AGENDA

This presentation will cover:

- Why is GM changing the SRP Pension?
- Overview of your choices
- Issues to consider when making your decision
- Resources to you help you make a decision
- Lump sum vs. monthly analysis
- Verify your personal benefit summary (Document 1) examples
- What you need to do
- Next Steps
Why is GM Changing the SRP Pension?

- Maintain the value of your pension benefits
- Significantly reduce GM’s ongoing pension liabilities and strengthen the balance sheet
  - Expected $26 billion reduction of $134 billion total U.S. pension obligation
  - GM will spend roughly $29-30 billion to help fund the pension and buy the annuity from Prudential
  - GM pension was under funded by $25.4 billion at the end of 2011
  - GM has the largest corporate pension obligation
  - Pension obligations rise and fall on factors such as life expectancy and interest rates
- Defined benefit pension plans provides lifetime payments. The risk of investment and longevity is borne by the employer
  - Covered by ERISA
  - Annual reporting to participants
  - If not fully funded, ERISA required employer to make contributions to reach full funding
  - Voluntary termination is allowed only if the employer has sufficient assets to purchase annuities for all plan participants that would pay their accrued pension benefits for life
  - No C.O.L.A
G.M. ACTIVE EMPLOYEES

- With service date before 01/01/2001
- Starting 09/30/2012, the 1.25% Career Average Contribution to the Defined Benefits Pension ends
- This will be replaced by a new contribution to your GM RSP (401k) Defined Contribution Plan
  - Length of service on or after 01/01/1993 = 4% of eligible earnings
  - Length of service prior to 01/01/1993 = 6% of eligible earnings
  - Contributions will be made whether or not you are contributing in RSP
  - Current dollar for dollar matching of 4% remain
- Effective 12/01/2011 the SRP Pension has been modified to provide a new option of taking a lump sum upon retirement to cash out or rollover to your own IRA
- Each person’s circumstances are DIFFERENT!
- The GM pension modeler located at www.gmbenefits.com has been updated so you may run your revised figures including the new lump sum
  - Run your new assumptions and email them to us
  - We will update your plan at your next in-office appointment
June 1, 2012 GM announced changes

- Approximately 118,000 salaried retirees overall, 42,000 salaried retirees and surviving beneficiaries affected
- Voluntary lump-sum payment option or future benefit payments provided by a group annuity contract administered by Prudential
- GM will terminate the SRP pension and an annuity contract will be purchased from Prudential that will be irrevocable pending approval. GM expects formal approval by the end of the year.
- If not, approval lump sums will still be processed, but GM would continue to administer pension rather than Prudential

Eligibility

- Retired on or after 10/01/1997 and before 12/01/2011
G.M. RETIREES

- You should have received your Personal Benefits Statement by now
  - If not, call the Service Center at 866-612-4570 or log onto www.gmretiree.com

- Document 1 – Personal Benefits Statement
  - Choice 1 – Voluntary lump sum payment
  - Choice 2 – Continue current monthly pension payment unchanged but administered by Prudential
  - Choice 3 – New 50% Joint & Survivor Monthly Benefit administered by Prudential
    - New 75% Joint & Survivor Monthly Benefit administered by Prudential

- If you decide to choose a lump sum payment or one of the new monthly payment options, you must make your election and be postmarked by July 20, 2012
If you made contributions to part B primary benefits prior to 1985, those contributions are managed by insurance companies and will continue to be paid to you. It will not be included in either lump sum payment or annuity options but will be in a separate check if you select option 1 or 3. If option 2, this is already included in current monthly benefit. Survivor does receive 65% of this benefit.

Regardless of your decision GM post retirement healthcare, life insurance and vehicle discounts will continue subject to GM’s right to change.

GM retirees who are receiving a benefit but have unique circumstances (QDRO or a tax lien) are NOT eligible for this lump sum.
$300 Per Month Level Benefit

For option #2, it is already included within the total current monthly benefit amount shown on personal benefit summary if age 65 or older. If you are under age 65, the additional $300 will be paid out at age 65.

