

CEO Gerstner addresses pension issue

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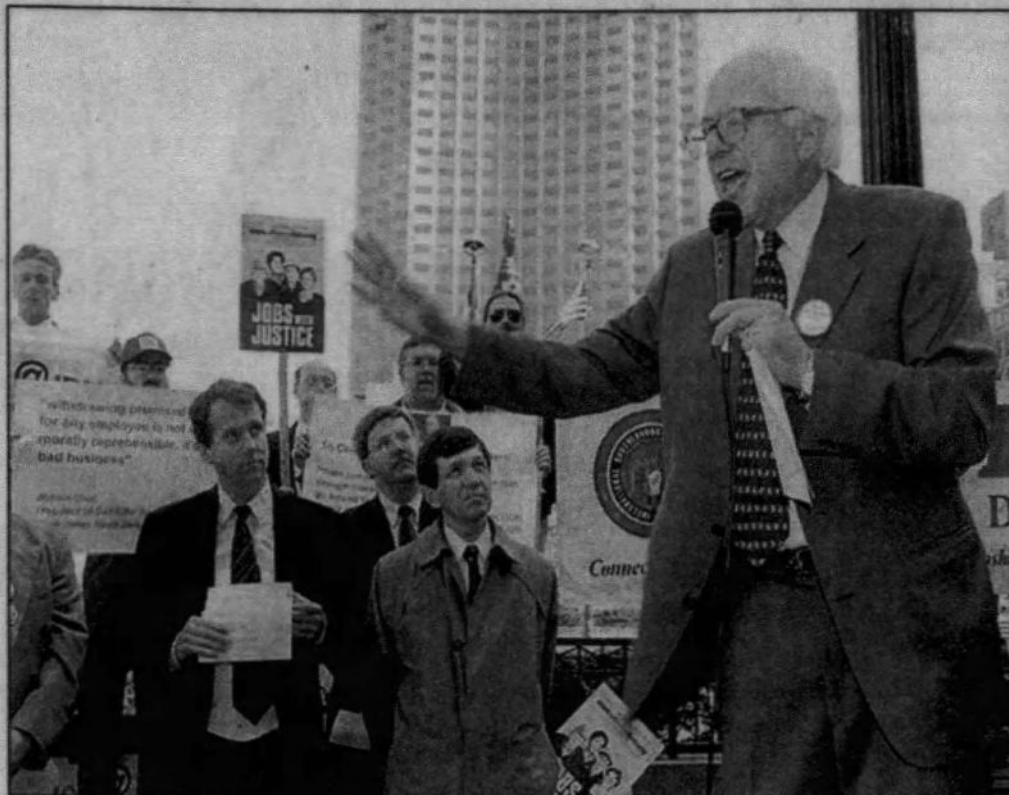
CLEVELAND — A hotly contested shareholder proposal to reverse IBM Corp.'s changes to its employee pension plan received a groundswell of support Tuesday despite a defeat at the company's annual meeting in Cleveland.

Experts on shareholder resolutions said the result — 300 million ballots cast for the measure, or 28.2 percent of the total — was one of the largest for a first-time proposal opposed by management.

With the conclusion of the meeting, where IBM also unveiled a penny increase in its dividend and a \$3.5 billion share buy-back, the most compelling question was what the shareholder resolution impact would be.

Although dissident employee leaders have for months discussed the proposal, Tuesday was the first time Louis V. Gerstner, Jr., who as the company's chief executive presided over the gathering, spoke publicly about it.

He said the company was "hemorrhaging" when he arrived as



ROADSELL HICKMAN, for the Free Press

U.S. Rep. Bernie Sanders, I-Vt., addresses a crowd Tuesday outside the Cleveland hotel where IBM held its annual meeting.

chief executive seven years ago. "We were losing money, market share and relevancy in our industry," he said.

After implementing many fundamental changes across the company, he said he had to address the realities of a pension system that he said was geared to another generation of employees,

who remain with companies for decades at a time.

Workers today, especially those in technology, often move from one company to another, Gerstner said.

So he made changes to a pension system that was "woefully out of date," he said.

The controversy erupted when

IBM announced last May that it was overhauling, as of July, pension plans for its 145,000 employees in the United States.

Under IBM's change, workers would no longer be covered by traditional pension systems, in which employees accrue most of their retirement benefits in the last five years of work. Instead, IBM officials decided it would join about 300 other companies across the country and convert the pension plan to a cash-balance plan.

Benefits managers and actuaries say cash-balance plans favor younger workers because companies using them annually contribute money to each employee's pension fund.

To ease the transition, IBM said 30,000 senior workers could remain with the traditional plan. The fury continued, and IBM later made an additional 35,000 employees eligible for the plan.

"The IBM vote is important and historic, but the dam is broken and you're going to see more and more cash-balance plans," said John Challenger, executive vice president of Challenger Gray & Christmas, a Chicago management consulting company.