supplement may be the same or less than the *plan supplement* (see C.7.).
 - The *actual PBGC supplement* is the monthly PBGC supplement due after application of the plan's earnings limitations. The actual PBGC supplement may be the same or less than the actual plan supplement.
 - The *anticipated* PBGC supplement is the monthly PBGC supplement paid or due after application of the plan's earnings limitation using anticipated earnings. The anticipated PBGC supplement may be the same or less than the anticipated plan supplement.
7. **Plan supplement** means the monthly supplement payable under plan provisions prior to application of the plan's earnings limitations.
 - The *actual plan supplement* is the monthly amount due after application of the plan's earnings limitations.
 - The *anticipated* plan supplement is the monthly plan supplement paid after application of the plan's earnings limitation using anticipated earnings.
8. **Year** means calendar year unless specified otherwise.
 - *Affected year* means any year in which a participant's or other individual's benefit payments from PBGC are affected by the application of the earnings-offset provisions under this internal guidance.
 - *DOPT year* is the calendar year in which the plan terminated.
 - *DOTR year* means the calendar year in which the plan was trusteesd.

D. General Guidance

PBGC applies a plan's earnings limitations in calculating the actual PBGC supplements and benefit payments due a participant in accordance with plan provisions and plan practice¹ and as further described in sections E. PBGC Administration of Earnings-Offset Provisions and F. PBGC Earnings-Offset Calculations of this internal guidance.

Note 1: Subsequent references to a plan's earnings-offset provisions in this internal guidance also include the plan's practices, if known, for administering its earnings-offset provisions. Where PBGC is unable to determine plan practice, PBGC will apply the earnings-offset provisions as otherwise described in this internal guidance.

1. **In general.** PBGC administers the benefits provided under a plan with earnings-offset provisions, as follows:
 - a. PBGC does not apply earnings-offset provisions when calculating and paying estimated benefits.

- b. However, PBGC continues to collect actual earnings information for use in preparing to issue benefit determinations.
 - c. PBGC also collects information about a participant's eligibility for SSA disability benefits, if applicable under plan provisions, during this period to determine if the participant remains eligible for an estimated PBGC supplement.
 - d. In preparing to issue benefit determinations, PBGC calculates the actual PBGC supplements and benefit payments due using the participant's actual earnings and reconciles the benefit payments due the participant with those paid through the date that the benefit determination will be implemented.
 - e. In calculating the actual PBGC supplements and benefit payments due the DOPT year through the DOTR year, PBGC follows the plan's earnings-offset provisions, such as on the use of anticipated earnings and collection of earnings-offset overpayments.
 - f. Regardless of plan provisions, beginning the year after the DOTR year, PBGC does not use anticipated earnings to offset the PBGC supplement paid during a given year.
 - g. Beginning the year after the DOTR year, PBGC collects an earnings-offset overpayment by applying a benefit reduction for a 12-month period beginning April of the year following the year in which the overpayment was incurred, rather than according to plan provisions.
 - h. After a benefit determination is issued, on an annual basis, PBGC continues to:
 - 1) pay the PBGC supplement each year that the participant is eligible for a plan supplement,
 - 2) collect actual earnings information and information about a participant's eligibility for SSA disability benefits, if applicable, to determine if the participant remains eligible for a PBGC supplement,
 - 3) calculate the actual PBGC supplement due, and
 - 4) make any related benefit adjustments.
- 2. Notification to participants.** PBGC notifies potentially affected participants of its earnings-offset procedures as soon as practicable after trusteeship, typically at the time benefits are adjusted to estimated-benefit levels. In addition, PBGC notifies participants potentially affected by changes in PBGC's internal guidance and procedures for applying earnings-offset provisions as soon as practicable.
- 3. Other individuals due payments for an affected year.** In unusual situations, PBGC applies the earnings-offset provisions in this internal guidance in determining the benefit payments that are due another individual, such as a surviving spouse, non-spousal beneficiary, or alternate payee for an affected year.
- a. **Requests for information.** If needed, PBGC will request the participant's actual earnings information and information about his or her eligibility for SSA disability benefits from other individuals due payment for an affected year, as provided in sections E.2. Actual earnings information and E.3. Eligibility for SSA disability benefits.
 - b. **Exception for participant's death.** If PBGC determines that a beneficiary (determined under Internal Guidance Beneficiaries) due payment for an affected year, is reasonably

unable to provide the requested earnings information, PBGC will use the average of the participant's last two years of actual earnings to determine the benefit payments due for the affected year.

- 4. Period for applying earnings-offset provisions.** PBGC applies the earnings-offset provisions in this internal guidance in calculating the actual PBGC supplements and benefit payments due a participant beginning with DOPT through the year after the year in which a participant is no longer eligible for a plan supplement under plan provisions, such as upon attaining a specified age or becoming eligible for SSA disability benefits, rather than due to excess earnings.

Supplements paid by PBGC after the date that a participant is no longer eligible for a plan supplement under such plan provisions are treated as benefit overpayments rather than earnings-offset overpayments.

Example 1: A plan provides that participants are no longer eligible for a supplement the earlier of reaching age 62 or becoming eligible for SSA disability benefits.

- 1) Participant Aee became age 62 in July 2011 and under plan provisions was no longer eligible for a plan supplement as of August 2011. Aee's last PBGC supplement was paid July 1, 2011. In January 2012, PBGC requested Aee's actual 2011 earnings and used them (pro-rated under plan provisions) to calculate the actual PBGC supplements for January – July 2011. Aee incurred an earnings-offset overpayment for January 2011 – July 2011, which PBGC will collect by benefit reduction beginning April 2012.
- 2) Participant Bee reported in January 2012 of becoming entitled to SSA disability benefits as of July 2011. Under plan provisions, Bee was no longer entitled to a plan supplement as of August 2011. Bee's last PBGC supplement is paid February 2012. Bee did not have any earnings in 2011. However, Bee incurred a benefit overpayment for August 2011 – February 2012, which PBGC will recoup, as provided in Internal Guidance Recoupment, Recovery and Administrative Correction

- 5. Exception.** PBGC does not offset a PBGC supplement as otherwise described in this internal guidance for any month in which the PBGC supplement is \$25 or less.
- 6. Effect on plan assets.** For a plan with earnings-offset provisions that apply the year before the DOPT year and/or during the DOPT year, PBGC will determine whether post-DOPT repayment of any pre-DOPT earnings-offset overpayment will have a material effect on plan assets as of DOPT.
- If PBGC determines that post-DOPT repayments will have a material effect, PBGC will adjust the plan assets appropriately.
 - If PBGC determines that post-DOPT repayments will not have a material effect, PBGC will disregard them in determining the plan assets.
- 7. Valuation assumptions.** For a plan with earnings-offset provisions in effect as of DOPT, PBGC applies the following assumptions in performing its valuation of the plan:
- a. A pre-DOPT retiree who had earnings in the year preceding DOPT continues to have the same earnings through the year in which the retiree is no longer eligible for a plan supplement under plan provisions.
 - b. A pre-DOPT retiree who did not have earnings in the year preceding DOPT continues to not have earnings through the year in which the retiree is no longer eligible for a plan supplement under plan provisions.

- c. A participant who retires on or after DOPT will not have any earnings in any year through the year in which the participant is no longer eligible for a plan supplement under plan provisions.

E. PBGC Administration of Earnings-Offset Provisions

1. Estimated benefit payments.

In calculating and paying estimated benefits, including any estimated PBGC supplement, PBGC does not apply a plan's earnings-offset provisions, including the use of anticipated earnings.

