

Lump-sum pension offer a tough call for General Motors, Ford retirees

By Susan Tompor (excerpt)
June 14, 2012

...Thousands of auto retirees in Michigan are losing sleep over the idea of taking on a risk that they've never dreamed they'd have to consider: Should they trade in their treasured monthly pension check for a final payout when they're already in their 60s or 70s?

How exactly would that work out? Retirees are asking that question when they meet at golf courses and graduation parties.

What's clear is that more companies want to unload whatever pension risk they can onto their former workers. Is it right? It's certainly reality.

Ford and General Motors are putting a pile of money on the table before about 140,000 salaried retirees and others across the U.S. About 42,000 are from GM and 98,000 from Ford.

It's an unusual offer, but experts say this could be the start of a trend in other industries. ...

...How much is enough? GM retirees already began getting packages in the mail in the past week. Some say the deal might work for them; others have been less impressed.

GM is making its offer to U.S. salaried retirees who retired on or after Oct. 1, 1997, and before Dec. 1, 2011.

Pat Harrison, a GM salaried retiree who lives in Naperville, Ill., said he got his lump-sum offer Monday.

"Right now, everybody is in the information-gathering phase to try to make sure they don't make a mistake for the rest of their life," said Harrison, 65. The GM retirees have until July 20 to make a decision.

"It's an aggressive time line," said David Kudla, CEO for Mainstay Capital Management in Grand Blanc.

Harrison, who is a client of Mainstay, won't disclose the figure and can't say whether he'd go for that lump sum yet. "I'm 50-50. Right on the line."

He and his wife, Ruth Harrison, are split on what they would do. As spouse, she must sign off and approve the lump sum, if that's what they decide to do, because she'd be giving up her survivor benefits in the process.

"This is a very important life decision for both of us," Pat Harrison said. "This is final." ...

...It's unknown how many retirees would be tempted by a lump-sum offer. Some experts estimate 40% or more; some retirees estimate it would be 20% or less. ...

...Most GM retirees and surviving spouses should have received their materials but some have not yet.

On June 1, GM began mailing out 118,000 pension benefit packages to salaried retirees or surviving spouses – including the 42,000 being offered a lump sum.

But GM said it is finalizing benefit material for a small number of retirees, which would be mailed this week.

At Ford, the first letters with real lump-sum numbers will hit the mail in August. Only 12,000 to 15,000 randomly selected salaried retirees and former salaried workers will see what their offer looks like by the end of summer. Others will arrive later this year and next year. In all, Ford is sending offers to 98,000 salaried retirees and former white-collar workers.

Would hourly workers get a similar proposal down the road? Analysts say it could be considered at negotiations. Any changes would be negotiated with the UAW.

For retirees, it's not every day that you have to ask: How long will I live? Could I make a good deal of money if I needed to invest \$350,000 or more? And the big question: Can I stop myself from buying a motorcycle or paying off my kids' student loans if I take a lump sum? ...