- Survivor gets 100% of the $300 unless you are a dual GM couple, because maximum payment of $300 per person
- Is included within the lump sum amount
- New option #3 joint & survivor benefits are calculated off of the lump sum that already includes the level benefit
CHOICE 1 – Take a Voluntary Lump Sum Payment

- Will receive current monthly benefits through August and receive lump sum by September 1, 2012
- Paid as a single one time payment equal to the estimated value of all future benefit payments including early supplement, the $300 level benefit, and surviving spouse benefit
- Part B primary benefits attributable to contributions prior to 1/1/1985 will still be paid and is NOT included in lump sum
  - Survivor receives 65%
- Can defer income tax in lump sum by directly rolling over to your own IRA or employer's eligible qualified plan
- Can opt for a combination rollover/cash lump sum payment
- If married, your spouse must consent
- If over age 70 ½, subject to R.M.D.
LUMP SUM

- **CHOICE 1** other considerations

  - **Taxes** – Taxes may be deferred until withdrawn if rolled over to an IRA or qualified plan
  - **Investments** – You have the flexibility and responsibility to invest actively and manage your benefits to provide income. Your benefit is subject to market gains or losses
  - **Inflation** – You can choose investments to generate potential returns that may protect your purchasing power. However, investing comes with risk of loss
  - **Beneficiary Benefits** – You can select beneficiaries to receive the value of your account upon your death
  - **Access to Assets** – For unexpected bills
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**CHOICE 1 – Take a Voluntary Lump Sum Payment**

- Consider this option if...
  - You do not need all of the income now and you may allow the lump sum to grow tax deferred in an IRA for a period of time
  - You have other sources of Retirement Investments and Income
  - You retired from GM, but you obtained new employment or your spouse is still working
  - You and your spouse are a dual GM couple - Take pension for healthier spouse and lump sum for less healthy spouse
  - You are concerned about inflation and the erosion of your purchasing power
  - You have investment experience or have a trusted advisor/money manager
  - You want full control and access to your assets
  - You are concerned about leaving a legacy to your heirs or charity
  - If you and your spouse have health issues or shorter life expectancy
CHOICE 2 – Continue to Receive Your Current Monthly Pension Benefits

- You will continue to receive your current monthly benefits ($300 per month level benefit and pre 1985 part B are all ready included in your current monthly amounts if age 65 or older. If less than age 65 the $300 level benefit will be rolled in at age 65.
- Early supplement still drops off at age 62 and 1 month.
- Part A Basic may recalculate at age 62 and 1 month for increase
  - (not shown on your personal benefit statement)
- No election or other action is required
- You do not need to submit any forms
- Plan will be administered by Prudential (if approved)
- No cost of living increases to any payments
- Payments cease at death of retiree or spouse depending on your previous election
- Payment will increase 5% to single life payout if spouse dies before retiree
G.M. RETIREES

- **CHOICE 2 over other considerations**
  - **Taxes** – Each payment is taxed as ordinary income
  - **Investments** – You cannot choose how to invest your account and fixed payment amounts provide income. Benefit is not subject to market gains or losses
  - **Inflation** – Your payments do not increase for, and may not keep pace with inflation
  - **Beneficiary Benefits** – Your original survivor beneficiaries benefit remains in effect and cannot be changed
G.M. RETIREES

- **CHOICE 2 – Continue to Receive Your Current Monthly Pension Benefits**
  - Consider this option if...
    - You need maximum safe income now and retiree or spouse are relatively healthy
      - Pays higher initial income than conservatively investing the lump sum, due to your risk of premature death
    - You are under age 59 ½
    - You are **NOT** as concerned about leaving a legacy to heirs or charity
    - You understand that your fixed payments will **NOT** increase to keep up with inflation in the future
      - You have other retirement assets in equity based investments
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**CHOICE 3 – Choose a New Form of Monthly Pension Benefits**

