Priority Category 2 Benefits Payment

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A. Background

Mandatory employee contributions (MEC) are contributions that are required as a condition of employment with the plan sponsor, participation in the plan, or obtaining benefits under the plan attributable to employer contributions. Accumulated mandatory employee contributions (AMEC) are MEC credited with interest at a specified date (the 'determination date' as described in § 411(c) of the Code). In a plan with MEC, a participant's accrued benefit is allocated between employee and employer contributions. The employee-derived benefit is provided by the participant's AMEC. The employer-derived benefit is the amount of the participant's accrued benefit provided under the plan's benefit formula in excess of the employee-derived benefit. Occasionally, the AMEC exceed the value of the accrued benefit provided under the plan's benefit formula and an employer-derived benefit is not payable.

In a PBGC-trusteed plan, the portion of a participant's benefit derived from his or her AMEC as of DOPT is a priority category 2 (PC2) benefit. At a minimum, the AMEC provide an employee-derived benefit and a pre-retirement death benefit that returns the AMEC upon the death of the participant. Some plans provide that participants may withdraw their AMEC. If all of the AMEC are withdrawn, the participant is due only the employer-derived benefit, unless the plan provides otherwise. PBGC's regulation at 29 CFR § 4022.7(b)(2) permits PBGC to return AMEC at DOPT in a single installment if certain conditions are met.

B. Scope and Effective Date

This internal guidance provides the rules under which PBGC pays a PC2 benefit and specifically addresses:

1. conditions permitting withdrawal of AMEC,
2. elections to withdraw AMEC,
3. the consequences of withdrawing AMEC,
4. pre- and post-retirement death benefits derived from AMEC, and
5. calculation of the payment that returns AMEC in a single sum to a participant or other eligible individual.

Under the first edition of this internal guidance, PBGC permitted a de minimis benefit that included AMEC to be paid without an application as provided in PBGC Internal Guidance Small Benefit Payments. Internal Guidance Priority Category 2 Benefits Payment is being revised to eliminate this provision.

PBGC Internal Guidance Priority Category 2 Benefits Payment applies to participants and other eligible individuals (a surviving spouse, other beneficiary or alternate payee under a QDRO) in a PBGC-trusteed plan who are entitled to a PC2 benefit and the participant's full AMEC have not been withdrawn or benefits have not been put into pay status, as provided under prior internal guidance. It is effective upon issuance.

C. Definitions

For the purposes of this internal guidance:

1. **Mandatory employee contributions (MEC)** means employee contributions that are required as a condition of employment with the plan sponsor, participation in the plan, or obtaining benefits under the plan attributable to employer contributions. MEC are the balance of the contributions without interest.
2. **Accumulated mandatory employee contributions (AMEC)** means the sum of the MEC and interest credited on the MEC at a specified date, the determination date. The determination date may be: 1) the withdrawal date if before DOPT; 2) a participant's or beneficiary's annuity starting date, which may be before or after DOPT; and/or 3) DOPT.

   AMEC are calculated as provided in PBGC Internal Guidance Priority Category 2 Benefits Payments. Note that AMEC do not include interest payable under PBGC Internal Guidance Underpayment Reimbursement and Interest Payments.
3. **Residual AMEC** means a remaining balance of AMEC after all of the AMEC have previously been withdrawn or benefits have been placed into pay status, typically resulting from an error in accumulating interest on MEC (e.g., an incorrect interest rate was used).
4. **Employee-derived benefit** means the portion of the accrued benefit derived from AMEC. The AMEC as of the annuity starting date is used to calculate the employee-derived benefit. The employee-derived benefit is calculated as provided in PBGC Internal Guidance Priority Category 2 Benefits Calculation and may be less than, more than, or equal to the benefit calculated using the plan's benefit formula. The minimum vesting provisions in ERISA and the Code provide that a participant is always 100% vested in his or her employee-derived benefit.
5. **Employer-derived benefit** means the portion of the accrued benefit, calculated using the plan's benefit formula, in excess of the employee-derived benefit. If all of the AMEC are withdrawn, the participant is due only the employer-derived benefit, unless plan provisions provide otherwise. If the amount of the employee-derived benefit is more than the plan benefit, calculated using the plan's benefit formula, an employer-derived benefit is not payable (i.e., the amount of the employer-derived benefit is zero). The employer-derived benefit is calculated as provided in PBGC Internal Guidance Priority Category 2 Benefits Calculation***.***
6. **Plan benefit** means the vested accrued benefit payable if AMEC are not withdrawn. It is the sum of the employee-derived benefit and employer-derived benefit. The plan benefit generally is equal to the benefit calculated using the plan's benefit formula; however, it will be more if the

employee-derived benefit exceeds the benefit calculated using the plan's benefit formula. In this situation, the plan benefit will consist of only the employee-derived benefit. For purposes of this internal guidance, the plan benefit is a guaranteed benefit and thus payable by PBGC unless specified otherwise.

