Lump Sum Calculation Assumptions for CARP and CPRP

As a participant in the Continental Retirement Plan **(CARP)** or the Continental Pilots Retirement Plan **(CPRP)**, you may choose how to collect a benefit when you meet the Plan's criteria to retire. One payment option you may choose to consider is a one-time, lump sum payment.

Here's a quick look at how lump sums are calculated.

Background
A lump sum is the present-day value of the stream of monthly annuity payments you could expect to receive during your retirement. In CARP or CPRP, you may elect a lump sum payment when you retire from United at:

Age 50 with at least 20 years of vesting service, or
Age 55 with at least 10 years of vesting service, or
Age 65 (Age 60 for pilots)

The amount of your lump sum will be determined by many factors, including the amount of your monthly annuity benefit, your age when you collect, and the assumptions set by the Internal Revenue Service (IRS). These assumptions include a mortality table – used to estimate remaining lifetime – as well as segmented interest rates to convert the annuity payments that would be paid in the future into a present-day value lump sum.

Mortality Table: The IRS specifies a mortality table each year; updated for the most recent available experience.

Segmented Interest Rates: The IRS publishes three "segmented" interest rates each month. CARP and CPRP specify that we use these published rates. For lump sums payable in the second half of the 2022 year, we used the February rates published in early March, 2022. For lump sums payable in the first half of the 2023 year, we will use August rates published in September, 2022. For example, for lump sums payable as of January 1, 2023 through June 30, 2023, we will use the August 2022 rates published by the IRS in September 2022.

The first segment rate is used to determine the present-day value of the stream of monthly payments that would be made during the next 5 years; the second rate is used to determine the present-day value of the stream of monthly payments that would be made from 5 to 20 years; the third rate is used to determine the present-day value of the stream of monthly payments that would be made more than 20 years into the future. Your total lump sum is the sum of these three values.

The new segmented rates for lump sums paid ***January through June 2023*** **have been released** and are shown in the following table:

	1 to 5-yr Rate	6 to 20-yr Rate	20+ yr Rate
Actual Table for January – June 2023	3.79%	4.62%	4.69%

The segmented rates for lump sums paid ***July through December 2022*** are shown in the following table:

	1 to 5-yr Rate	6 to 20-yr Rate	20+ yr Rate
Actual Table for July – December 2022	1.88%	3.35%	3.70%

The actual table for July – December 2023 will be published by the IRS in March 2023 using February rates and Your Benefits Resources (YBR) should be updated for running estimates using these new rates on the last business day of March 2023.

Estimating for the Future

To estimate what those rates could be in the future, the chart below uses an average of the segmented rates during the 60-month period from September 2017 through August 2022. Segmented rates for running estimates effective ***July 1, 2023 or later*** are based on the following chart:

	1 to 5-yr Rate	6 to 20-yr Rate	20+ yr Rate
Estimate Table for July 2023 or later	1.99%	3.37%	3.87%

The actual interest rates that will be used to calculate your lump sum when you retire will be based on the rates in effect at that time. The actual rates in effect when you retire could be different.

PLEASE NOTE: If you project your retirement income on YBR and elect a benefit commencement date on or after July 1, 2023 and if you are eligible for a lump sum as of the termination/retirement date that you use to model benefits, the modeler will show your estimated lump sum benefit, using the applicable segment rates as described above.

In the section titled “Your Pension Calculation Details” it will also show you the amount of your lump sum if each of the three segment rates are 0.5% or 1.0% higher or lower when you actually retire. The rates in effect when you retire could vary by even more than 1.0% from the rates used for your estimate.