- If elected, new monthly payments will start September 1, 2012
- No cost of living increasing to any payments
- $300 per month level benefit is included within lump sum and new payment options are calculated off lump sum
- Part B primary prior to 1985 is not included and you will still receive a separate check

**New Single Life Monthly Benefits**

- Only eligible for this option if you are currently single retiree and your current form of payment is not a single life annuity
- Pays higher monthly amount for life but payments cease at death
- Consider this option if you no longer have a spouse and are not concerned about leaving a legacy for your heirs or charity and if it's higher than current benefit

**News 50% Joint and Survivor Monthly Benefits**

- Only eligible if you are married retiree
- Monthly benefits payable for your lifetime with 50% of your monthly benefits continuing after your death for the life of your spouse
- Consider this option if the GM retiree is healthy but spouse is not

**News 75% Joint and Survivor Monthly Benefits**

- Only eligible if you are a married retiree
- Monthly benefits payable for your lifetime with 75% of your monthly benefits continuing after your death for the life of your spouse
- Consider this option if GM retiree is not as healthy as spouse and you can slightly lower your current income needs
CHOICE 3 – Other Considerations

- Calculated off of the lump sum, not current monthly benefit
- Taxes – Each payment is taxed as ordinary income
- Investments – You cannot choose how to invest your account and fixed payment amounts provide income. Benefit is not subject to market gains or losses
- Inflation – Your payments do not increase for, and may not keep pace with inflation
- Beneficiary Benefits
  - Single life monthly benefits: your benefits will cease when you die
  - New joint and survivor monthly benefits: If you die before your spouse, monthly payments will continue to your spouse at 50% or 75% of your monthly benefits amount for the remainder of your spouse’s lifetime
  - Make sure to check against current benefit
- If you were married to someone other than your current spouse when you retired, you will need your former spouse’s notarized consent to elect a new monthly payment option
- Only your current spouse can be considered the beneficiary under the new 50 and 75% joint survivor monthly benefit option
Resources to Help with Your Decision

- Additional resources provided by GM
  - Printed electronic kit you received in the mail
  - www.gmretiree.com
  - www.gmpensiontools.com
  - www.gmbenefits.com
  - Independent financial counseling at the Ayco Answer Line 866-340-5118
  - Lump sum service center 866-612-4570
  - Group meetings

- Set-up a phone or in-office appointment with us to review your entire plan, how this fits in, which choice is best for you
  - Complete evaluation and analysis forms and turn them in tonight at the end of the session
  - List best days and time for you
    - Do you prefer in office or phone review
LUMP SUM vs. MONTHLY ANALYSIS

Everyone’s situation is DIFFERENT. Multiple variables need to be considered:

- Age of retiree?
  - < 59 ½
  - 59 ½ - 70 ½
  - > 70 ½
- Marital status and age difference between spouse
- Health and life expectancy of retiree and spouse
- Tax bracket
- Heirs and charity
- Control of assets and flexibility of withdrawals
- Investment experience, risk tolerance, expected rate of return
- Anticipated rate of inflation
- Other sources of income
- Additional retirement assets
- Your “must have” income level
- Your discipline
**LUMP SUM vs. MONTHLY ANALYSIS**

- Calculate the internal rate of return of the annuity to compare it to expected return on lump sum investments
  - Joe age 64 has 20 year single life expectancy
  - Lump sum amount $347,767
  - Lifetime payment $2,250 per month
  - I.R.R. = 4.76%

- Lump sum was calculated based upon:
  - IRS Mortality table in notice 2008-85 for 2011 plan year
  - IRS required interest rates based upon corporate bond yields

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**CAN YOU EARN A BETTER RATE OF RETURN?**

