

Chrysler retiree deal a win-loss; Free Press seeks explanation from McTevia

It's win-lose in Chrysler retiree deal
Pension boost comes as insurance cut

BY TIM HIGGINS • FREE PRESS BUSINESS WRITER • April 1, 2008

Chrysler LLC is ending company-sponsored group life insurance for 14,000 white-collar retirees and has promised to give them a one-time pension increase, a new letter to retirees says.

The changes are yet another in a long list of adjustments made by the Auburn Hills automaker since coming under the private control of Cerberus Capital Management last August.

The pension payment will come in the form of a one-time lump-sum payment directly to the retiree or be directed into a qualified retirement account, or the actuarial equivalent of the lump-sum payment can be paid out as a lifetime monthly pension benefit, the letter says.

The change is to retirees who were non-bargaining unit employees at Chrysler in professional, administrative, management and executive positions.

The pension payments will be determined by the number of years of credited service and the length of time since retirement, with the payments ranging from \$1,000 to \$4,000, according to Chrysler.

Chrysler says the pension increase is not related to the elimination of the life insurance benefit. Rather, it coincided with a payout to UAW retirees negotiated in last year's contract.

But the salaried-retiree payout could be used to buy discounted term-life insurance, Chrysler notes.

"The company has made arrangements with MetLife to provide current retirees with a one-time opportunity to purchase life insurance at special group rates through the MetLife Voluntary Retiree Life Insurance Plan," Thomas Hadrych, Chrysler vice president for compensation, benefits and corporate services, told retirees in a letter mailed Friday. "As a retiree, you may choose to use the one-time lump-sum pension payment for premiums in the new plan."

In an interview, Hadrych declined to say how much money the company would save from eliminating the life insurance benefit for retirees.

"As the benefit elements go away there obviously will be some savings," he said.

Hadrych said Chrysler reviewed what other Fortune 1,000 companies do and found that 60% do not offer retiree life insurance.

"This is in part a reaction to kind of our own internal situation, but it's also a reaction to what the competitive landscape across the full spectrum of companies in America offers," Hadrych said. "We think this was the right decision for the company both currently and in the long term."

Hadrych told retirees that the newly offered MetLife life insurance was separate and in addition to any other option life insurance that retirees were purchasing through the company. Those programs would remain unchanged, he noted.

This is not the first time Chrysler has adjusted the retiree life insurance benefit. In 2003, the Auburn Hills automaker, then under the control of DaimlerChrysler AG, reduced retirees' company life-insurance with most plans cut to \$50,000.

Those who retired before to that change had the option to get a life insurance policy worth up to one time their salary, Hadrych said.

Cutting benefits to retirees is an easy cut for a company, Jim McTevia, managing member of McTevia & Associates. "Quite frankly those people are not involved in the ongoing success or failure of Chrysler," he said.

McTevia said the change probably provides a significant savings. "These are tough times to increase revenues. Where do you think their focus must be? It must be on cutting."