- a. **Discontinuation of earnings-offset provisions.** As soon as practicable after trusteeship, PBGC discontinues application of the plan's earnings-offset provisions and adjusts benefit payments to the estimated level, including any estimated PBGC supplement.
- b. **Underpayments do not result from discontinuation of plan earnings-offset provisions.** At the time benefits are adjusted to the estimated level, any increase in a participant's payment resulting from discontinuation of the plan's earnings-offset provisions is not treated as resulting in a benefit underpayment for any months prior to the adjustment. Any difference will be reconciled later in preparing to issue benefit determinations, as described below in section *E.4. Benefit determination reconciliation*.

Example 2: A participant's plan benefit was \$1,300. The plan had applied a benefit reduction of \$300/month to collect an earnings-offset overpayment. At DOTR, the participant was being paid \$1,000/month (\$1,300 - \$300) by the plan. Shortly after DOTR, PBGC discontinues the plan's benefit reduction and adjusts the participant's payment to an estimated benefit of \$1,100/month, including an estimated PBGC supplement of \$100.

The \$100 difference in the estimated PBGC payment of \$1,100 and the plan payment of \$1,000 is not treated as a benefit underpayment for the period between DOPT and the date the participant's benefit is adjusted because the difference is due to discontinuation of the plan's earnings-offset provisions.

- c. **Other eligibility factors.** PBGC applies a plan's other eligibility factors, as described in **section D.4. Period for applying earnings-offset provisions**, in determining if and when an estimated PBGC supplement is payable. For example, if plan provisions provide that a participant is no longer eligible for a plan supplement upon reaching age 62, an estimated PBGC supplement is no longer payable when the participant reaches age 62.

2. Actual earnings information.

On an annual basis, PBGC requests actual earnings information from a participant for each year that the participant's PBGC supplement is potentially subject to a plan's earnings limitations. PBGC generally will not require proof of the earnings, but reserves the right to require proof.

- a. PBGC will provide a response period of not less than 30 days from the date of the letter requesting the earnings information.
- b. For any year that PBGC does not receive the requested earnings information, PBGC applies the plan's maximum earnings limitation in determining the actual PBGC

supplement for that year as described in **section F.3. Determination of actual PBGC supplement.**

If actual earning information is later received by PBGC, PBGC will recalculate the earnings offset and actual PBGC supplement and adjust the participant's payments, if needed, as described in **section F.7. Late reports of actual earnings.**

- 3. Eligibility for SSA disability benefits.**² If a plan provides that a supplement is not payable for any month the participant is or was eligible for an SSA disability benefit, at the time PBGC requests actual earnings information as described above in **section E.2.**, PBGC will also ask the participant to confirm whether he or she became eligible for SSA disability benefits.
- If the participant reports becoming eligible for SSA disability benefits, PBGC will request proof of the date that the participant was first eligible for an SSA disability payment from the participant.
 - PBGC will provide a response period of not less than 30 days from the date of the letter specifically requesting proof of eligibility for the SSA disability payments.
 - If the participant does not provide the requested proof, PBGC will treat the participant as eligible for the SSA disability benefit as of the first day of the month after the receipt of the participant's most recent response to a prior year's request for information about the participant's eligibility for SSA disability benefits.

If proof of the participant's eligibility for the SSA disability benefit is later received, the participant's eligibility for a PBGC supplement will subsequently be adjusted to reflect the actual date that the participant became eligible for the SSA disability benefit.

Example 3: In January 2011, a participant reported not having any earnings for 2010 and as not being eligible for SSA disability benefits. In February 2012, the participant reported not having any earnings for 2011 but also reported becoming eligible for SSA disability benefits in December 2011. The participant did not respond to PBGC's February 6, 2012 request for proof of the participant's eligibility for the SSA disability benefit.

PBGC treats the participant as having become eligible for the SSA disability benefit as of February 2011, the month after the participant last reported not being eligible for SSA disability benefits. The last PBGC supplement was paid March 1, 2012. As a result, the participant incurred a benefit overpayment for February 2011 – March 2012 that will be recouped, as provided in PBGC Internal Guidance Recoupment, Recovery and Administrative Correction.

Note 2: If a plan provides that a supplement is no longer payable upon eligibility for another type of benefit, PBGC will apply similar rules as described in this section in determining the participant's eligibility for the PBGC supplement.

- 4. Benefit determination reconciliation.** In preparing to issue benefit determinations, PBGC will reconcile the benefit payments that were due to those made from DOPT through the date that the benefit determination is expected to be implemented, as follows:
- PBGC will calculate, using actual earnings, the actual PBGC supplements, earnings-offset overpayments or underpayments, related benefit adjustments (e.g., a benefit reduction to collect an earnings-offset overpayment) and the benefit payments due, as described in **section F. PBGC Earnings-Offset Calculations.**

- b. PBGC will next compare the benefits due to those paid and compute any net benefit overpayments and underpayments for that time, as provided in PBGC Internal Guidance Computation and Netting of Post-DOPT Overpayments and Underpayments.
5. **Ongoing administration.** After issuance of benefit determinations, PBGC will continue on an annual basis to:
- a. Pay the PBGC supplement each month that a participant is eligible for a plan supplement under plan provisions during a given year.
 - b. Request actual earnings information and information about eligibility for SSA disability benefits, if applicable, for that year, as previously described in sections *E.2.* and *E.3.*
 - c. Calculate the actual PBGC supplement and any earnings-offset overpayment or underpayment for that year, and calculate the benefit payments due the following year, as described in **section F. PBGC Earnings-Offset Calculations.**
6. **Voluntary suspension of PBGC supplement.** PBGC will honor requests from a participant for suspension of his or her PBGC supplement in order to avoid incurring earnings-offset overpayments, as follows:
- a. Upon trusteeship, PBGC will continue any voluntary suspension of a supplement previously implemented by the plan administrator.
 - b. Upon receipt of a written request for suspension, PBGC will suspend the PBGC supplement (estimated or final) as soon as practicable after sending a notice confirming the date that the suspension will take effect, which generally will be no later than sixty days after receipt of an acceptable request.
 - c. Upon receipt of a written request to reinstate payment of a PBGC supplement, PBGC will reinstate the supplement as soon as practicable, which generally will be no later than sixty days after receipt of the request.
 - d. At the time the supplement is reinstated, PBGC will pay the PBGC supplement retroactively for the months in the year that are prior to the date the supplement is reinstated only if the participant specifically requests retroactive payments.
 - Interest will not be paid on these retroactive payments.
 - PBGC will subsequently reconcile the PBGC supplements that were not paid with the actual PBGC supplement for the months prior to reinstatement when it performs its annual reconciliation for that year, as previously described in **sections E.4.** and **E.5.**, as appropriate.
 - e. PBGC will otherwise apply the rules in this internal guidance in determining the actual PBGC supplement, applicable adjustments, and benefit payments due a participant who has requested a suspension for each affected year on an annual basis, as previously described in **section E.4.** and **E.5.**, as appropriate.