- $400,000 or $2500 a month
- Break even at 0% $400,000/$2500 = 160 month/12 = 13.3 years
- If earned 5% on $400,000/$2500 = 264 month = 22 years
  - What is your life expectancy?
    - 61 year old female = 22 years
  - A 61 year old female (with 22 year life expectancy) would have to earn more than 5% to outperform the $2,500 per month for life annuity pension
  - If under age 62, don’t forget to remove early supplement
  - If under age 65, don’t forget to add in $300 level benefit
- Also, add in pre 1985 Part B as monthly check if take lump sum
  (Example of $100 month at 0% x 264 months = 20,400 added to value and lump sum)
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<td>--------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. National Debt</td>
<td>$15.7 Trillion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt per citizen</td>
<td>$50,284</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt per taxpayer</td>
<td>$138,677</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. population</td>
<td>313,748,472</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total nation assets (small business, corporate,</td>
<td>$89.7 Trillion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>household/assets)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Future U.S. unfunded liabilities (social security,</td>
<td>$119.2 Trillion</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>prescription drugs, Medicare)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: USDebtClock.org
Rising Cost with Pension Reduction for Survivor

For illustrative purposes only. Assuming a 4% compound annual rate of inflation. Actual inflation rates may fluctuate over time.
The Rising Cost Challenge: Inflation

- Annual Cost For Basic Expenses

<table>
<thead>
<tr>
<th>Year</th>
<th>Food (estimated)</th>
<th>Gas</th>
<th>Utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988*</td>
<td>$3,748</td>
<td>$932</td>
<td>$1,747</td>
</tr>
<tr>
<td>2008*</td>
<td>$6,443</td>
<td>$2,715</td>
<td>$3,649</td>
</tr>
<tr>
<td>2028**</td>
<td>$11,637</td>
<td>$4,904</td>
<td>$6,590</td>
</tr>
</tbody>
</table>

3.6% per year 9.55% per year 5.45% per year

A retiree would need almost $400,000** over the next 20 years just to cover these basic expenses!


**Assumes an annual inflation rate of 3%
It is estimated that an average, healthy, 65-year-old couple will need $260,000 to pay for healthcare and nursing home costs for the remainder of their lives.*

Will your retirement income keep pace?

*Source: Center for Retirement Research at Boston College, 2010 study. Healthcare and nursing home costs may vary by state.
The Rising Cost Challenge: Taxes

“Federal income tax rates would have to double across the income spectrum if Congress were to close the deficit.”

Source: Tax Foundation, March 12, 2010

“Americans will pay more taxes in 2010 than they will spend on food, clothing and shelter combined.”

Source: Tax Foundation, June 7, 2010
LUMP SUM Option #1

**Advantages**
- Full control of assets
- Flexibility of withdrawals
- Still receive separate Part B monthly check (if applicable)
  - Survivor gets 65%
- Tax flexibility
  - Increase income to edge of federal and state tax brackets
  - Itemized floors based on A.G.I
  - AMT
  - Roth conversion
- Potential to leave heirs/charity legacy benefits
- Potential to obtain better return than fixed annuity and inflation

**Disadvantages**
- Full control of assets (are you disciplined?)
- Less immediate income principal
- Assume market risk
- Current low rate environment
- May not last your lifetime
CONTINUE CURRENT MONTHLY PENSION – Option #2

- **Advantages**
  - Guaranteed lifetime check for retiree and reduced benefits for survivor spouse
  - Higher immediate current income compared to other conservative choices such as ladder of government bonds or SPIA
  - If under age 65 $300 level benefit will be included (if 65 or older, is already in your current monthly benefit)
  - No investment management decisions or responsibilities
  - No action required

- **Disadvantages**
  - May not live long enough to collect benefits
  - Payments are fixed and do not keep up with inflation
  - Pre 1985 Part B and level benefit is already included in currently monthly amount
  - Monthly income reduces for survivor spouse and ceases at second death
  - No legacy for heirs or charity
Advantages

- Pre 1985 Part B will continue as additional separate check
  - 65% for survivor
- Guaranteed lifetime check for retiree and reduced benefits for survivor
- If currently single – single life payout may be higher
- If need more current income, 50% survivor benefit may payout more now, but less to survivor
- If need more income for survivor, 75% benefit may pay less now but more to your survivor
- Higher immediate current income compared to other conservative choices such as ladder of government bonds or SPIA
- No investment management decisions or responsibilities

