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Ford may buy out retiree pensions

Company says 90,000 former workers qualify for lump sum offer

BY JACLYN TROP (excerpt)

Ford Motor Co., which posted a \$1.4 billion first-quarter profit Friday, is offering to buy out the pensions of white-collar retirees to reduce its debt.

The move could put Ford closer to an investment grade credit rating that would help it reclaim the assets its mortgaged five years ago — including its Glass House headquarters in Dearborn and the iconic Blue Oval logo.

The automaker said it will give 90,000 U.S. salaried retirees and salaried former employees the choice to continue receiving their monthly pension payments or take them in a lump sum. General Motors Co. said it is considering a similar plan.

"We really haven't seen this pension payout offering from a major public company", said David Kudla, a retirement planner at Mainstay Capital Management in Grand Blanc. "It's the largest program of its type in the country's history."

Ford is trying to get out from under its underfunded pension liability. At the end of last year, Ford's pension obligation totaled \$74 billion and was underfunded by \$15.4 billion. That's a drag on its bottom line and has kept two major ratings houses — Standard & Poor's and Moody's — from rating its debt as investment grade.

Fitch Ratings upgraded Ford's debt Tuesday to BBB-, the first level of investment grade. When Ford receives a second upgrade, it will reclaim the assets it pledged in 2006 for a \$23 billion lifeline.

It's not clear how much money the pension buyouts will save the company— "it depends on how many opt in," said Ford spokeswoman Marcey Evans — nor how they would be structured or when they will be offered.

Ford previously announced it would offer the same payout to its other U.S. salaried workers retiring after July 1. The automaker did not specify when the pension buyouts would begin.

"Continuing to improve the underlying strength of our balance sheet remains a fundamental part of financing the One Ford plan," said CFO Bob Shanks. "Providing the option of a lump-sum payment to current salaried U.S. retirees and former employees will reduce our pension obligations and balance sheet volatility." ...

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