

Corporate Underfundings

The following three articles address the recent increase in underfunded plans during 2002. Some interesting statements from the articles include:

BUSINESS NEWS:

- “Some companies are making pension contributions for the first time since the mid 1990s, even the early 1980s.”
- “General Motors paid \$2.2 billion into its pension plan. The country’s largest corporate pension plan, it was underfunded by \$9 billion despite having \$67 billion in assets.”
- “Only 14 percent of employers made pension plan contributions in 2000, according to estimates from employee benefit consultant Watson Wyatt Worldwide. That should jump to 30 percent this year and could hit 65 percent next year if current market conditions persist.”

DALLAS NEWS:

- **“Of the roughly two-thirds of companies in the Standard & Poor’s 500 index that still offer traditional pension plans, virtually all will be underfunded by year’s end. The total: \$640 billion.”**
- “it will be something that an investor looking at a company will say to an analyst or a broker, ‘Did somebody examine their pension situation?’”
- “In December 2000, Merrill Lynch found, years of rich stock-market gains had allowed companies to accumulate \$215 billion more than they were required to have saved on behalf of plan participants. By the end of 2001, that overfunding had shrunk to \$1 billion. **Just under 10 months later, that surplus has become the \$640 billion in underfunding.**”

THE SALT LAKE TRIBUNE:

- “Redlich and co-researcher Rebecca Skilbeck found **of those 346 plans (in the S&P 500) that 82 percent were underfunded at the end of last year.**”
- “It is not unusual for plans to fluctuate between being under and overfunded, said Jim Jaffee, spokesman for the Employee Benefit Research Institute.”