F. PBGC Earnings-Offset Calculations

PBGC calculates earnings offsets, actual PBGC supplements and the benefit payments due a participant for any affected year as follows:

1. **Calculations for DOPT Year through DOTR Year.** PBGC follows the plan's earnings-offset provisions in calculating the PBGC supplements and benefit payments payable the DOPT year through the DOTR year. For example:
 - If the plan used anticipated earnings in calculating and paying an anticipated plan supplement and benefit payments for a given year, PBGC will use anticipated earnings (if available) to calculate an anticipated PBGC supplement and the benefit payments for that same year.
 - If the plan applied a 100% benefit reduction to collect an earnings-offset overpayment, PBGC will also apply a 100% benefit reduction to collect an earnings-offset overpayment.
2. **Calculation if supplement due only part of year.** When a participant is eligible under plan provisions for a plan supplement for only part of a year, such as the year the participant is first eligible for the supplement or the year that the participant is no longer eligible for the supplement due to age or receipt of SSA disability benefit, PBGC will calculate the offset and actual plan and PBGC supplement due for that year by following the relevant plan provisions and practice. For example, if the plan would have prorated earnings for a year in which the participant is eligible for a supplement for only part of the year, PBGC will similarly prorate the earnings for that year.
3. **Determination of actual PBGC supplement.** PBGC calculates the actual PBGC supplement for any given year as follows:
 - a. **Calculation of actual plan supplement.** Using actual earnings, or the plan's maximum earnings limitation when appropriate, PBGC will first calculate the earnings-offset and the actual plan supplement that would have been due for an affected year in accordance with plan provisions.
 - b. **Comparison of actual plan supplement to PBGC supplement.** PBGC then compares the actual plan supplement to the PBGC supplement. The lesser of the two is the actual PBGC supplement.

Example 4: Participants Cee, Dee, and Eee are participants in three different plans.

- All three are eligible for a plan supplement of \$400/month.
- The earnings offset provisions for the three plans are the same: The supplement is offset by \$1 for every \$2 of earnings in excess of \$5,500/year.
- Cee's and Dee's PBGC supplements are limited by PBGC's limitations on guaranteed benefits. Eee's PBGC supplement is not limited.

PBGC requests their actual 2011 earnings information in January 2012 and calculates their actual PBGC supplements for 2011, as follows:

	Participants	Cee	Dee	Eee
1.	Monthly plan supplement	\$400	\$400	\$400
2.	Monthly PBGC supplement	\$100	\$200	\$400
3.	2010 Actual earnings	\$10,000	\$13,000	\$14,000

	Participants	Cee	Dee	Eee
4.	<p>Monthly earnings offset = $((\text{Line 3} - \\$5,500) \div \\$2) \div 12 \text{ months}$</p> <p>Cee: $((\\$10,000 - \\$5,500) \div \\$2) \div 12 \text{ months} = \\187.50</p> <p>Dee: $((\\$13,000 - \\$5,500) \div \\$2) \div 12 \text{ months} = \\312.50</p> <p>Eee: $((\\$14,000 - \\$5,500) \div \\$2) \div 12 \text{ months} = \\354.17</p>	\$187.50	\$312.50	\$354.17
5.	<p>Actual monthly plan supplement = Line 1 - Line 4*</p> <p>Cee: $\\$400 - \\$187.50 = \\$212.50$</p> <p>Dee: $\\$400 - \\$312.50 = \\$87.50$</p> <p>Eee: $\\$400 - \\$354.17 = \\$45.83$</p> <p>*But not less than \$0</p>	\$212.50	\$87.50	\$45.83
6.	Actual monthly PBGC supplement = The lesser of Line 2 and Line 5, if not equal.	\$100	\$87.50	\$45.83

- 4. Earnings-offset overpayments and underpayments.** PBGC calculates an earnings-offset overpayment or underpayment for a given year, as follows:
- PBGC compares the actual monthly PBGC supplement for the previous year (as calculated under section F.3.) to the monthly PBGC supplement(s) that were paid the previous year. The difference between the actual PBGC supplement and that paid is the monthly earnings-offset overpayment or underpayment.³

Note 3: For the DOPT year through the DOTR year, if the plan would have used anticipated earnings to calculate an anticipated plan supplement to be paid during a given year, PBGC will also use anticipated earnings to calculate an anticipated PBGC supplement for that same year. *The anticipated PBGC supplement is treated as having been paid during that year, rather than the PBGC supplement.* PBGC will then compare the actual PBGC supplement with the anticipated PBGC supplement to determine any earnings-offset overpayment or underpayment for that year.

- The annual earnings-offset overpayment or underpayment is the net total of the monthly earnings-offset overpayments and underpayments for that year.⁴

Note 4: Earnings-offset underpayments generally occur only if anticipated earnings are used or a participant's PBGC supplement is voluntarily suspended for any given year.

Example 5 - Continuing from Example 4: Cee, Dee, and Eee were paid their PBGC supplements every month in 2011.

In 2012, PBGC calculates earnings-offset overpayments based on their actual PBGC supplements for 2011, as follows:

	Participants	Cee	Dee	Eee
1.	Actual monthly PBGC supplement	\$100	\$87.50	\$45.83
2.	Monthly PBGC supplement paid	\$100	\$200	\$400
3.	Monthly difference = Line 1 - Line 2	\$0	(\$112.50)	(\$354.17)
4.	2010 Earnings offset overpayment = Line 3 X 12 months	\$0	(\$1,350)	(\$4,250.04)

Example 6: A plan used anticipated earnings in calculating the plan supplement paid during a given year. In preparing to issue a benefit determination in 2013, PBGC reconciles the actual PBGC supplement with the anticipated PBGC supplement calculated for the participant for 2011.

- The participant is eligible for a PBGC supplement of \$50/month.
 - Using the participant's 2011 anticipated earnings, PBGC calculates an anticipated PBGC supplement of \$30/month.
 - Using the participant's actual 2011 earnings and the PBGC supplement of \$50/month, PBGC calculates an actual PBGC supplement of \$45/month for 2011.
 - As a result, the participant incurred an earnings-offset underpayment of \$180 $((\$45 - \$30) \times 12 \text{ months})$ for 2011.
- c. Earnings-offset overpayments are collected as described below in section F.5. *Benefit reductions to collect earnings-offset overpayments* and earnings-offset underpayments are paid or netted with benefit overpayments, as described below in section F.6. *Treatment of earnings-offset underpayments.*

5. Benefit reductions to collect earnings-offset overpayments. PBGC collects an earnings-offset overpayment for a previous year (as calculated under section F.4.) by applying a benefit reduction to the PBGC benefit payable the following year.

- a. **Calculations for DOPT year through the DOTR year.** PBGC calculates and applies the benefit reduction in accordance with plan provisions.
- b. **Calculations for years after the DOTR year.** For years after the DOTR year and continuing, PBGC calculates the benefit reduction by dividing the earnings-offset overpayment by 12 months and applying the reduction to benefit payments for the 12-month period beginning April of the following year.
- c. **Limitation on benefit reduction.** The amount of the benefit reduction is limited only by the amount of the net PBGC payment after any other required withholdings or deductions are made, such as payments due an alternate payee or recoupment of a benefit overpayment.

