

Testimony for Senate Committee on Health, Education, Labor and Pensions

By Bruce Gump, Delphi Salaried Retiree Association

Good morning Chairman Harkin, Ranking Member Enzi, and members of the committee. My name is Bruce Gump, and I appreciate this opportunity to present testimony on behalf of the Delphi Salaried Retiree Association. I would also like to thank my Senator, Sherrod Brown, for the interest he has shown in our concerns.

The inequity in the treatment of our pensions affects more than 20,000 salaried automotive workers; active and retired people who were secretaries, technicians, engineers, sales people, accountants, customer contact professionals, production supervisors and mid-level managers who were out there trying to make a living, send their kids to college, and contribute to their communities. These are highly educated people, many of whom worked for GM for up to four decades before they were spun-off to Delphi. This issue also severely impacts their families, and their communities.

The expedited bankruptcies of GM and Chrysler, and the related bankruptcy of Delphi, have resulted in unprecedented Federal Government intervention by the Executive Branch. Ironically, this intervention has resulted in a severe economic impact on the Salaried Retirees of the former Delphi Corporation while minimizing the losses for other worker groups in the industry. We will see the pensions we earned reduced by up to 70% by the PBGC. This will result in many being at or even below the edge of poverty. No other group in the auto industry faces this threat. Honest, hard-working, play-by-the-rules American citizens are paying a terrible price as a result of this unfair and possibly illegal treatment of the Delphi Salaried Retirees.

Here's what happened:

After nearly four years in bankruptcy, the disposition of Delphi's defined benefit pension plans was the **only** major unresolved issue remaining at the time of the GM bankruptcy. The PBGC had filed a lien on Delphi's valuable foreign assets, intending to protect the value of Delphi's pension plans, but because of this lien, Delphi was unable to sell its U.S.-based manufacturing assets to GM and the remainder of the enterprise (mostly offshore) to the debtor-in-possession lenders. Under pressure from the Treasury Department and Auto Task Force, the PBGC reached an **unprecedented agreement** with both GM and Delphi to surrender their liens valued at up to \$3.4 Billion for a mere \$70 million in cash from GM and a \$3 billion unsecured bankruptcy claim from Delphi that the **PBGC** had to realize would ultimately pay nothing. They took this action **knowing** that they would have to assume billions of dollars in unfunded pension liabilities and **drastically reduce** the pensions of Delphi retirees. We believe that this surrender of liens violated ERISA. These illegal actions cost the Delphi Retirees, both hourly and salaried, billions of dollars in lost pension annuities.

This happened because the administration chose to follow what Dr. Edward Montgomery of the Department of Labor called a "commercial model." Since Delphi Retirees had no commercial value, we also received no protection or benefit from the Auto Task Force. Because we had no "commercial value" and so no protection or support from the Administration, we lost our pensions to the PBGC.

At the time of the Delphi separation in 1999, labor unions representing Delphi's hourly workers had received agreements with GM to protect their pensions in the event Delphi entered bankruptcy. I have been told this type of obligation is normally modified or cancelled in bankruptcy. But again, Treasury and Auto Task Force intervention in the expedited GM bankruptcy produced an unprecedented offer from GM to "top up" the pensions of Delphi's hourly workers represented by the UAW.

Although identical agreements existed with several other unions representing smaller numbers of retirees, a similar offer was not extended to them until the Federal Government (now the majority owner of GM) again became involved in the discussions several weeks later.

While we are pleased that GM agreed to “top up” Delphi’s discarded pension obligations for all Hourly Retirees, we believe that the principle of equal protection under the law dictates that Salaried Retirees receive comparable treatment from this now federally-owned enterprise.

Before concluding, I would like to draw your attention to several points that quantify the impact of these events:

- 1) The average Delphi salaried retiree will lose over \$300,000 in pension payments over his/her lifetime due to the PBGC surrender of liens on Delphi’s overseas assets. In other words, a large number of Delphi Salaried Retirees are now at or near the poverty level due to the actions of the PBGC, the Treasury and the Auto Task Force.
- 2) No other group of employees or retirees in any of the federally supervised automotive bankruptcies has sacrificed to the extent of the Delphi Salaried Retirees. All other worker groups will receive 100% of the pensions they were promised.
- 3) A study by Dr. Frank Akpadock at Ohio’s Youngstown State University found that the economic impact to the already fragile local Mahoning Valley Economy will exceed \$161 Million PER YEAR, and will result in the loss of approximately 5,000 jobs. That will drive the unemployment rate above 20% in that area. All because the “commercial model” indicated there was no need to treat the citizens in various worker groups fairly or equally.
- 4) Extrapolating the YSU study predicts the loss of 85,000 jobs nationally in places like Dayton Ohio; Kokomo Indiana; Lockport, New York; El Paso, Texas; and Clinton, Mississippi - -places where Delphi had a significant presence.

It is unfortunate indeed that the economic state of a major American industry was so bad that the Administration had to choose to become involved. However, we do not believe that the Federal Government has the right to throw off the mantle of government and put on the cloak of business to justify their treatment of any citizen based on his perceived “commercial value”. Citizens do have a right to expect fair treatment and access to due process from their government.

What we are asking is for fair and equitable treatment. We believe The U.S. Treasury set the “Standard of Fairness” in the GM and Delphi Bankruptcies when they provided funds for full pensions and reduced health care insurance for the unionized workers. The fact is, Senators, the U.S. Treasury and the Auto Task Force have discriminated against us.

Chairman Harkin, Ranking Member Enzi and Members of the Committee, we hope you share our outrage at the unfair, inequitable and possibly illegal treatment that Delphi Salaried Retirees are receiving with respect to our pensions. We ask that you, as a Committee and individually, call on President Obama, Treasury Secretary Geithner, Ron Bloom of the Auto Task Force, GM and Delphi to reconsider their decision to exclude Delphi Salaried Retirees from the pension treatment that was provided in the GM bankruptcy and remedy this injustice.

Thank you for your attention, and I would be pleased to answer any questions you may have.