

30% of GM salaried retirees opted for lump-sum pension

By Susan Tompor (excerpt)
November 1, 2012



Three out of 10 eligible General Motors salaried retirees selected the lump-sum pension option, instead of continuing to receive a monthly check, GM said in its earnings announcement Wednesday.

Thousands of GM salaried retirees in the U.S. had been on edge

this summer once they were given a choice. They could get a lump sum -- giving up a monthly check -- or opt for monthly benefits to be paid by Prudential Insurance of America.

Analysts had been watching the GM situation because it was among the first to offer lump-sum payouts to existing retirees.

"We had people come in two days after this was offered and say 'I want to do this,'" said David Kudla, CEO and chief investment strategist for Mainstay Capital Management in Grand Blanc.

Seeing a lump sum of \$300,000 or \$400,000 or more sounded tempting. But many worried about the risks of running out of money if they lived until 90 or older.

Since GM, several companies now have made some type of lump-sum trade-out offer involving pensions -- including Visteon, TRW Automotive and NCR.

One hot topic continues to be the major Ford deal involving 95,000 salaried retirees and former Ford employees. Overall, there are 65,000 total Ford salaried retirees and 30,000 former salaried Ford employees who will be eligible for Ford's trade-in-your-pension offer. It's all optional; retirees can keep their pension checks if they want. Offers will be made on a staggered basis through next year.

Kudla said he wouldn't be surprised if Ford saw a 30% acceptance rate or slightly higher.

Unlike Ford, GM is ending the salaried pension plan. So going with Prudential means that salaried retirees would not be covered any more by the Pension Benefit Guaranty Corp., which protects the retirement incomes of more than 44 million American workers.

In June, GM began mailing packages to salaried retirees or surviving spouses -- including about 42,000 salaried retirees and surviving spouses who were offered a lump-sum payment option. Retirees had until July 20 to decide.

During the quarter, approximately 30% of eligible U.S. salaried retirees accepted GM's offer to receive a lump-sum payment in lieu of ongoing pension benefits.

In addition, GM said it expects to close in early November a previously announced transaction through which the Prudential Insurance of America will assume responsibility for pension obligations covering GM's remaining eligible U.S. salaried retirees. ...

© 2012 Detroit Free Press.
Reprinted with permission.