7. **Modified cash refund (MCR)** means a type of cash refund annuity under which, if a participant or beneficiary dies before receiving pension payments equal to the AMEC at the annuity starting date, the balance of the AMEC at the payee's date of death is paid in a single sum to a beneficiary determined under PBGC Internal Guidance Payments to Beneficiaries. Plans may also be described as having a MCR feature or providing benefit forms that include a MCR feature, such as an SLA with a MCR or a QJSA with a MCR.

D. Requirements for Withdrawal of AMEC

1. PBGC permits the withdrawal of a participant's balance of AMEC at DOPT in a single sum if all of the following apply:
    a. PBGC concludes that there is a balance of AMEC at DOPT to be withdrawn (for the applicable rules on residual AMEC, see section F.4. Residual AMEC);
    b. plan provisions permit the withdrawal of AMEC at some future date, for example, upon termination of employment or at retirement;
    c. PC2 is fully funded by the 4044 and 4022(c) asset allocations (if PC2 is not fully funded by the 4044 and 4022(c) asset allocations, PBGC will permit withdrawals if the AMEC do not exceed the value of the guaranteed benefit plus any 4022(c) allocation that is payable to the participant or other eligible individual. If the asset allocations and/or the value of guaranteed benefits have not become final, PBGC will estimate them using the best available information at the time first makes its determination of whether withdrawal of AMEC is permissible. In all other cases, PBGC will determine if and to what extent AMEC may be withdrawn based on the facts and circumstances of the case); and
    d. the benefit has never been in pay status or the benefit was placed into pay status by PBGC and the participant or other eligible individual was not given the opportunity to withdraw the AMEC by PBGC as provided in this or prior internal guidance.

    PBGC will not give a payee who was put into pay status by the plan administrator the option of withdrawing the AMEC after payments have begun.

2. **Working Retirement.** If withdrawal of AMEC is permitted as provided in section D.1., PBGC permits withdrawal of AMEC by a participant who continues to work for the DOPT employer, as provided in PBGC Internal Guidance Working Retirement.

3. **Exception to §436(d) limitation.** Section 436(d) of the Code prohibits payment of certain benefits in a lump sum, including a withdrawal of AMEC, if the plan's funding is below a specified threshold. However, 26 CFR § 1.436-1(a)(3)(ii)(B) permits payments that would otherwise be limited under §436(d) if paid pursuant to termination of the plan. In accordance with that provision, PBGC will permit a withdrawal of AMEC otherwise permitted under this internal

guidance even if a §436(d) limitation was applicable as of DOPT and will disregard any contrary plan provision. For additional guidance on section 436(d) of the Code, see PBGC Internal Guidance PPA 436 Benefit Limitations

E. Election to Withdraw AMEC

PBGC permits withdrawal of AMEC as soon as practicable after the DOTR and PBGC determines that withdrawal of the AMEC is permissible as provided in section D.

1. **Notification.** PBGC will notify a participant or other individual who is eligible to withdraw AMEC of the option to withdraw the AMEC and will provide general information as to the consequences of withdrawing AMEC so that an informed decision regarding withdrawal can be made.
2. **Period to withdraw.** PBGC permits a withdrawal of AMEC any time before retirement benefits commence. If AMEC have not been withdrawn before a participant or other eligible individual applies for annuity benefits, PBGC will provide an opportunity to withdraw the AMEC at that time.
3. **Election period.** An election period of no less than 60 days after the expected receipt date of the election form by the participant or other eligible individual will be provided.
4. **Full withdrawal.** An election to withdraw will be honored only if it is for the balance of the AMEC; a request for a partial withdrawal of the AMEC will not be honored.
5. ***De minimis* benefit.** If the plan benefit is a de minimis benefit, PBGC will pay the benefit in either a lump-sum distribution or as an annuity as provided in PBGC Internal Guidance Lump-Sum Benefit Payments. The participant or other individual will not be permitted to withdraw only the AMEC.
6. **Spousal Consent.** Spousal consent is not required to pay a de minimis benefit that includes AMEC in a lump-sum distribution.