Example 7 - Continuing from Example 5: Cee did not incur an earnings-offset overpayment or underpayment for 2011. However, Dee and Eee did incur earnings-offset overpayments. PBGC calculates the benefit reductions to collect Dee's and Eee's earnings-offset overpayments beginning April 2012 as follows:

	Participants	Cee	Dee	Eee
1.	2011 Earnings offset overpayment	N/A	(\$1,350)	(\$4,250.04)
2.	2012 Monthly benefit reduction = Line 1 ÷ 12 months	N/A	(\$112.50)	(\$354.17)

6. **Treatment of earnings-offset underpayments.** PBGC treats an earnings-offset underpayment (as calculated under section F.4.) similarly to a benefit underpayment, as follows:
 - a. **Due date.** Earnings-offset underpayments are due on the first day of April following the year that the PBGC supplement used to calculate the underpayment was paid (i.e., the same date that a benefit reduction for an earnings-offset overpayment for the previous year would apply).
 - b. **Netting of earnings-offset underpayments with benefit overpayments.** PBGC generally will net any earnings-offset underpayments with benefit overpayments in computing the net benefit overpayment, if any, to be recouped or the net benefit underpayment, if any, to be reimbursed as described in PBGC Internal Guidance Computation and Netting of Post-DOPT Overpayments and Underpayments
 - c. The earnings-offset underpayment will otherwise be reimbursed as soon as practicable as provided in PBGC Internal Guidance Underpayment Reimbursement and Interest Payments.
7. **Late reports of actual earnings.** If a participant reports actual earnings after a benefit reduction has been applied based on use of a plan's maximum earnings limitation, PBGC will recalculate the earnings offset using the actual earnings as soon as practicable, unless the actual earnings exceed the maximum earnings limitation. PBGC will adjust the affected benefit payments as follows:
 - a. PBGC will adjust any benefit reduction in place as needed to repay the remaining earnings-offset overpayment, if any, for the remainder of the benefit reduction period in effect.
 - b. If the earnings-offset overpayment has already been collected, PBGC will treat any underpayment resulting from the recalculation as owed on the first day of the month following the month that the overpayment was repaid. PBGC will reimburse the underpayment as soon as practicable, as otherwise provided in PBGC Internal Guidance Underpayment Reimbursement and Interest Payments.
 - c. If the recalculation of the actual PBGC supplement results in an earnings-offset underpayment for the prior year, it will be treated as provided above in section F.6. The benefit reduction will be stopped and any resulting benefit underpayment will be

reimbursed as soon as practicable as provided in PBGC Internal Guidance Underpayment Reimbursement and Interest Payments.

- 8. Calculation of PBGC benefit payments due.** In a plan with earnings-offset provisions, the amount of the benefit payment due from PBGC for each month after DOPT is the PBGC termination benefit, including the PBGC supplement, after any required deductions, such as payments due an alternate payee or recoupment for a benefit overpayment, minus any applicable benefit reduction to collect an earnings-offset overpayment that occurred the previous year.

Example 8 - Continuing from Example 7: Cee and Eee have benefit overpayments that are being recouped.

PBGC calculates Cee's, Dee's, and Eee's benefit payments for April 2012 – March 2013 as follows:

	Participants	Cee	Dee	Eee
1.	Monthly PBGC termination benefit without PBGC supplement	\$1,000	\$1,000	\$1,000
2.	Monthly PBGC supplement	\$100	\$200	\$400
3.	Monthly PBGC benefit payment including PBGC supplement = Line 1 + Line 2	\$1,100	\$1,200	\$1,400
4.	Monthly recoupment for benefit overpayment	\$55	N/A	\$70
5.	Monthly PBGC benefit payment after recoupment = Line 3 - Line 4	\$1,045	\$1,200	\$1,330
6.	Monthly benefit reduction to collect earnings-offset overpayment	N/A	\$112.50	\$354.17
7.	Monthly PBGC benefit payment due April 2012 – March 2013 = Line 5 - Line 6	\$1,045	\$1,087.50	\$975.83

- 9. Comprehensive examples.** For comprehensive examples that demonstrate the calculations described in section F., see the **Appendix**.

G. Discretionary Authority

PBGC reserves the right to use its discretion in the manner in which it determines the actual PBGC supplement and the resulting benefit payments due a participant and to seek repayment of any earnings-offset overpayments in a manner other than that described in this internal guidance in unusual situations. Request guidance by emailing PSDGuidance@pbgc.gov for a determination of whether PBGC will exercise this authority based on the facts and circumstances of the case.

Earnings-Offset Provisions - Appendix - Comprehensive Earnings-Offsets Examples

Issue Date 08/30/2011

NOTE: The examples in this appendix demonstrate the rules in PBGC Internal Guidance Earnings-Offset Provisions.

Example 1: Earnings-Offset Calculations - Anticipated Earnings Not Used

Participant Fee is a pre-DOPT retiree who retired on 7/1/2009. When the plan terminated, Fee was receiving a plan benefit of \$1,600, including a plan supplement of \$400/month or \$4,800/year.

1. **Plan earnings offset provisions/practice:** The plan:
 - a. Did not use anticipated earnings in calculating the plan supplement paid each year.
 - b. Offset the supplement by \$1 for every \$2 of earnings in excess of \$5,500/year or applied a maximum earnings limitation of \$15,100 ($(\$4800 \times 2) + \$5,500 = \$15,100$).
 - c. Requested actual earnings information for the preceding year in early January of the following year.
 - d. Upon receipt of the actual earnings information, calculated the earnings offset, actual plan supplement, and any resulting earnings-offset overpayment (or underpayment) for the previous year using the actual earnings.
 - e. Applied a temporary benefit reduction of up to 100% to the participant's plan benefit to collect any earnings offset overpayment beginning with the April 1 payment.
 - f. Discontinued paying the supplement the earlier of when the participant reached age 62 or became eligible for SSA disability benefits.

*Some plans cap the maximum earnings limitations at a flat amount. For example, instead of a maximum earnings limitation of \$15,100, as described in this situation, the plan may establish a maximum earnings limitation of \$15,000.

2. **Post-DOPT Administration:**

DOPT: 10/30/2011

DOTR: 4/15/2013

- a. **11/2011 – 7/2013:** Fee continued to be paid plan benefits by the prior plan administrator.
- b. **8/2013:** PBGC discontinued applying the plan's earnings-offset provisions and began paying Fee a monthly estimated benefit of \$1,195, including an estimated PBGC supplement of \$50/month.
- c. **7/2015:** Benefit determinations are scheduled to be sent during July 2015. Fee is eligible for a PBGC benefit of \$1,260/month, including a PBGC supplement of \$105/month. In preparing to issue Fee's benefit determination, PBGC will reconcile the estimated benefit payments made with the actual PBGC benefit payments that were due by calculating:
 - 1) The actual PBGC supplements using Fee's actual earnings and the PBGC supplement of \$105.

- 2) The actual benefit payments due, adjusted for any earnings-offset overpayment or underpayment, from DOPT through the date that the benefit determination will be implemented.
- 3) Any resulting net benefit overpayments or underpayments.
- d. **9/2015:** Benefit adjustments to implement the benefit determination are scheduled for 9/1/2015.
3. **Benefit Determination Reconciliation:** Using the benefits listed below, PBGC calculates the actual PBGC supplements and benefit payments due Fee DOPT through the date that the benefit determination will be implemented and reconciles them with those paid, as follows:

	Fee's Plan Benefit as of DOPT		
1.	Monthly plan benefit without supplement	\$1,200	***
2.	Monthly plan supplement	\$400	***
3.	Monthly plan benefit with supplement	\$1,600	Line 1 + Line 2 = \$1,200 + \$400 = \$1,600
	Fee's Estimated PBGC Benefit		
4.	Monthly PBGC benefit without supplement	\$1,145	***
5.	Monthly PBGC supplement	\$50	***
6.	Monthly PBGC benefit with supplement	\$1,195	Line 4 + Line 5 = \$1,145 + \$50 = \$1,195
	Fee's Final PBGC Benefit		
7.	Monthly PBGC benefit without supplement	\$1,155	***
8.	Monthly PBGC supplement	\$105	***
9.	Monthly PBGC benefit with supplement	\$1,260	Line 7 + Line 8 = \$1,155 + \$105 = \$1,260

NOTE: To view all benefit calculation tables and descriptions, click **Expand All**. To hide all benefit calculation tables and descriptions, click **Collapse All**.

