§ 4022.63 Estimated title IV benefit.

(a) General. If the conditions specified in paragraph (b) exist, the plan administrator shall determine each participant’s estimated title IV benefit. The estimated title IV benefit payable with respect to each participant who is not a substantial owner is computed under paragraph (c) of this section. The estimated title IV benefit payable with respect to each participant who is a substantial owner is computed under paragraph (d) of this section.

(b) Conditions for use of this section. The conditions set forth in this paragraph must be satisfied in order to make use of the procedures set forth in this section. If the specified conditions exist, estimated title IV benefits must be determined in accordance with these procedures (or in accordance with alternative procedures authorized by the PBGC under § 4022.61(f)) for each participant and beneficiary whose benefit under the plan exceeds the limitations contained in § 4022.61(b) or (c) or who is a substantial owner or the beneficiary of a substantial owner. If the specified conditions do not exist, estimated title IV benefits may be estimated by the plan administrator in accordance with procedures authorized by the PBGC, but no such estimate is required. The conditions are as follows:

1. An actuarial valuation of the plan has been performed for a plan year beginning not more than eighteen months before the proposed termination date. If the interest rate used to value plan liabilities in this valuation exceeded the applicable valuation interest rates and factors under appendix B to part 4044 of this chapter in effect on the proposed termination date, the value of benefits in pay status and the value of vested benefits not in pay status on the valuation date must be converted to the PBGC’s valuation rates and factors.

2. The plan has been in effect for at least five full years before the proposed termination date, and the most recent actuarial valuation demonstrates that the value of plan assets, reduced by employee contributions remaining in the plan and interest credited thereon under the terms of the plan, exceeds the present value, adjusted as required...
under paragraph (b)(1), of all plan benefits in pay status on the valuation date.

(c) Estimated title IV benefit payable with respect to a participant who is not a substantial owner. For benefits payable with respect to a participant who is not a substantial owner, the estimated title IV benefit is the estimated priority category 3 benefit computed under this paragraph. Priority category 3 benefits are payable with respect to participants who were, or could have been, in pay status three full years prior to the proposed termination date. The estimated priority category 3 benefit is computed by multiplying the benefit payable with respect to the participant under §4022.62 (b)(1) and (b)(2) by a fraction, not to exceed one—

(1) The numerator of which is the benefit that would be payable with respect to the participant at normal retirement age under the provisions of the plan in effect on the date five full years prior to the proposed termination date, based on the participant’s age, service, and compensation as of the earlier of the participant’s benefit commencement date or the proposed termination date, and

(2) The denominator of which is the benefit that would be payable with respect to the participant at normal retirement age under the provisions of the plan in effect on the proposed termination date, based on the participant’s age, service, and compensation as of the earlier of the participant’s benefit commencement date or the proposed termination date.

(d) Estimated title IV benefit payable with respect to a substantial owner. For benefits payable with respect to a participant who is a substantial owner, the estimated title IV benefit is the higher of the benefit computed under paragraph (c) of this section or the benefit computed under this paragraph.

(1) The plan administrator shall first calculate the estimated guaranteed benefit payable with respect to the substantial owner as if he or she were not a substantial owner, using the method set forth in §4022.62(c).

(2) The benefit computed under paragraph (d)(1) shall be multiplied by the priority category 4 funding ratio. The category 4 funding ratio is the ratio of x to y, not to exceed one, where—

(i) In a plan with priority category 3 benefits, x equals plan assets minus employee contributions remaining in the plan on the valuation date, with interest credited thereon under the terms of the plan, and the present value of all vested benefits in pay status, and y equals the present value of all vested benefits not in pay status minus such employee contributions and interest; or

(ii) In a plan with no priority category 3 benefits, x equals plan assets minus employee contributions remaining in the plan on the valuation date, with interest credited thereon under the terms of the plan, and y equals the present value of all vested benefits minus such employee contributions and interest.

(e) Examples. This section is illustrated by the following examples:

Example 1. Facts. A participant who is not a substantial owner was eligible to retire 3½ years before the proposed termination date. The participant retired 2 years before the proposed termination date with 20 years of service. Her final 5 years’ average salary was $45,000, and she was entitled to an unreduced early retirement benefit of $1,500 per month payable as a single life annuity. This retirement benefit does not exceed the limitation in §4022.61 (b) or (c).

On the participant’s benefit commencement date, the plan provided for a normal retirement benefit of 2 percent of the final 5 years’ salary times the number of years of service. Five years before the proposed termination date, the percentage was 1½ percent. The amendments improving benefits were put into effect 3½ years prior to the proposed termination date. There were no other amendments during the 5-year period. The participant’s estimated guaranteed benefit computed under §4022.62(c) is $1,500 per month times 0.00 (the factor from column (b) of Table I in §4022.62(c)(2)), or $1,350 per month. It is assumed that the plan meets the conditions set forth in paragraph (b) of this section, and the plan administrator is therefore required to estimate the title IV benefit.

Estimated title IV benefit. For a participant who is not a substantial owner, the amount of the estimated title IV benefit is the estimated priority category 3 benefit computed under paragraph (c) of this section. This amount is computed by multiplying the participant’s benefit under the plan as of the later of the proposed termination date or the benefit commencement date by the ratio of (i) the normal retirement benefit under the provisions of the plan in effect 5 years before

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§ 4022.81 General rules.

(a) Recoupment of benefit overpayments. If at any time the PBGC determines that net benefits paid with respect to any participant in a PBGC-trusteed plan exceed the total amount to which the participant (and any beneficiary) is entitled up to that time under title IV of ERISA, and the participant (or beneficiary) is, as of the termination date, entitled to receive future benefit payments, the PBGC will recoup the net overpayment in accordance with paragraph (c) of this section and § 4022.82. Notwithstanding the previous sentence, the PBGC may, in its discretion, recover overpayments by methods other than recouping in accordance with the rules in this subpart. The PBGC will not normally do so unless net benefits paid after the termination date exceed those to which a participant (and any beneficiary) is entitled under the terms of the plan before any reductions under subpart D.

Subpart E—PBGC Recoupment and Reimbursement of Benefit Overpayments and Underpayments

§ 4022.81 General rules.

(a) Recoupment of benefit overpayments. If at any time the PBGC determines that net benefits paid with respect to any participant in a PBGC-trusteed plan exceed the total amount to which the participant (and any beneficiary) is entitled up to that time under title IV of ERISA, and the participant (or beneficiary) is, as of the termination date, entitled to receive future benefit payments, the PBGC will recoup the net overpayment in accordance with paragraph (c) of this section and § 4022.82. Notwithstanding the previous sentence, the PBGC may, in its discretion, recover overpayments by methods other than recouping in accordance with the rules in this subpart. The PBGC will not normally do so unless net benefits paid after the termination date exceed those to which a participant (and any beneficiary) is entitled under the terms of the plan before any reductions under subpart D.

§ 4022.81 General rules.

(a) Recoupment of benefit overpayments. If at any time the PBGC determines that net benefits paid with respect to any participant in a PBGC-trusteed plan exceed the total amount to which the participant (and any beneficiary) is entitled up to that time under title IV of ERISA, and the participant (or beneficiary) is, as of the termination date, entitled to receive future benefit payments, the PBGC will recoup the net overpayment in accordance with paragraph (c) of this section and § 4022.82. Notwithstanding the previous sentence, the PBGC may, in its discretion, recover overpayments by methods other than recouping in accordance with the rules in this subpart. The PBGC will not normally do so unless net benefits paid after the termination date exceed those to which a participant (and any beneficiary) is entitled under the terms of the plan before any reductions under subpart D.