   If the plan benefit is a non-de minimis benefit, spousal consent is required to withdraw the AMEC, regardless of the amount of the AMEC. The rules on spousal consent described in PBGC Internal Guidance Spousal Consent (Qualified Joint and Survivor Annuities) apply.
7. **Pre-trusteeship election.** PBGC generally will honor a valid election to withdraw AMEC made under the plan received before DOTR.
8. **Permitted change in election.** PBGC permits a change in an election as follows:
   a. **Before retirement.** For elections to withdraw AMEC made before retirement (i.e., the applicant is not eligible to retire or is not applying for annuity benefits), PBGC permits a change in an election if it is received before the withdrawal payment date.
   b. **At or after retirement.** For elections made by individuals who are applying for benefits (including those who made a valid election under the plan before DOTR) or those already in pay status to the extent provided in section D.1.d., PBGC permits a change in an election only if it is received during the election period and subject to the following.

1) the election period will not be extended due to a request to change the election, and
2) PBGC will make payment according to the last election received on or before the expiration of the election period; or
3) if an election has not been received by the end of the election period, PBGC will pay the plan benefit only as an annuity.

c. **Election under prior Internal Guidance.** If a participant elected to not withdraw his or her AMEC, as provided under prior internal guidance, and benefits have not been placed into pay status, PBGC will permit the participant to change the election, as otherwise provided in section E.8*.*

F. Consequences of Election

1. **Plan provisions on forfeiture of employer-derived benefit.** Plans may provide that employer-derived benefits are forfeited if AMEC are withdrawn and the participant was less than 50% vested in the employer-derived benefit on the withdrawal date. PBGC honors such a forfeiture provision.
2. **AMEC withdrawn.** If AMEC are withdrawn, PBGC pays the employer-derived benefit that is due in accordance with PBGC's policies on the payment of annuities (e.g., PBGC Internal Guidance Annuity Starting Dates, PBGC Internal Guidance Annuity Benefit Forms, etc.) or, if appropriate, as a residual lump-sum distribution as provided in PBGC Internal Guidance Lump-Sum Benefit Payments.

   Example 1- Election to Withdraw AMEC: A participant had AMEC of $10,000 as of DOPT and asks about withdrawing the AMEC before reaching his or her earliest PBGC retirement date. PBGC concludes that withdrawal of the AMEC is permitted. PBGC calculates the participant's plan benefit as $750/month in the form of an SLA at normal retirement date of which $120/month is the employee-derived benefit and $630/month is the employer-derived benefit. If the participant withdraws the AMEC, PBGC will pay only the employer-derived benefit of $630/month as an annuity, reduced for early retirement and benefit form, if appropriate, when the participant retires.
3. **AMEC not withdrawn.** If AMEC are not withdrawn, PBGC pays the plan benefit in accordance with PBGC's policies on the payment of annuities (e.g., PBGC Internal Guidance Annuity Starting Dates, PBGC Internal Guidance Annuity Benefit Forms, etc.) or, if appropriate, in a lump-sum distribution as provided in PBGC Internal Guidance Lump-Sum Benefit Payments (and as previously described in section E.5.).

   Example 2 – Election Not to Withdraw AMEC: Same facts as Example 1 except, that if the participant does not withdraw the AMEC, PBGC will pay the plan benefit of $750 as an annuity, reduced for early retirement and benefit form, if appropriate, when the participant retires.
4. **Residual AMEC.** PBGC may determine that residual AMEC remain at DOPT, and as a result the employee-derived benefit provided by the participant's AMEC increases. Despite this increase,

the plan benefit typically does not change. However, in rare instances, the plan benefit may increase because the corrected employee-derived benefit exceeds the benefit calculated using the plan's benefit formula. PBGC will pay residual AMEC and/or adjust the benefit as follows:

a. **Annuity in pay status.** If annuity benefits are in pay status, PBGC will increase the employee-derived benefit and decrease the employer-derived benefit by the amount of the change in the employee-derived benefit. Withdrawal of the residual AMEC will not be offered.

   Example 3 - No Increase in Plan Benefit: A participant retired before DOPT. The plan calculated the participant's benefit, using the plan's benefit formula, as $1,100/month at age 65 in the form of a QJSA. The participant's AMEC were withdrawn prior to retirement.