[Expand All | Collapse All]

3.1 2011 DOPT Year – Pre-DOPT Calculations

The plan administrator determined that Fee had an earnings-offset overpayment for 2010 and collected it by applying a 100% benefit reduction from 4/2011 – 6/2011, as described below:

	2010 Earnings-offset overpayment		Pre-DOPT
10.	2010 Earnings-offset overpayment	\$3,800.04	From plan records
	2011 Plan Payments		
11.	Plan payments for 1/2011 – 3/2011	\$1,600	From plan payment records
12.	Plan payments for 4/2011 – 5/2011	\$0	From plan payment records
13.	Payment for 6/2011	\$996.96	From plan payment records

14.	Plan payments for 7/2011 – 10/2011	\$1,600	From plan payment records
-----	------------------------------------	---------	---------------------------

3.2 2011 DOPT Year – Post-DOPT Calculations

PBGC follows plan provisions in calculating the actual PBGC supplement and the benefit payments due for the DOPT year. However, because the 2010 earnings-offset overpayment was collected by the plan administrator before DOPT, Fee's PBGC benefit payments for 2011 are not affected by application of the plan's earnings-offset provisions. PBGC calculates the monthly PBGC benefit payments due Fee for 2011, as follows:

	2011 PBGC Benefit Payments Due		Post-DOPT
15.	PBGC payments due 11/2011 – 12/2011	\$1,260	Line 15 = Line 9

3.3 2012 Pre-DOTR Year Calculations

PBGC continues to follow plan provisions in calculating the actual PBGC supplement and the benefit payments due for any year between the DOPT year and the DOTR year. PBGC calculates the monthly benefit payments due Fee for 2012, as follows:

	2011 Actual Plan Supplement		
16.	2011 Actual earnings	\$13,500	***
17.	2011 Earnings offset	\$333.33	$((\text{Line 16} - \$5,500) \div 2) \div 12 \text{ months}$ = $((\$13,500 - \$5,500) \div 2) \div 12 = \333.33
18.	2011 Actual plan supplement for 1/2011 – 10/2011	\$66.67	Line 2 - Line 17 = \$400 - \$333.33 = \$66.67
19.	2011 Actual PBGC supplement for 11/2011 – 12/2011	\$66.67	If Line 8 \neq Line 2, the lesser of Line 8 or Line 18 = Line 18 < Line 8 = \$66.67 < \$105 = \$66.67
	2011 Earnings-offset overpayment		
20.	2011 Pre-DOPT plan earnings-offset overpayment for 1/2011 – 10/2011	\$3,333.30	$(\text{Line 18} - \text{Line 2}) \times 10 \text{ months}$ = $(\$66.67 - \$400) \times 10$ = $(\$3,333.30)$
21.	2011 Post-DOPT PBGC earnings-offset overpayment for 11/2011 – 12/2011	\$76.66	$(\text{Line 19} - \text{Line 8}) \times 2 \text{ months} = (\$66.67 - \$105) \times 2 = (\$76.66)$
22.	2011 Earnings-offset overpayment	\$3,409.96	Line 20 + Line 21 = \$3,333.30 + \$76.66 = \$3,409.96
	2012 PBGC Benefit Payments Due		
23.	PBGC payments due 1/2012 – 3/2012	\$1,260	Line 15 continues

24.	PBGC payment due 4/2012 – 5/2012	\$0	Following plan provisions, PBGC applies a 100% benefit reduction to collect the 2011 earnings-offset overpayment beginning 4/2012: 4/2012: Line 23 - Line 22 = \$1,260 - \$3,409.96 = (\$2,149.96) = \$0 payment due 5/2012: \$1,260 - \$2,149.96 = (\$889.96) = \$0 payment due
25.	PBGC payment due 6/2012	\$370.04	PBGC continues the 100% benefit reduction from Line 24: \$1,260 - \$889.96 = \$370.04
26.	PBGC payments due 7/2012 – 12/2012	\$1,260	Line 23 resumes

3.4 2013 DOTR Year Calculations

PBGC follows plan provisions in calculating the actual PBGC supplement and monthly benefit payments due for the DOTR year. PBGC calculates the monthly PBGC benefit payments due Fee for 2013, as follows:

	2012 Actual Plan Supplement		
27.	2012 Actual earnings	\$12,300	***
28.	2012 Earnings offset	\$283.33	$((\text{Line 27} - \$5,500) \div 2) \div 12 \text{ months}$ = $((\$12,300 - \$5,500) \div 2) \div 12$ = \$283.33
29.	2012 Actual plan supplement	\$116.67	Line 2 - Line 28 = \$400 - \$283.33 = \$116.67
30.	2012 Actual PBGC supplement	\$105	If Line 8 \neq Line 2, the lesser of Line 8 or Line 29 = Line 8 < Line 29 = \$105 < \$116.67 = \$105
31.	2012 Earnings-offset overpayment	\$0	Line 30 = Line 8
	2013 Benefit Payments Due		
32.	PBGC payments due 1/2013 – 12/2013	\$1,260	Line 26 continues

3.5 2014 Year After DOTR Year Calculations

Beginning the year after the DOTR year, PBGC continues to apply the plan's earnings limitations, but no longer applies the plan's method for collecting an earnings-offset overpayment. PBGC calculates the monthly PBGC benefit payments due Fee for 2014, as follows:

	2013 Actual Plan Supplement		
33.	2013 Actual earnings	\$13,300	***

34.	2013 Earnings offset (EO)	\$325	$((\text{Line 33} - \$5,500) \div 2) \div 12 \text{ months}$ = $((\$13,300 - \$5,500) \div 2) \div 12$ = \$325
35.	2013 Actual plan supplement	\$75	Line 2 - Line 34 = \$400 - \$325 = \$75
36.	2013 Actual PBGC supplement	\$75	If Line 8 \neq Line 2, the lesser of Line 8 or Line 35 = Line 35 < Line 8 = \$75 < \$105 = \$75
37.	2013 Earnings offset overpayment	\$360	(Line 36 - Line 8) X 12 months = (\$75 - \$105) X 12 months = (\$360)
38.	2014 Benefit reduction	\$30	Line 37 \div 12 months = \$360 \div 12 = \$30
	2014 Benefit Payments Due		
39.	PBGC payments due 1/2014 – 3/2014	\$1,260	Line 32 continues
40.	PBGC payments due 4/2014 – 12/2014	\$1,230	Line 39 - Line 38 = \$1,260 - \$30 = \$1,230

3.6 2015 BD Year Calculations

PBGC continues to apply the plan's earnings limitations, but no longer applies them in accordance with plan provisions. PBGC calculates the monthly benefit payments due Fee for 2015, as follows:

	2014 Actual Plan Supplement		
41.	2014 Actual earnings	\$12,900	***
42.	2014 Earnings offset	\$308.33	$((\text{Line 41} - \$5,500) \div 2) \div 12 \text{ months}$ = $((\$13,300 - \$5,500) \div 2) \div 12$ = \$308.33
43.	2014 Actual plan supplement	\$91.67	Line 2 - Line 42 = \$400 - \$308.33 = \$91.67
44.	2014 Actual PBGC supplement	\$91.67	If Line 8 \neq Line 2, the lesser of Line 8 or Line 43 = Line 43 < Line 8 = \$91.67 < \$105 = \$91.67
45.	2014 Earnings offset overpayment	\$159.96	(Line 44 - Line 8) X 12 months = (\$91.67 - \$105) X 12 months = (\$159.96)
46.	2015 Monthly benefit reduction	\$13.33	Line 45 \div 12 months = \$159.96 \div 12 months = \$13.33
	2015 PBGC Monthly Payments Due		Benefit determination scheduled to be issued in 7/2015

47.	PBGC payments due 1/2015 – 3/2015	\$1,230	Line 40 continues
48.	PBGC payments due 4/2015 – 8/2015	\$1,246.67	Line 9 - Line 46 = \$1,260 - \$13.33 = \$1,246.67
49.	PBGC payments due 9/2015 – 12/2015	\$1,246.67	Benefit adjustment scheduled for 9/1/15 to implement benefit determination.*

*Prior to any other required deduction, such as recoupment.

