GM Pays $4 Billion Into Underfunded Pension Plans

Tom Krisher, AP Auto Writer

DETROIT (AP) — General Motors Co. took another step toward cleaning up its balance sheet on Thursday when it pumped $4 billion in cash into its underfunded U.S. pension plans.

The company made the payment two weeks after a historic initial public stock offering that was worth a total of $23 billion, and it comes just 17 months after the automaker exited a government-funded bankruptcy restructuring.

GM said in October it would pay $6 billion into its pension plans, which worldwide were $27 billion short of their obligations at the end of last year. Of the $6 billion, $4 billion was to come from GM's cash reserves and $2 billion from shares of common stock.

The company said Thursday it paid $1.3 billion into the U.S. salaried worker pension plan and $2.7 billion to the plan for U.S. hourly workers. The U.S. plans, which pay benefits to 688,000 people, were $17.1 billion short of their obligations at the end of last year.

"This pension contribution puts us another step closer to our goal of fully funding our pension plans and achieving minimal debt," Chief Financial Officer Chris Liddell said in a statement.

Company spokeswoman Renee Rashid-Merem said no schedule has been set for the company to make the stock payment into the plans, although GM wants to do it as soon as possible.

GM's pension plans likely are closer to meeting their obligations because of growth in the stock market during the past year. Rashid-Merem said the plans' value will be recalculated again at the end of this year.

"Market dynamics make a big difference" in the value of the plans' assets, she said.

GM said it made Thursday's payments out of cash reserves, which amounted to $34.5 billion at the end of the third quarter.

GM, which shed a huge amount of debt and cut its operating costs during bankruptcy, made $4.2 billion through the first three quarters of the year, and the company has said that larger profits are possible if U.S. auto sales rebound further from historic lows last year.

The U.S. government put $49.5 billion into GM as part of its bailout of the

automaker last year. By the end of the year, GM will have repaid $9.5 billion, and the government got roughly $13.6 billion from selling shares in the IPO. GM still owes the government $26.4 billion, which the government hopes to recoup by selling the 500 million shares it still holds in the automaker. To get all the money back, the shares would have to sell for about $53 each.

Shares of GM were up 10 cents at $34.88 in premarket trading Thursday.

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