Disadvantages

- Calculated off lump sum which may affect monthly amount
- May not live long enough to collect benefits
- Monthly income reduces for survivor and ceases at second death
- No legacy for heirs or charity
## Difference Between Fixed/VARIABLE

<table>
<thead>
<tr>
<th></th>
<th>Fixed Pension</th>
<th>Variable Annuity IRA with Living Death Benefit</th>
<th>Investment Portfolio IRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Lifetime Income</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Income Reduced at Retiree’s Death</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Death Benefit</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Potential to Leave Legacy</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Inflation Hedge</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Market Upside/Market Risk</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Income Stream</td>
<td>High initially</td>
<td>Lower initially</td>
<td>Full control but should be lower initially</td>
</tr>
<tr>
<td>Fees</td>
<td>None</td>
<td>Higher</td>
<td>Moderate depending upon selection</td>
</tr>
</tbody>
</table>
Verify Your Personal Benefit Statement

Many of the personal benefit statements have ERRORS
- You must call 1-866-612-4570 to correct any errors

If you are under age 62 and 1 month
- Current monthly benefit amount:
  - Includes your early supplement that will be removed at age 62 and 1 month
  - Your Part A Basic may recalculate to a higher amount at 62 and 1 month
    - Statement does NOT show the amount of the reduction or increase
  - Pull your original paperwork and call 1-866-612-4570 to determine these amounts. Provide number to us as soon as possible so we can back it out of your projection to do an accurate comparison
  - If you selected survivor benefit it should equal 65% of the current monthly benefit, but survivor does not receive benefit off of the early supplement amount
    - Subtract the early supplement from the currently monthly benefit at 62 and 1 month
    - Add in the increased amount (if any) to your Part A Basic at 62 and 1 month
    - Add in the $300 per month level benefit at age 65
    - Survivor still receives 100% of $300 level benefit at death of retiree unless dual GM couple (cannot receive more than $300)
    - Do NOT add in pre 1985 Part B primary to currently monthly benefit amount
    - Multiply times 65% to determine if total survivor monthly benefit is correct
Verify Your Personal Benefit Statement

- If between 62 and 1 month – 65
  - Add in $300 level benefit at age 65
  - Do not add in pre 1985 part B primary to currently monthly benefit amount

- If over age 65
  - $300 level benefit should already be included in your currently monthly benefit amount
  - Do not add in pre 1985 part b primary to your currently monthly benefit amount
## What Makes Up Total Current Monthly Benefit

<table>
<thead>
<tr>
<th></th>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part A Basic</strong></td>
<td>In lump sum</td>
<td>Remains</td>
<td>In monthly benefit calculated off of lump sum</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(may recalculate higher at 62 and 1 month)</td>
<td></td>
</tr>
<tr>
<td><strong>Part B Primary</strong></td>
<td>In lump sum</td>
<td>Remains</td>
<td>In monthly benefit calculated off of lump sum</td>
</tr>
<tr>
<td><strong>Part B Supplement</strong></td>
<td>In lump sum</td>
<td>Remains</td>
<td>In monthly benefit calculated off of lump sum</td>
</tr>
<tr>
<td><strong>Early Retirement</strong></td>
<td>In lump sum</td>
<td>Drops off at age 62 and 1 month</td>
<td>In monthly benefit calculated off of lump sum</td>
</tr>
<tr>
<td><strong>Supplement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1.25% Formula (since</strong></td>
<td>In lump sum</td>
<td>Remains</td>
<td>In monthly benefit calculated off of lump sum</td>
</tr>
<tr>
<td>2006)**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>$300 Level Benefit</strong></td>
<td>In lump sum</td>
<td>Starts at age 65 Survivor still gets full $300</td>
<td>In monthly benefit calculated off of lump sum</td>
</tr>
<tr>
<td><strong>Part B Primary</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Contributions before</strong></td>
<td>Receive in addition</td>
<td>Already included above</td>
<td>Receive in addition to monthly benefit</td>
</tr>
<tr>
<td>1985</td>
<td>to lump sum</td>
<td></td>
<td>Survivor gets 65%</td>
</tr>
<tr>
<td></td>
<td>Survivor gets 65%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**CHOICE 1 – Take a Voluntary Lump Sum Payment**

