



By Michael Wayland (excerpt)

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Analyst: Chrysler pension freeze consistent with nationwide trend



David Kudla

AUBURN HILLS, MI- Chrysler Group LLC freezing its pension for salaried employees isn't out of the ordinary in today's business environment, according to one financial analyst.

David Kudla, CEO and chief investment strategist of Mainstay Capital Management, said the Auburn Hills-based automaker is just the most recent company to shift white-collar workers to a defined-contribution, or 401(k), plan.

"This is consistent with the trend we are seeing in corporate retirement plans nationwide as more companies terminate or freeze defined benefit plans and expand or increase the use of defined contribution plans or 401(k)s," he said.

Kudla, who advises some Chrysler employees and retirees on their investments, said

employees may view this as a setback to their retirement income strategy, but the contributions the company makes instead to a 401(k) plan, "when properly managed, can actually be more advantageous."

The change, which will impact about 8,000 employees, comes after General Motors Co. made a similar move last year, followed by offering pension buyouts to salaried retirees. Ford Motor Co. last year also offered pension buy outs to white-collar retirees and former employees.

GM's changes impacted about 19,000 employees and included an extra week of vacation time and performance-based bonuses instead of "across the board pay raises."

Chrysler said the new plan will not affect those who were hired after Dec. 31, 2003, have already left Chrysler, or current retirees.

Chrysler, in a statement Friday night, said the freeze is "in order to comply with IRS regulations and consistent with industry trends." It will begin in January 2014. Employees will keep the pension benefits they have already earned, according to Chrysler.

Nearly 10 years ago, Chrysler closed traditional pension plans to new employees and created the Employee Managed Retirement Plan, a defined contribution plan, for salaried employees hired on or after Jan. 1, 2004.

Chrysler said it will assist participants with this change by allowing retirement-eligible employees who retire on or after Jan. 1, 2014, to receive 100 percent of their accrued benefit beginning at age 58. ...