

## White-collar GM workers to see pension pinched

By Susan Tompor (excerpt)  
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Thousands of salaried employees in their 40s and 50s at General Motors are looking at quite a pension pinch.

Under a new program, the expected monthly pension check is going to be slashed for about 19,000 GM salaried employees now on the payroll.

How much are they losing? ...

...A lot depends on how many more years that they plan to work. And yes, even more depends now on how well individual workers invest their 401(k) money.

Engineers and others have been busily cranking through spreadsheets ever since General Motors announced Feb. 16 that it would take more steps for "de-risking and fully-funding its U.S. pension plans."

"De-risking" basically means that retirement risk moves from GM to workers.

"What is clear is that your 401(k) has just been made more important by your company," said David Kudla, CEO and chief investment strategist for Mainstay Capital Management in Grand Blanc.

Kudla, who has clients who are GM employees, said he's been taking calls nonstop with questions about what moves employees need to make.

"You kind of feel like you're becoming a 1-800 help desk," he said.

### GM's pension freeze puts focus on the 401(k)

The latest move by General Motors on pensions could force many white-collar employees to take jobs in retirement -- if they don't pump up their savings and invest wisely early on.

Beginning Sept. 30, GM will freeze its defined-benefit pension plan for U.S. salaried employees hired before Jan. 1, 2001.

Some employees told me that many feel clueless about how much money they're specifically going to be losing in retirement. Others ran their own numbers and numbers for co-workers. They're shocked. ...

...But experts warn that depending on a worker's situation, the hit could be fairly significant.

Don Fuerst, senior pension fellow at the American Academy of Actuaries in Washington, said the people who tend to be hurt the most by such a freeze would generally be in their mid-40s to mid-50s, would have worked a decade or more at a company and plan to work there another 15 years until retirement.

Depending on the company and the plan, he said, someone who has worked 15 years and expects to work another 15 years could receive 66% less than they would have expected for a pension benefit at age 65 -- if a typical pension plan is frozen when the worker is age 50.

As companies revamp retirement rules, the only solutions for many employees are to crank up savings and keep working as long as possible. ...

...Now, GM is moving 19,000 veteran white-collar workers hired before 2001 to such a plan that puts the focus on the 401(k). That same group also saw earlier reductions in 2007 in how their traditional benefits were calculated. ...

...What could help somewhat: GM employees in the group hired before 2001 are expected to receive an added pension contribution into the 401(k) plan.

Under this plan, those salaried employees hired before 1993 would receive 6% of base pay plus their bonus into the 401(k) plan and those hired after Jan. 1, 1993, would receive a 4% contribution.

This contribution is regardless of whether the employee contributes money to the 401(k) on their own. ...

...Exactly how individual workers are affected when a pension is frozen varies significantly and is influenced by such factors as the worker's age when the plan is frozen, his or her salary, how much he or she has built up in benefits and how the plan calculates benefits.

White-collar employees who retire from GM will decide if they'd want a lump-sum payment or a monthly pension.

The lump-sum would end the company's future liabilities for a pension to that employee.

"Older employees only have a certain amount of time to grow this money," said David Kudla, CEO and chief investment strategist for Mainstay Capital Management in Grand Blanc.

So how they invest becomes more crucial, too.

Some workers could need to put more money into their 401(k) plans and maybe they'd save outside those plans by using Roth IRA plans or traditional IRA plans. ...