   - The plan calculated the employee-derived benefit as $180/month and the employer-derived benefit as $920/month ($1,100 - $180), and was paying the participant the employer-derived benefit of $920/month when PBGC trusteed the plan.
   - PBGC concludes that the plan correctly calculated the benefit of $1,100/month at age 65 in the form of a QJSA, using the plan's benefit formula. However, the plan used an incorrect interest rate to accumulate the MEC, and therefore, miscalculated the employee-derived benefit.
   - PBGC determines that the employee-derived benefit is $200/month and the employer-derived benefit is $900 ($1,100 - $200) at age 65 in the form of a QJSA.
   - The employee-derived benefit will increase by $20 ($200 - $180), and the employer-derived benefit will decrease by $20 ($920 - $900).

   The plan benefit payable to the participant will not change because the corrected employee-derived benefit does not exceed the benefit calculated using the plan's benefit formula. PBGC will continue to pay the participant $920/month ($20 + $900).

   Example 4 - Increase in Plan Benefit: A participant retired before DOPT. The plan calculated the participant's benefit, using the plan's benefit formula, as $1,450/month at age 65 in the form of an SLA. The participant's AMEC were withdrawn prior to retirement.

   - The plan calculated the employee-derived benefit as $1,400/month and the employer-derived benefit as $50/month ($1,450 - $1,400), and was paying the participant the employer-derived benefit of $50/month when PBGC trusteed the plan.
   - PBGC concludes that the plan correctly calculated the benefit of $1,450/month at age 65 in the form of an SLA, using the plan's benefit formula. However, the plan used an incorrect interest rate in accumulating the MEC, and therefore, miscalculated the employee-derived benefit.

- PBGC determines that the employee-derived benefit is $1,500 at age 65 in the form of an SLA.

Because the employee-derived benefit increased and is now more than the benefit calculated using the plan's benefit formula ($1,500 > $1,450), an employer-derived benefit is no longer due. PBGC will increase the participant's payments from $50/month to $100/month ($1,500- $1,400).

Note: Under the plan's calculation, the participants would not have PC2 benefits because all of the AMEC had been withdrawn. However, upon correction of the benefit by PBGC, the participants have PC2 benefits. For additional guidance, see PBGC Internal Guidance Priority Category 2 Benefits Calculation.

5. **Annuity not in pay status or not payable.** If the AMEC were previously withdrawn and annuity benefits are not in pay status or are not payable (e.g., the participant's employer-derived benefit is not guaranteed), the residual AMEC will be paid only in a single sum. If future benefits are payable, the employer-derived benefit will also be adjusted.

Example 5 - No Increase in Plan Benefit: Participants A and B are in different plans. Each had AMEC of $4,000, which they both withdrew shortly before DOPT. Each also had a benefit, calculated using their plans' benefit formulas of $125/month of which, the employee-derived benefit was $25 and the employer-derived benefit was $100 ($125-$25). Participant A was fully vested in the employer-derived benefit, and therefore, was due the employer-derived benefit of $100 at retirement. Participant B was not vested in the employer-derived benefit, and therefore, was not due any additional benefits.

- After the plans were trusteed, PBGC concluded that the plans correctly calculated the participants' benefits using their plans' benefit formulas. However, the plans used incorrect interest rates to accumulate the MEC, and therefore, miscalculated the employee-derived benefits.
- PBGC determines that each participant has residual AMEC of $160 at DOPT. As a result, the employee-derived benefit increases to $26 and the employer-derived benefit decreases to $99 ($125 - $26).

PBGC will pay the residual AMEC as follows:

- Participant A will be paid the residual AMEC of $160 in a single sum and is due the employer-derived benefit of $99 as an annuity.
- Participant B will be paid the residual AMEC of $160 in a lump-sum distribution and is not due any additional benefits.

Example 6 - Increase in Plan Benefit: Participants C and D are in different plans. Each had AMEC of $8,000, which they both withdrew shortly before DOPT. Each had a benefit, calculated using their plans' benefit formulas of $125 of which, the employee-derived benefit was $120 and the employer-derived benefit was $5. Participant C was fully vested in the employer-derived benefit, and therefore, was due the employer-derived benefit of $5 at retirement. Participant D was not vested in the employer-derived benefit, and therefore, was not due any additional benefits.

- After the plans were trusteed, PBGC concludes that each plan correctly calculated the participants' benefits, using their plans' benefit formulas. However, both plans used incorrect interest rates to accumulate the MEC, and therefore, miscalculated the employee-derived benefits.
- PBGC determines that each participant has residual AMEC of $320 at DOPT. As a result, the employee-derived benefit increased to $126.
- Because the employee-derived benefit exceeds the benefit calculated using the plans' benefit formulas ($126 > $125), an employer-derived benefit is not payable, and Participant C is no longer due an employer-derived benefit.