- Last monthly GM pension payment will be in Aug.; lump sum paid by Sept. 1
- Rollover distribution to your IRA or qualified plan
  - Setup withdrawals if needed
- Submit future contributions or premiums for any GM post-retirement health care or life insurance, directly (information to follow)
- Any Part B Primary Benefit due to your SRP Contributions made prior to 1985 will continue to be paid as a monthly benefits in its current form
NEXT STEPS...

● **CHOICE 2 – Continue your Monthly Benefit**
  ● Nothing changes – continue receiving the same benefits you are today
    ● Supplement still drops off at age 62 if applicable
    ● $300 level benefit and pre 1985 Part B are already included in current monthly amount if age 65 or older
      ● Level benefit will be added at 65 if you’re currently under 65. Survivor still receives 100% of $300 level at death of retiree
    ● Later this year, you will be provided with additional information related to transfer of responsibility for your benefit to Prudential
  ● No action is required at this time
NEXT STEPS...

• CHOICE 3 – A New Form of Monthly Benefit
  • New monthly benefit payments begin in September
  • Later this year, you will be provided with additional information related to transfer of responsibility for your benefit to Prudential
  • Any Part B Primary Benefit due to your SRP Contributions made prior to 1985 will continue to be paid as a monthly benefits in its current form
THANK YOU!

- Complete and turn in...
  - Your Evaluation Sheet
  - Your Analysis of Current Situation Sheet
  - If under age 62 call 1-866-612-4570 and pull your original paperwork to obtain your early supplement amount

- Send us your numbers
  - Turn in tonight
  - Email to therbert@cfiemail.com
  - Fax to 248-648-8599

- We will call you to set-up a phone or in-office appointment and run your personal analysis
Additional Information
Effective 1/1/2012 Michigan’s Tax treatment of pensions and retirement benefits were changed and these benefits will be subject to income taxes for many recipients

- Includes:
  - Most payments reported on a 1099-R for federal tax purposes
    - Defined benefit pensions
    - IRA distributions
    - Most payments from defined contribution plans

- Taxed differently depending upon the age of the recipient
  - For couples, age determined using the age of the older spouse
  - If born before 1946, the law remains the same as it was prior to 2012
    - May subtract all qualifying pension and retirement benefits received from public sources and private pension and retirement benefits up to $47,309 if single or married filing separate or $94,618 if married filling joint return
If born 1946-1952
- Will be able to deduct $20,000 in pension and retirement benefits if single or $40,000 if married filing a joint return
- For recipients born after 1952, all pension and retirement benefits are taxable

- State of Michigan tax rate is 4.35%
- Having lump sum allows flexibility of taking, or not taking withdrawals from IRA’s in a certain year

Source: Michigan Pension Withholding Guide
GENERAL GUIDELINES

- **Heath**
  - Poor health: Lump-sum
  - Good health, family longevity: Prudential monthly annuity

- **Age**
  - Under 59 ½, need the money, probably Prudential monthly annuity
  - Between 59 ½ - 70 ½: Lump sum (for flexibility)
  - Over 70 ½: Possible RMD considerations, if IRA Rollover. If born before 01/02/36, consider 10-year forward averaging

Disclaimer: These guidelines are not to be used to make a decision. They are provided to give you an idea of general situations. Each person’s situation is different and must be evaluated first.
GENERAL GUIDELINES

◆ **Sex**
  - Male: Benefits more from Lump sum (shorter life expectancy)
  - Female: Benefits more from Prudential monthly annuity (longer life expectancy)

