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White-collar buyouts: Full pensions, medical coverage

Josee Valcourt / The Detroit News

DaimlerChrysler AG's Chrysler Group expects early retirement packages being offered to white-collar workers will attract enough takers for the automaker to meet its goal of cutting 1,000 salaried positions by the end of June.

Chrysler revealed details of two programs Friday that are aimed at encouraging workers age 53 and older who meet certain income and seniority requirements to retire. Those who take the offers will get full pensions and retirement health care benefits.

Industry watchers called the offers "humane" and "reasonable," and said targeting the packages to age groups should help Chrysler avoid ending up with more employees who want the buyouts than it can afford to let go.

"We pretty much know where the demographic fits and where we have a need to become slimmer," said Chrysler spokesman Mike Aberlich.

Chrysler, which lost \$1.5 billion last year, is slashing 2,000 salaried and 11,000 hourly jobs in the United States and Canada as part of a restructuring blueprint to restore profits by 2008. The carmaker plans to cut 1,000 white-collar jobs this year and another 1,000 in '08.

Details about the retirement offers come amid employees' uncertainty about Chrysler's future after parent company DaimlerChrysler AG said last week that it was considering all strategic options for its money-losing U.S. unit, including a potential sale.

'A pretty good package'

"It's being offered to the group of employees who would be likely to think of leaving," said Fred Hubacker, executive director at Conway MacKenzie & Dunleavy, a turnaround firm in Birmingham, and a former Chrysler executive. "It sounds to me like it's a pretty good package and a very humane way," to cut the automaker's work force.

"Work force reductions are painful," Hubacker said. "No question about it. Whether it's hourly or salaried, they're extremely painful. It sounds to me that Chrysler is trying to do this the best way that they can and trying to entice people to leave the company."

One program is for employees age 62 or older with 10 or more years of service as of May 31. The second is open to workers age 53 to 61, with at least 10 years of service by June 30.

The program for those 62 and older, called the special incentive program, offers workers three months' salary and either a car voucher worth \$20,000 after taxes or a \$20,000 tax-free contribution to a retirement health care account. Eligible workers will receive the offers May 7 and have until May 31 to decide. Their effective retirement date will be May 31.

The second option is called the special early retirement program. It is open to all workers age 53 to 61 with at least 10 years of service who made less than \$100,000 in 2006, and to select workers age 55 to 61 with 10 years of service who made \$100,000 or more last year. Eligible workers will get the offers June 4 and have until June 29 to decide. Their effective retirement date will be June 30.

All employees who take the offers will get full retirement credits for pension and medical coverage. Typically, a worker must be 60 with 30 years of service to get full health care benefits in retirement.

"It gives us a very humane way to provide the best opportunity for our outgoing salaried employees and to manage that process," said Chrysler spokesman Jason Vines.

Offers not for union workers

The company is confident that it will achieve its target and ultimately reduce its white-collar head count of 16,800 by 2,000, Vines said.

The programs outlined Friday are not available to hourly or salaried workers who are represented by a union. Chrysler has said details of programs for those workers are being finalized.

One salaried employee, who asked not to be identified, was aware of colleagues interested in the offers who were disappointed when they learned the packages are aimed at specific age groups.

"The package that's being offered to (55 to 61) is a blow to those who are 54 and were hoping to take buyouts," the worker said.

In comparison to buyouts offered by crosstown rival Ford Motor Co., Chrysler's packages "stack up pretty favorably," Hubacker said. Chrysler's offers appear more "generous."

Ford has offered three separation packages to eliminate 10,000 white-collar jobs by next year. The Dearborn automaker offered a select retirement plan that adds three years to an employee's age and length of service for pension calculations. Under a second program, employees can retire with regular pension benefits, plus a one-time payment equal to as much as 13 months of pay. A third program offers younger workers up to 13 months of pay to leave the company and still receive vested pension benefits when eligible.

Ken Dalto of Kenneth J. Dalto & Associates in Farmington Hills said the fairness of the offers reflects Chrysler CEO Tom LaSorda's reputation as a fourth-generation Chrysler man. "He feels great pain doing this and they have to come up with the most humane program.

"It's not a slash and burn," Dalto said. "They're not just terminating people with no soft landing. But that's where it stops. Chrysler must do this. They have to cut costs."

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White-collar offers

Chrysler is offering two packages:

Employees age 62 and older with 10 or more years of service as of May 31: Full pension and retirement health care benefits, plus three months' pay and either a car voucher worth \$20,000 after taxes or a \$20,000 tax-free contribution to a retirement health care account.

Workers age 53 to 61 with at least 10 years service as of June 30 who made less than \$100,000 in 2006, and to select workers age 55 to 61 with at least 10 years who made \$100,000 or more last year: Full pension, retirement health care benefits.

Source: Chrysler

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