



BULLETIN

May 18, 2020

2019 GE Pension Funding For US Employees Update

By now you should have received the GE Pension Plan Funding notice ending **December 31, 2019**. This is a government-required notice based on assumptions established by federal law which are less conservative than those reported in the GE Annual Report.

I believe the better valuation of these obligations is the market-based values in the GE Annual Report. With help from a retired GE executive who is knowledgeable in these matters, I am going to try and simplify the information.

At year-end 2019, the GE Pension Trust's assets were \$52.6B billion, its obligations were \$65.1 billion, a shortfall of \$12.5 billion. The Trust had a positive return on its investments of approximately \$8.7 billion dollars. After benefit payments of approximately \$3.8 billion, lump-sum buyouts totaling \$2.6 billion, and GE and employee contributions of \$0.4 billion, the Trust assets gained \$2.7 billion during 2019. The GE Pension Trust was 81% funded as of the end of last year, up slightly from 80% the prior year.

What I like to continually emphasize is that the issue of under-funding and over-funding is comprised of assumptions regarding investment returns and current interest rates. I prefer to focus on the Trust's assets, its return on investments, and the long-term nature of its payouts. As I understand it, the obligations are calculated decades into the future, based on life expectancies of more than 370,000 plan participants – including retirees, vested former employees, and current employees. For perspective on the long-term aspect of this, consider that there are some vested active GE employees who today are in their thirties. Their payouts won't start until they retire in their sixties and begin annual payments that will last several decades. So, with obligations and payments that extend for many years to the later part of this century, the current funding status seems manageable, and should not be of great concern for those who are now drawing benefits.

Fraternally,

Bill Freeda
Retiree Coordinator