

Federal protection thin

Take another look at your pension

By Sid Mittra
Special writer

Part I

If you are like millions of Americans, you are probably counting on your company pension plan to provide a comfortable retirement income. It's time you recognized that when you retire you might be in for a big surprise.

The long recession we have experienced has shaken the foundations of many pension plans. In addition, there are some potential problems in the government's insurance program that is supposed to protect you.

Actuaries periodically publish studies demonstrating that corporate pension plans are soundly financed and are able to meet their obligations. But that blanket assurance conceals several new developments:

- Much of the overall improvement in corporate pension funding reflects

Increases in the assumed rates of return on investment of the funds' assets. A company that assumes a higher rate doesn't have to put aside as much to pay future benefits.

- The government's Pension Benefit Guarantee Corp. (PBGC) has had to take over several hundred plans that were terminated without sufficient assets to cover pensions employees had been guaranteed. Those bail-outs have seriously drained PBGC's resources.

- There is a trend among corporations to move away from the traditional type of plan that guarantees the employee a predetermined retirement income toward less certain "defined-contribution" programs.

Although it is certainly good to have government insurance available, PBGC's payout might fall short of what a pensioner expects. Note that the PBGC covers only vested benefits. If the plan terminates before you have



finances and you

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enough service to become vested, PBGC is not required to pay you for those prevesting years of service.

For pension plans terminating this year, the agency will not pay more than \$1,517.05 a month, no matter how much your vested pension may be. If the plan was amended within five years of termination to provide higher benefits, PBGC will pay only an additional \$20 or 20 percent of the monthly increase, whichever is larger, for each year since the change in the plan. Thus, 60 percent of the increase or \$80 would

be added for a plan terminated after three years.

To be on the safe side, it is best to review your plan to make certain where you stand now and take whatever protective measures you can.

Next week, we will provide some guidelines for checking your pension plan.

Sid Mittra is president of Coordinated Financial Planning Inc. in Troy and a professor of economics and management at Oakland University in Rochester.

datebook

• CENSUS SURVEY

Monday-Friday, Aug. 15-20 — The bureau of the census will conduct a survey of employment. Employment and unemployment statistics based on results of the survey will be used to provide a continuing measure of the economic state of the nation.

• PERSONAL POWER

Tuesday, Aug. 16 — Creating a climate to motivate yourself and others will be discussed at a breakfast seminar offered by the Council on Small Enterprises. The seminar will be 8-10 a.m. at Roma's of Bloomfield. Registration is \$10 for non-members of the Oakland County Chamber of Commerce, \$5 for members. For reservations or further information, write the chamber at 10 W. Huron, Suite 315, Pontiac 48058.

• INCREASE COMMITMENT

Tuesday-Thursday, Aug. 16-18 — Increase productivity and profits by helping associates become more committed to their jobs. A TEAM conference will

be in Birmingham, sponsored by Executive Consulting Services Inc. of Farmington Hills. For more information, call 851-4300.

• NEIGHBORHOOD IMPROVEMENT

Wednesday, Aug. 17 — Manufacturers Bank and the Neighborhood Resource Center Project will sponsor a seminar to help neighborhood organizations and individuals improve their neighborhoods. The seminar will begin at 6:30 p.m. at the Main Library in Detroit and conclude at 8:45 p.m. For more information, call Manufacturers Bank at 222-5831.

• CAREER FAIR

Wednesday, Sept. 28 — "Career Expo '83" is billed as the world's largest career fair, 9 a.m. to 9 p.m. at the Pontiac Silverdome. The event will feature career displays and feature representatives from industry, government, education, training and vocational schools.

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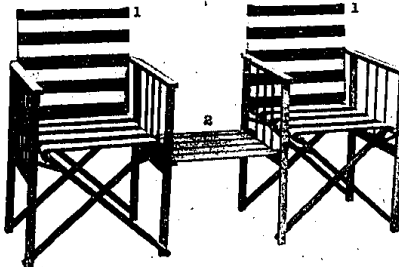
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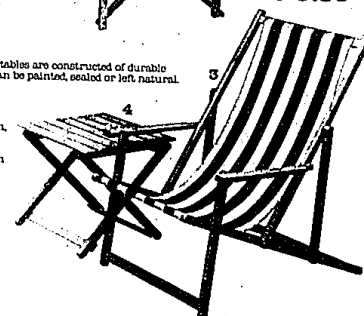


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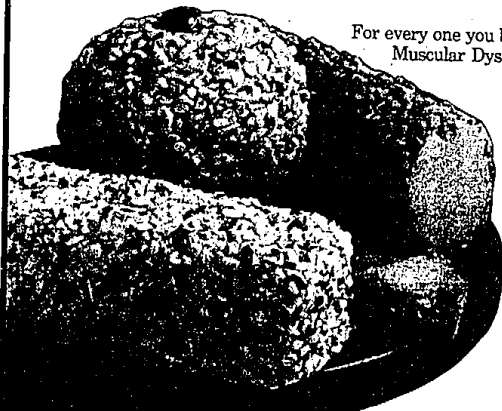


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