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GM pension decision looms

Friday is deadline for 42k retirees to choose between lump-sum buyout and annuity

BY BRIAN J. O'CONNOR (excerpt)

Metro Detroit financial planners are clearing their calendars, adding hours and putting the pizza delivery man on speed dial as Friday's deadline for the nation's largest-ever pension buyout deal approaches for 42,000 salaried General Motors retirees.

The white-collar nonunion retirees, who retired between Oct. 1, 1997, and Dec. 1, 2011, face a choice between accepting a lump-sum buyout that for many workers is well over half a million dollars, or receiving their current monthly pension payment from an annuity issued by Prudential Insurance Co. By the end of the year, GM plans to close its pension plan and remove the $26 billion liability from its balance sheet, in a move to boost the carmaker's financial standing. …

…Financial planners and investment advisers are running radio spots, putting up special websites and running in-person and online seminars to brief GM retirees on the options. David Kudla, CEO and chief investment strategist of Mainstay Capital Management in Grand Blanc, estimates his firm has close to a thousand clients facing the decision, and has fielded calls or presented briefings to thousands of pensioners since GM announced the buyouts at the start of last month.

"We've been busy little bees since June," Kudla said.

Retired engineer Ed Repik has decided to skip the buyout in favor of the annuity check. (John M. Galloway / Special to The Detroit News)

So have GM retirees, who must weigh tax questions, investment options, future inflation rates and even their own mortality. Some resent GM dropping the pension plan and putting the burden of choosing an alternative on them. …

…With other investments exposed to the vagaries of the market, Ed Repik also decided to skip the buyout and let the monthly annuity check serve as a base income for him and his wife. The 70-year-old Howell resident retired in 2002 after 381/2 years as a GM engineer.

"It was worth looking at because it's an opportunity," Repik says. "But after we got into an analysis of it, it doesn't appear the route we're going to take."

Financial planners are worried that some retirees will take lump sums and put them into investments that aren't appropriate. Kudla, of Mainstay Capital, says one client came in with an offer for a deferred annuity that carried annual fees that would take 4.17 percent of the money. Other advisers hear from clients who want to pay off debt, help out children or grandchildren or invest the money in a business.

"We're seeing way too many sleazy gimmicks that are being packaged up to look like a good deal," Kudla said.

Retirees should get at least a second opinion on any lump-sum investment option, planners say, and make sure they thoroughly understand all the ramifications of any investment. …

…Despite all the fretting, the final decision is due Friday, and financial planners are girding for the last-minute rush. Then they'll do it again: Come August, 98,000 Ford retirees will be asked to choose between a lump-sum buyout or continuing in Ford's pension plan. …