PBGC will pay both participants their residual AMEC only in a lump-sum distribution.

G. Pre-Retirement Death Benefits

PBGC pays pre-retirement death benefits derived from AMEC at DOPT, as follows:

1. **Election to withdraw.** If a participant, with spousal consent if required, or other eligible individual elected to withdraw the AMEC, but died before the AMEC was paid, PBGC treats the AMEC as a payment owed to a deceased payee and pays it in a single sum to the payee's beneficiary as provided in PBGC Internal Guidance Beneficiaries.

> **Note:** that in this situation, a surviving spouse is only due the QPSA provided by the employer-derived benefit. The spouse is due the AMEC only if he or she is also the beneficiary determined under PBGC Internal Guidance Beneficiaries. The AMEC is payable only in a single sum; a QPSA provided by the employee-derived benefit is not payable.

2. **No election to withdraw.** If a participant or other individual dies without electing to withdraw the AMEC or after making an election under prior internal guidance to not withdraw the AMEC, payment of the AMEC will depend on whether a QPSA or similar PSA is due a surviving spouse.
    a. **QPSA or similar PSA due.** If the surviving spouse of a deceased participant is due a QPSA or similar PSA as provided in PBGC Internal Guidance Spousal Consent (Qualified Joint-and-Survivor Annuities) or PBGC Internal Guidance Survivor Annuities- Plans Terminated before August 23, 1984 **,**the spouse may elect either to: 1) withdraw the AMEC as otherwise provided in this internal guidance and receive the QPSA provided by the employer-derived benefit, or 2) receive the QPSA provided by the plan benefit.
    b. **QPSA or similar PSA is not due.** If a QPSA or similar PSA is not due, for example, the participant was not married or the decedent is a beneficiary, PBGC treats the AMEC as a payment owed to a deceased payee and pays it in a single sum to the payee's beneficiary as provided in PBGC Internal Guidance Beneficiaries.

H. Post-Retirement Death Benefits

PBGC pays post-retirement death benefits derived from AMEC as follows:

1. **Election to withdraw.** If a payee who validly elected to withdraw his or her AMEC at DOPT dies before receiving the AMEC, PBGC treats the AMEC as a payment owed to the deceased payee and pays it in a single sum to his or her beneficiary as provided in PBGC Internal Guidance Beneficiaries. If continuing annuity payments are due, as described in PBGC Internal Guidance Beneficiaries, only the continuing annuity payment provided by the employer-derived benefit is payable.
2. **Election not to withdraw AMEC.** If AMEC are not withdrawn, a balance of AMEC may be payable when a payee dies. Plans with MEC frequently provide benefit forms, such as a modified cash refund (MCR), that pay any remaining AMEC in a single sum upon the death of a payee.

   When a payee dies and AMEC were not withdrawn, PBGC pays the survivor benefit and/or death benefit provided by the benefit form elected by the deceased participant or beneficiary.

   > Note that a payee who did not make an election to withdraw AMEC, as provided under prior internal guidance, is treated as having elected to have not withdrawn the AMEC.

   Example 7 - SLA with MCR Elected: A participant had AMEC of $23,000 as of DOPT that the participant was eligible to withdraw. The plan's automatic benefit form for unmarried participants was an SLA if the AMEC were withdrawn and an MCR if the AMEC were not withdrawn. AMEC of $25,000 at the annuity starting date was used to calculate the employee-derived benefit. The employer-derived benefit in the form of the SLA after withdrawal of the AMEC was $400, and the plan benefit in the form of the MCR was $500.

   The participant did not withdraw the AMEC and elected the MCR. The participant died after receiving payments for 26 months. The participant received plan benefits totaling $13,000 ($500 x 26). As provided by the MCR, the AMEC as of the annuity starting date, $25,000, is also used to determine the remaining AMEC payable to the participant's beneficiary. PBGC will pay AMEC of $12,000 ($25,000- $13,000) plus interest as provided under PBGC Internal Guidance Underpayment Reimbursement and Interest Payments, beginning with the first month that the death benefit is due, to the participant's beneficiary determined under PBGC Internal Guidance Beneficiaries.

   > Note that only the AMEC at DOPT is subject to withdrawal by the participant; however, as provided by an MCR the participant's benefit and the amount of the death benefit is calculated using the AMEC as of the ASD.