3.7 Benefit Payments Made DOPT Year until Implementation of the Benefit Determination

Fee was paid from DOPT through August 2015, the month before the benefit determination will be implemented, as follows:

Payment Dates	Amount	Comments
11/2011 – 12/2011	\$1,600.00	From plan payment records
01/2012 – 03/2012	\$1,600.00	From plan payment records
04/2012 – 05/2012	\$0.00	From plan payment records
06/2012	\$800.04	From plan payment records
07/2012 – 12/2012	\$1,600.00	From plan payment records
01/2013 – 03/2013	\$1,600.00	From plan payment records
04/2013 – 05/2013	\$0.00	From plan payment records
06/2013	\$1,400.04	From plan payment records
07/2013	\$1,600.00	Final payment made by the prior plan administrator.
08/2013 – 12/2013	\$1,195.00	PBGC began making estimated benefit payments.
01/2014 – 12/2014	\$1,195.00	PBGC continued to make estimated benefit payments.
01/2015 – 8/2015	\$1,195.00	PBGC continued to make estimated benefit payments.

3.8 Calculation of Benefit Overpayments and Underpayments

PBGC compares the benefits due with the payments made to calculate any benefit overpayments or underpayments, as follows:

	Payment Dates	Due	Paid	Difference	Months	Overpayment/ Underpayment
1.	11/2011 – 12/2011	\$1,260.00	\$1,600.00	(\$340.00)	2	(\$680.00)
2.	01/2012 – 03/2012	\$1,260.00	\$1,600.00	(\$340.00)	3	(\$1,020.00)
3.	04/2012 – 05/2012	\$00.00	\$00.00	\$00.00	2	\$00.00
4.	06/2012	\$370.04	\$800.04	(\$430.03)	1	(\$430.00)
5.	07/2012 – 12/2012	\$1,260.00	\$1,600.00	(\$340.00)	6	(\$2,040.00)
6.	01/2013 – 03/2013	\$1,260.00	\$1,600.00	(\$340.00)	3	(\$1,020.00)
7.	04/2013 – 05/2013	\$1,260.00	\$00.00	\$1,260.00	2	\$2,520.00
8.	06/2013	\$1,260.00	\$1,400.04	(\$140.04)	1	(\$140.04)
9.	07/2013	\$1,260.00	\$1,600.00	(\$340.00)	1	(\$340.00)
10	08/2013 – 12/2013	\$1,260.00	\$1,195.00	\$65.00	5	\$325.00

11.	01/2014 – 03/2014	\$1,260.00	\$1,195.00	\$65.00	3	\$195.00
12.	04/2014 – 03/2015	\$1,230.00	\$1,195.00	\$35.00	12	\$420.00
13.	04/2015 – 08/2015	\$1,246.67	\$1,195.00	\$51.67	5	\$258.35
Benefit Overpayment						(\$1,951.69)

3.9 Net Benefit Overpayment

Fee will be informed in the July 2015 benefit determination of the net benefit overpayment of \$1,951.69, which will be collected by recoupment from Fee's monthly payments beginning 9/1/2015.

3.10 Post-Benefit Determination Annual Calculations

PBGC will begin its annual process of collecting actual earnings information and begin making annual earnings-offset adjustments until the year after Fee reaches age 62 or the year after Fee becomes eligible for SSA disability benefits.

Example 2: Earnings-Offset Calculations - Anticipated Earnings Used

Participant Gee is a pre-DOPT retiree who retired on 7/1/2009. When the plan terminated Gee was eligible for a plan benefit of \$1,600, including a plan supplement of \$400/month or \$4,800/year.

1. Plan earnings offset provisions/practice: The plan:

- Used anticipated earnings to calculate an anticipated plan supplement that was paid each year.
- Offset the plan supplement by \$1 for every \$2 of earnings in excess of \$5,500/year or applied a maximum earnings limitation of \$15,100 $((\$4800 \times 2) + \$5,500)$ to calculate the anticipated and actual plan supplements for a year.
- Requested actual earnings information for the preceding year in early January of the following year.
- Upon receipt of the actual earnings information, calculated the earnings offset, actual plan supplement, and any resulting earnings-offset overpayment (or underpayment) for the previous year (earnings-offset overpayments and underpayments were calculated by comparing the actual plan supplement for a year to the anticipated plan supplement paid that same year).
- Applied a temporary benefit reduction of up to 100% to the participant's plan benefits to collect any earnings offset overpayment beginning with the April 1 payment and typically paid any earnings-offset underpayments April 1, as well.
- Discontinued paying the supplement when the participant reached age 62 or became eligible for SSA disability benefits.

2. PBGC Administration:

DOPT: 10/30/2011

DOTR: 4/15/2013

- 11/2011 – 7/2013:** Gee continued to be paid plan benefits by the prior plan administrator.
- 8/2013:** PBGC discontinued applying the plan's earnings offset provisions and began paying Gee an estimated benefit payment of \$1,195, including an estimated PBGC supplement of \$50. PBGC did not use anticipated earnings in calculating the estimated payments.

c. **7/2015:** Benefit determinations are scheduled to be sent during July 2011. Gee is eligible for a PBGC benefit of \$1,260/month including a PBGC supplement of \$105/month. In preparing to issue Gee's benefit determination, PBGC will reconcile the estimated benefit payments made with the actual benefit payment that were due by:

- 1) Calculating the anticipated PBGC supplement using Gee's anticipated earnings and *the PBGC supplement of \$105* for the DOPT year through the DOTR year.
- 2) Calculating the actual PBGC supplements using Fee's actual earnings and *the PBGC supplement of \$105*.
- 3) Comparing the anticipated PBGC supplement with the actual PBGC supplement to determine any earnings-offset overpayments or underpayments.
- 4) Calculating the actual benefit payments due, adjusted for any earnings-offset overpayment or underpayment, from DOPT through the date that the benefit determination will be implemented.
- 5) Calculating any resulting net benefit overpayments or underpayments.

d. **9/2015:** Benefit adjustments to implement the benefit determination are scheduled for 9/1/2015.

e. **1/2016:** PBGC continues its annual process of collecting actual earnings information and begins making annual earnings-offset adjustments.