◆ **Importance of flexibility of withdrawals**
  - Important to be flexible: Lump sum (caution RMD considerations)
  - Stable income more important: Prudential monthly annuity

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GENERAL GUIDELINES

- **Roth IRA**
  - Desire and use Roth and Roth conversions: Lump sum
  - Both irrelevant: Prudential monthly annuity
- **Survivability**
  - Healthy spouse, children, legacy desired: Lump sum
  - Legacy irrelevant: Prudential monthly annuity

Disclaimer: These guidelines are not to be used to make a decision. They are provided to give you an idea of general situations. Each person’s situation is different and must be evaluated first.
GENERAL GUIDELINES

Investment Expertise
- No expertise (not delegation): Prudential monthly annuity
- Expertise (or delegation): Lump sum

Inflation Outlook
- No/low inflation: Prudential monthly annuity
- Inflation: Lump sum

Disclaimer: These guidelines are not to be used to make a decision. They are provided to give you an idea of general situations. Each person’s situation is different and must be evaluated first.
Pension Benefit Guaranty Corporation PBGC

- Independent agency of the U.S. Government
- Created by ERISA in 1974
- To encourage the continuation and maintenance of voluntary private defined benefit plan
- Provide timely and uninterrupted payments of pension benefits
- Keep pension insurance premiums at lowest levels possible
  - Funded by companies whose plans PBGC protects – Not Taxes
- Pays pension benefits up to maximum guaranteed benefits at employees age at time of bankruptcy (see 2012 chart)
  - Example: At age 65 Single = $4,653 Joint 50% Survivor = $4,188
PBGC Maximum Monthly Guarantees for 2012

These guarantees apply only to Employer-Run Plans being terminated due to Employer Bankruptcy. Age is the Employee's Age at time of Employer's Bankruptcy filing.

<table>
<thead>
<tr>
<th>Age</th>
<th>Single</th>
<th>Joint and 50% Survivor (assumes participant &amp; spouse are same age)</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>$4,653.41</td>
<td>$4,188.07</td>
</tr>
<tr>
<td>64</td>
<td>$4,327.67</td>
<td>$3,894.90</td>
</tr>
<tr>
<td>63</td>
<td>$4,001.93</td>
<td>$3,601.74</td>
</tr>
<tr>
<td>62</td>
<td>$3,676.19</td>
<td>$3,308.57</td>
</tr>
<tr>
<td>61</td>
<td>$3,350.46</td>
<td>$3,015.41</td>
</tr>
<tr>
<td>60</td>
<td>$3,024.72</td>
<td>$2,722.25</td>
</tr>
<tr>
<td>59</td>
<td>$2,838.58</td>
<td>$2,554.72</td>
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<tr>
<td>58</td>
<td>$2,652.44</td>
<td>$2,387.20</td>
</tr>
<tr>
<td>57</td>
<td>$2,466.31</td>
<td>$2,219.68</td>
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<tr>
<td>56</td>
<td>$2,280.17</td>
<td>$2,052.15</td>
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<tr>
<td>55</td>
<td>$2,094.03</td>
<td>$1,884.63</td>
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<tr>
<td>54</td>
<td>$2,000.97</td>
<td>$1,800.87</td>
</tr>
<tr>
<td>53</td>
<td>$1,907.90</td>
<td>$1,717.11</td>
</tr>
</tbody>
</table>
## What Makes Up Total Current Monthly Benefit

<table>
<thead>
<tr>
<th>Component</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part B Basic</td>
<td>Remains</td>
</tr>
<tr>
<td>Part B Primary</td>
<td>Remains</td>
</tr>
<tr>
<td>Part B Supplement</td>
<td>Remains</td>
</tr>
<tr>
<td>Early Retirement Supplement</td>
<td>Drops off at age 62 &amp; 1 month</td>
</tr>
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<td>1.25% Formula (since 2006)</td>
<td>Remains</td>
</tr>
<tr>
<td>$300 Level Benefit</td>
<td>Starts at age 65</td>
</tr>
</tbody>
</table>