

I'm retired and am afraid my former employer will go bankrupt. What do I do?

If your former employer goes bankrupt, it could affect two important benefits that you might have: defined-benefit pension plan benefits and retiree health benefits.

Pension Plan

Are you currently receiving (or expecting to receive) monthly pension payments from your former employer? Yes No (If no, skip to the retiree health section.)

If yes, you need to find out if your employer is going to continue making those payments (contact the HR department) or if the pension obligation will be taken over by the Pension Benefit Guaranty Corporation (PBGC).

The PBGC is a federal corporation created by the Employee Retirement Income Security Act of 1974. It currently protects the pensions of nearly 44 million American workers and retirees in more than 29,000 private single-employer and multiemployer defined-benefit pension plans. The PBGC only becomes involved if a terminated pension plan does not have sufficient assets to cover all vested benefits.

Generally, the PBGC guarantees most vested normal retirement benefits, early retirement benefits, and certain survivors' benefits at the level in effect on the date of a pension plan's termination. However, the PBGC does not guarantee all types of benefits under covered plans. Also, the amount of benefit protection is subject to certain limitations so you might receive a monthly payment that is less than what you're currently receiving.

If you want more information, contact:

PBGC Office of Communications
1200 K Street, NW
Washington, DC 20005
Telephone: 202-326-4000
www.pbgc.gov

Retiree Health Benefits

Are you receiving retiree health benefits from your former employer? (The premium might be paid by the employer, by you, or shared by both). Yes No

Your retiree health benefits may be terminated through bankruptcy court. Employee Retirement Income Security Act (ERISA) law protects pensions, but not retiree health benefits, against corporate bankruptcy. If your retiree health benefits are terminated, you need to find out as soon as possible what other health coverage is available to you.

If you are 65 or over, you are covered by Medicare. You should consider purchasing Medicare supplemental insurance to help you pay for expenses not covered under Medicare and Part D to help pay for prescriptions. For more information, visit www.aarp.org/health/insurance.

If you are under age 65, you are not yet covered by Medicare.

- Check if you are eligible for coverage under a spouse's plan.
- Check out other health insurance options. Because group insurance plans usually cost less, see if any other group you belong to—such as a fraternal or professional organization—offers a group health plan.
- Read www.aarp.org/health/insurance/articles/losinghealth.html.
- Find out about the Health Insurance Portability and Accountability Act (HIPAA). HIPAA can help protect your right to insurance when you move from one plan to another. For more information

see www.aarp.org/health/insurance/articles/hipaa.html.

- Check out Medicaid. If you are under 65 and have a disability, with low income and few resources, you may be eligible for Medicaid.
www.aarp.org/money/helpnow

Source: PBGC

This and other tip sheets provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice.

© AARP 2008.

