

## Origin Story

## The Pension Hole

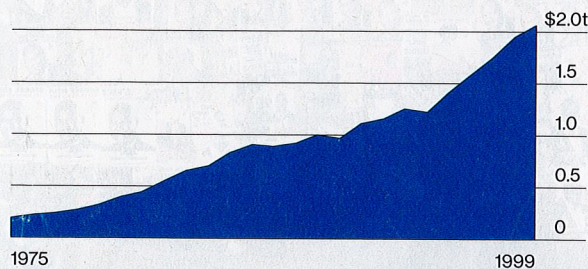
The vast majority of S&P 500 companies don't have enough money set aside to meet all their obligations to current and future retirees. There's a total gap of at least \$375 billion for the 200 largest plans. This is how they got here.

—*By Sonali Basak, Katherine Chiglinsky, and Brandon Kochkodin*

### 1975 to 1999

Assets in U.S. pension plans go from \$186 billion to more than \$2 trillion. A booming stock market helps the funds grow, since many are largely invested in equities.

U.S. pension assets (defined benefit plans)



### Now

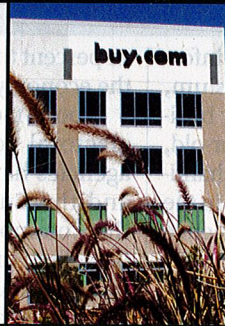
Companies are eager to get out of the pension business. Most prefer 401(k) plans, where the employee alone bears the risk of falling short at retirement. More are also offloading their pension plans, paying insurance companies to take them on instead. Only about two dozen companies in the S&P 500 have overfunded pensions. Nine of them are banks.

### Post-Crisis

The market climbs back, though not enough to make pensions whole. That's partly due to low interest rates: The accounting value of a pension liability rises when rates fall, because it becomes more difficult to earn the money needed to meet future costs. Companies are also spending money on stock buybacks and acquisitions to boost shareholder returns, sometimes at the expense of pension obligations. General Electric Co. has spent \$45 billion on buybacks in recent years—and has a pension shortfall of \$31 billion. The company says it will put \$3 billion into its plan in 2017 and 2018.

### 2000 to 2005

The dot-com bubble bursts and markets tumble, pushing many big corporate pension plans into the red after having a surplus. Bankruptcies of companies including United Airlines Inc. put a burden on the Pension Benefit Guaranty Corp., the government agency that backstops plans.

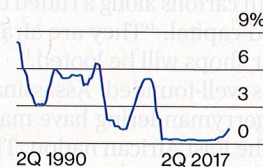


### 2006

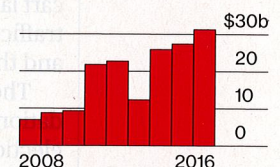


President George W. Bush signs the Pension Protection Act, which promises to make pensions safer—and less likely to end up in the hands of the PBGC.

Federal funds rate\*



GE's pension deficit



### 2008

The new law puts stricter funding requirements on companies with plans but comes just in time for the financial crisis and a brutal recession. Pension plans lose about 15 percent of their value in a single year.



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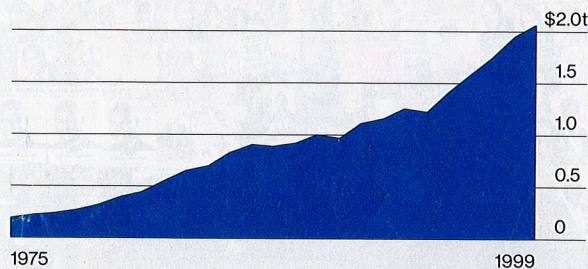
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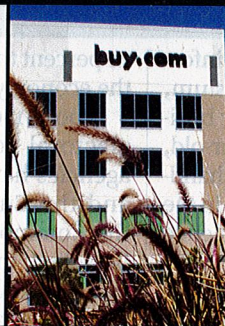
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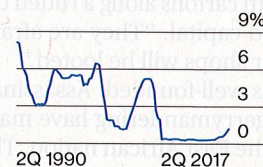
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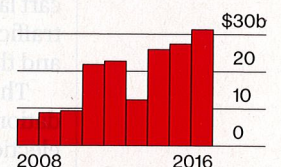
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