3. **Benefit Determination Reconciliation:** Using the benefits listed below, PBGC calculates the actual PBGC supplements and benefit payments due Gee for DOPT through the date that the benefit determination will be implemented and reconciles them with those paid, as follows:

	Gee's Plan Benefit as of DOPT		
1.	Monthly plan benefit without supplement	\$1,200	***
2.	Monthly plan supplement	\$400	***
3.	Monthly plan benefit with supplement	\$1,600	Line 1 + Line 2 = \$1,200 + \$400 = \$1,600
	Gee's Estimated PBGC Benefit		
4.	Monthly PBGC benefit without supplement	\$1,145	***
5.	Monthly PBGC supplement	\$50	***
6.	Monthly PBGC benefit with supplement	\$1,195	Line 4 + Line 5 = \$1,145 + \$50 = \$1,195
	Gee's Final PBGC Benefit		
7.	Monthly PBGC benefit without supplement	\$1,155	***
8.	Monthly PBGC supplement	\$105	***
9.	Monthly PBGC benefit with supplement	\$1,260	Line 7 + Line 8 = \$1,155 + \$105 = \$1,260

NOTE: To view all benefit calculation tables and descriptions, click **Expand All**. To hide all benefit calculation tables and descriptions, click **Collapse All**.

3.1 2011 DOPT Year – Pre-DOPT Plan Calculations

Gee did not report anticipated earnings for 2010, but reported actual earnings of \$13,100. In addition, Gee reported anticipated earnings of \$12,900 for 2011. The plan administrator determined that Gee had an earnings-offset overpayment for 2010 and collected it by applying a 100% benefit reduction from 4/2011 – 6/2011, as described below.

2010 Actual plan supplement			
10.	2010 Actual Earnings	\$13,100	From plan records
11.	2010 Monthly earnings offset (EO)	\$316.67	From plan records
12.	2010 Actual monthly plan supplement	\$83.33	From plan records
13.	2010 Earnings-offset overpayment	\$3,800.04	From plan records
Pre-DOPT Plan Payments			
14.	Plan payments for 1/2011 – 3/2011	1,291.67	From plan payment records
15.	Plan payments for 4/2011 – 5/2011	\$0	From plan payment records
16.	Plan payment for 6/2011	\$74.97	From plan payment records
17.	Plan payments for 7/2011 – 10/2011	\$1291.67	From plan payment records

3.2 2011 DOPT Year – Post-DOPT Calculations

PBGC follows plan provisions and uses anticipated and actual earnings in calculating the actual PBGC supplement and benefit payments due for the DOPT. The pre-DOPT benefit reduction for the 2010 earnings-offset overpayment does not affect the PBGC benefit payments due 2011. PBGC calculates the monthly PBGC benefit payments due Gee for 2011, as follows:

2011 Anticipated plan supplement			
18.	2011 Anticipated earnings	\$12,900	***
19.	2011 Anticipated earnings-offset	\$308.33	$((\text{Line 18} - \$5,500) \div 2) \div 12 \text{ months}$ $= ((\$12,900 - \$5,500) \div 2) \div 12$ $= \$308.33$
20.	2011 Anticipated plan supplement for 1/2011 – 10/2011	\$91.67	Line 2 - Line 19 = \$400 - \$308.33 = \$91.67
21.	2011 Anticipated PBGC supplement for 11/2011 – 12/2011	\$91.67	If Line 8 \neq Line 2, the lesser of Line 8 or Line 20 = Line 20 < Line 8 = \$91.67 < \$105 = \$91.67
Post-DOPT PBGC Payments Due			
22.	PBGC payments due 11/2011 – 12/2011	\$1,246.67	Line 7 + Line 21 = \$1,155 + \$91.67 = \$1,246.67

3.3 2012 Pre-DOTR Year Calculations

PBGC continues to follow plan provisions and uses anticipated and actual earnings in calculating the benefit payments due for the years between the DOPT year and the DOTR year. Gee reported actual earnings of \$13,500 for 2011 and anticipated earnings of \$13,000 for 2012. PBGC calculates the PBGC benefit payments due Gee for 2012, as follows:

	2011 Actual Plan Supplement		
23.	2011 Actual earnings	\$13,500	***
24.	2011 Monthly earnings offset	\$333.33	$((\text{Line 23} - \$5,500) \div 2) \div 12 \text{ months}$ = $((\$13,500 - \$5,500) \div 2) \div 12$ = \$333.33
25.	2011 Actual monthly plan supplement for 1/2011 – 10/2011	\$66.67	Line 2 - Line 24 = \$400 - \$333.33 = \$66.67
26.	2011 Actual PBGC Supplement for 11/2011 – 12/2011	\$66.67	If Line 8 \neq Line 2, the lesser of Line 8 or Line 25 = Line 25 < Line 8 = \$66.67 < \$105 = \$66.67
	2011 Earnings-offset overpayment		
27.	2011 Pre-DOPT plan earnings-offset overpayment for 1/2011 - 10/2011	\$250	$(\text{Line 25} - \text{Line 20}) \times 10 \text{ months} = (\$66.67 - \$91.67) \times 10 = (\$250)$
28.	2011 Post-DOPT PBGC earnings-offset overpayment for 11/2011 – 12/2011	\$50	$(\text{Line 26} - \text{Line 21}) \times 2 \text{ months} = (\$66.67 - \$91.67) \times 2 = (\$50)$
29.	2011 Earnings-offset overpayment	\$300	Line 27 + Line 28 = \$250 + \$50 = \$300
	2012 Anticipated plan supplement		
30.	2012 Anticipated earnings	\$13,000	***
31.	2012 Anticipated earnings offset	\$312.50	$((\text{Line 30} - \$5,500) \div 2) \div 12 \text{ months}$ = $((\$13,000 - \$5,500) \div 2) \div 12$ = \$312.50
32.	2012 Anticipated plan supplement	\$87.50	Line 2 - Line 31 = \$400 - \$312.50 = \$87.50
33.	2012 Anticipated PBGC supplement	\$87.50	If Line 8 \neq Line 2, the lesser of Line 8 or Line 32 = Line 32 < Line 8 = \$87.50 < \$105 = \$87.50
	2012 Benefit Payments Due		
34.	PBGC payments due 1/2012 – 3/2012	\$1,242.50	Line 7 + Line 33 = \$1,155 + \$87.50 = \$1,242.50
35.	PBGC payment due 4/2012	\$942.50	Following plan provisions. PBGC applies a 100% benefit reduction to collect the 2011 earnings-offset overpayment beginning 4/2012:

			Line 34 - Line 29 = \$1,242.50 - \$300 = \$942.50
36.	PBGC payment due 5/2012 – 12/2012	\$1,242.50	Line 34 resumes

3.4 2013 DOTR Year Calculations

PBGC continues to follow plan provisions and uses anticipated and actual earnings in calculating the benefit payments due for the DOTR year. Gee reported actual earnings of \$12,300 for 2012 and anticipated earnings of \$13,400 for 2013. PBGC determines the PBGC benefit payments due Gee for 2013, as follows:

	2012 Actual Plan Supplement		
37.	2012 Actual earnings	\$12,300	***
38.	2012 Monthly earnings offset	\$283.33	$((\text{Line 37} - \$5,500) \div 2) \div 12 \text{ months}$ = $((\$12,300 - \$5,500) \div 2) \div 12$ = \$283.33
39.	2012 Actual monthly plan supplement	\$116.67	Line 2 - Line 38 = \$400 - \$283.33 = \$116.67
40.	2012 Actual monthly PBGC supplement	\$105	If Line 8 \neq Line 2, the lesser of Line 8 or Line 39 = Line 8 < Line 39 = \$105 < \$116.67 = \$105
41.	2012 Earnings-offset overpayment	\$0	Line 40 > Line 33 = \$105 > \$87.50
42.	2012 Earnings-offset underpayment	\$210	$(\text{Line 40} - \text{Line 33}) \times 12 \text{ months} = (\$105 - \$87.50) \times 12 = \210 due 4/1/2013
	2013 Anticipated plan supplement		
43.	2013 Anticipated earnings	\$13,400	***
44.	2013 Anticipated earnings offset	\$329.17	$((\text{Line 43} - \$5,500) \div 2) \div 12 \text{ months}$ = $((\$13,400 - \$5,500) \div 2) \div 12 = \329.17
45.	2013 Anticipated plan supplement	\$70.83	Line 2 - Line 44 = \$400 - \$329.17 = \$70.83
46.	2013 Anticipated PBGC supplement	\$70.83	If Line 8 \neq Line 2, the lesser of Line 8 or Line 45 = Line 45 < Line 8 = \$70.83 < \$105 = \$70.83
	2013 Benefit Payments Due		
47.	PBGC payments due 1/2013 – 4/2013	\$1,225.83	Line 7 + Line 46 = \$1,155 + \$70.83 = \$1,225.83
48.	PBGC special payment due 4/2013	\$210	From Line 42.
49.	PBGC payments due 5/2013 – 12/2013	\$1,225.83	Line 47 continues

3.5 2014 Year After DOTR Year Calculations

Beginning the year after the DOTR year, PBGC continues to apply a plan's earnings limitations, but no longer uses anticipated earnings in calculating the benefit payments due the participant. In addition, PBGC no longer applies the plan's method for collecting an earnings-offset overpayment. PBGC calculates the PBGC benefit payments due Gee for 2014, as follows:

	2013 Actual Plan Supplement		
50.	2013 Actual earnings	\$13,300	***
51.	2013 Monthly earnings offset (EO)	\$325	$((\text{Line } 50 - \$5,500) \div 2) \div 12 \text{ months}$ = $(\$13,300 - \$5,500) \div 2) \div 12 =$ \$325
52.	2013 Actual monthly plan supplement	\$75	Line 2 - Line 51 = \$400 - \$325 = \$75
53.	2013 Actual PBGC supplement	\$75	If Line 8 \neq Line 2, the lesser of Line 8 or Line 52 = Line 52 < Line 8 = \$75 < \$105 = \$75
54.	2013 Earnings-offset overpayment	\$0	Line 53 > Line 46 = \$75 > \$70.83
55.	2013 Earnings-offset underpayment	\$50.04	$(\text{Line } 53 - \text{Line } 46) \times 12 \text{ months} = (\$75 - \$70.83) \times 12 = \$50.04 \text{ due } 4/1/2014$
	2014 Benefit Payments Due		
56.	PBGC payments due 1/2014 – 4/2014	\$1,260	Line 9 resumes
57.	PBGC special payment due 4/2013	\$50.04	From Line 55
58.	PBGC payments due 5/2014 – 12/2014	\$1,260	Line 56 continues

3.6 2015 BD Year Calculations

PBGC continues to apply the plan's earnings limitations, but no longer applies them in accordance with plan provisions. PBGC determines the PBGC benefit payments due Gee for 2015, as follows:

	2014 Actual Plan Supplement		
59.	2014 Actual earnings	\$12,900	***
60.	2014 Monthly earnings offset (EO)	\$308.33	$((\text{Line } 59 - \$5,500) \div 2) \div 12 \text{ months}$ = $((\$12,900 - \$5,500) \div 2) \div 12 =$ \$308.33
61.	2014 Actual monthly plan supplement	\$91.67	Line 2 - Line 60 = \$400 - \$308.33 = \$91.67
62.	2014 Actual PBGC supplement	\$91.67	If Line 8 \neq Line 2, the lesser of Line 8 or Line 61 = Line 61 < Line 8 = \$91.67 < \$105 = \$91.67

63.	2014 Earnings offset overpayment	\$159.96	(Line 62 - Line 8) X 12 months = (\$91.67 - \$105) X 12 months = (\$159.96)
64.	2015 Monthly benefit reduction	\$13.33	Line 63 ÷ 12 months = \$159.96 ÷ 12 months = \$13.33
	2015 PBGC Monthly Payments Due		Benefit determination scheduled to be issued in 7/2015.
65.	PBGC payments due 1/2015 – 3/2015	\$1,260	Continued from Line 58.
66.	PBGC payments due 4/2015 – 8/2015	\$1,240.33	Line 65 - Line 64 = \$1,260 - \$13.33 = \$1,246.67
67.	PBGC payments due 9/2015 – 12/2015	\$1,246.67	Benefit adjustment scheduled for 9/1/2015 to implement benefit determination.*

*Prior to any other required deduction, such as recoupment.

3.7 Benefit Payments Made DOPT Year until Implementation of the Benefit Determination

Gee was paid from DOPT through August 2015, the month before the benefit determination will be implemented, as follows:

Payment Dates	Amount	Comments
10/2011 – 12/2011	\$1,291.67	From plan payment records
01/2012 – 03/2012	\$1,287.50	From plan payment records
04/2012	\$987.50	From plan payment records
07/2012 – 12/2012	\$1,287.50	From plan payment records
01/2013 – 04/2013	\$1,270.83	From plan payment records
04/2013	\$350.04	From plan payment records = earnings-offset underpayment
05/2013 – 07/2013	\$1,270.83	Final payments made by the prior plan administrator
08/2013 – 12/2013	\$1,195	PBGC began making estimated benefit payments.
01/2014 – 12/2014	\$1,195	PBGC continued to make estimated benefit payments.
01/2015 – 12/2015	\$1,195	PBGC continued to make estimated benefit payments.

3.8 Calculation of Benefit Overpayments and Underpayments

PBGC compares the benefits due with the payments made to calculate any benefit overpayments or underpayments, as follows:

	Payment Dates	Due	Paid	Difference	Months	Overpayment/ Underpayment
1.	11/2011 – 12/2011	\$1,246.67	\$1,291.67	(\$45)	2	(\$90.00)
2.	01/2012 – 03/2012	\$1,242.50	\$1,287.50	(\$45)	3	(\$135.00)
3.	04/2012	\$942.50	\$987.50	(\$45.00)	1	(\$45.00)
4.	05/2012 – 12/2012	\$1,242.50	\$1,287.50	(\$45)	7	(\$315.00)

5.	01/2013 – 04/2013	\$1225.83	\$1,270.83	(\$45)	4	(\$180.00)
6.	04/2013*	\$210.00	\$350.04	(\$140.04)	1	(\$140.04)
7.	05/2013 – 07/2013	\$1225.83	\$1,270.83	(\$45)	3	(\$135.00)
8.	08/2013 – 12/2013	\$1225.83	\$1,195.00	\$30.83	5	\$154.15
9.	01/2014 – 04/2014	\$1,260.00	\$1,195.00	\$65.00	4	\$260.00
10.	04/2014 - Earnings- offset underpayment	\$50.04	\$0	\$50.04	1	\$50.04
11.	05/2014 – 12/2014	\$1,260.00	\$1,195.00	\$65.00	8	\$520.00
12.	01/2015 – 03/2015	\$1,260.00	\$1,195.00	\$65.00	3	\$195.00
13.	04/2015 – 08/2015	\$1,246.67	\$1,195.00	\$51.67	5	\$258.35
Benefit Overpayment						\$397.50

3.9 Net Benefit Underpayment

Gee will be informed in the July 2015 benefit determination of the net benefit underpayment of \$397.50, which will be paid 9/1/2015.

3.10 Post-Benefit Determination Annual Calculations

PBGC will begin its annual process of collecting actual earnings information and making annual earnings-offset adjustments to Gee's payments until the year after Gee reaches age 62 or becomes eligible for SSA disability benefits.