   Example 8 - SLA Elected: A married participant had AMEC at DOPT of $23,000 that the participant was eligible to withdraw. The plan's automatic form for married participants was a QJSA and an SLA for unmarried participants. AMEC of $25,000 at the annuity starting date was used to calculate the employee-derived benefit. The SLA was $525 if the AMEC were not withdrawn and $400 if withdrawn. The QJSA was $476 if the AMEC were not withdrawn and $364 if withdrawn.

The participant elected the SLA with spousal consent and did not withdraw the AMEC. The participant died 5/15/2010 after receiving 26 payments of $525. The May 1, 2010 payment was the last payment due.

3. **Election Not Provided.** If an eligible payee was placed into pay status by PBGC without having been given the option of withdrawing the AMEC at DOPT, as provided under this or prior internal guidance, and then dies, PBGC's treatment of the AMEC depends on whether continuing annuity payments are due after the payee's death.
    a. **Continuing annuity payments due.** If continuing annuity payments are due, the contingent annuitant may elect to:
        - Withdraw any remaining AMEC and receive only the survivor benefit provided by the employer-derived benefit, or
        - Not withdraw the AMEC and receive the continuing annuity payment provided by the plan benefit.
    b. **Continuing annuity payments are not due.** If continuing annuity payments are not due, PBGC treats any remaining AMEC as a payment owed to the deceased payee and pays the AMEC in a single sum to the payee's beneficiary, as provided in PBGC Internal Guidance Beneficiaries.

For guidance on continuing annuity payments, see PBGC Internal Guidance Beneficiaries. For guidance on calculating death benefits attributable to MEC, see section H. Calculation of Death Benefits Attributable to Mandatory Employee Contributions in PBGC Internal Guidance Priority Category 2 Benefits Calculation**.**

I. Amount of Withdrawal Payment or Other Single-Sum Payment of AMEC

PBGC generally calculates the amount of a withdrawal or other single-sum payment of AMEC as follows:

1. **Accumulation of MEC.** PBGC accumulates the MEC with interest at DOPT as provided in PBGC Internal Guidance Priority Category 2 Benefits Calculation***.***
2. **Reduction for prior withdrawals paid in a single sum.** PBGC will reduce the amount of AMEC calculated as provided above by the amount of prior withdrawals of AMEC (whether paid before or after DOPT). The reduction will include the interest that would have been credited on the prior withdrawal if that withdrawal had not been paid.
3. **Set-off for annuity payments made after DOPT upon withdrawal of AMEC.** If a participant and/or other individual in pay status elects to withdraw AMEC, as provided in this internal guidance, and the benefit in pay status includes the employee-derived benefit, PBGC will reduce the amount of the AMEC at DOPT by the amount of the set-off. The set-off amount is the sum of the employee-derived annuity payments paid after DOPT until the payment date of the

withdrawal, generally the same date that the benefit in pay status is reduced to the amount of any employer-derived benefit, which is payable.

4. **Interest.** Interest is payable on the amount of AMEC or residual AMEC as calculated above, as provided in PBGC Internal Guidance Underpayment Reimbursement and Interest Payments.

> Note that the amount of AMEC payable in a single sum due to a post-retirement death of a payee after benefits are in pay status is calculated in accordance with the payee's benefit form, such as an MCR. Interest as provided in PBGC Internal Guidance Underpayment Reimbursement and Interest Payments is generally added beginning with the first month that the death benefit is payable.

Example 9 – Post-retirement Withdrawal of AMEC: PBGC placed a participant into pay status with an estimated plan benefit of $600/month of which $200/month is the employee-derived benefit and $400/month is the employer-derived benefit. The participant had AMEC of $25,000 as of DOPT.

PBGC later finds that the participant should have been given the option of withdrawing the AMEC before being placed into pay status and gives the participant the option of withdrawing the AMEC. The participant elects to withdraw the AMEC and receive only the employer-derived benefit of $400/month. Benefit payments had been made for six months at the time that the AMEC was paid and the monthly payment was reduced from $600 to $400.

- The setoff amount was $1,200 (6 months X $200).
- The amount of the AMEC at DOPT after setoff was $23,800 ($25,000 - $1,200).
- Post-DOPT interest of $300 was calculated on the balance of the AMEC at DOPT, $23,800, as provided in PBGC Internal Guidance Underpayment Reimbursement and Interest Payments.
- The participant was paid a withdrawal amount of $24,100 ($23,800 + $300).