

Blow to Delphi retirees

Federal Takeover of pension spells cuts

By Melissa Burden (excerpt)

GENESEE COUNTY, Michigan -- Thousands of area Delphi Corp. retirees could see their pension payments slashed as the Pension Benefit Guaranty Corp. said Wednesday that it will take over pension plans of 70,000 Delphi Corp. hourly and salaried retirees and future retirees.

The federal corporation that guarantees pension payments said that the bankrupt auto parts supplier can't afford to maintain the plans and that General Motors can't afford to assume the plan either. The process to transfer the plans is expected to take several months.

"Younger retirees would be affected most by the legal limits imposed on benefits the PBGC can pay," said Marc Hopkins, a spokesman for the PBGC. Others who may be heavily impacted are people who are receiving supplemental benefits along with their pension, the PBGC says.

Federal corporation to assume Delphi Corp.'s pensions

- What: The Pension Benefit Guaranty Corp. said Wednesday that it will assume responsibility of pension plans for 70,000 Delphi Corp. hourly and salaried workers and retirees.

- When: The plan will terminate in 2009, so maximum pension payments will be based on the 2009 maximum monthly guarantee table. The maximum benefit for someone age 65 is \$54,000 a year.

In 2009, the maximum benefit the PBGC will pay someone age 65 is \$54,000 a year. But for someone who retires at 50, the maximum benefit is much lower, \$18,900 a year. The maximum also drops for people who elect survivor benefits.

Hourly Delphi retirees and/or workers represented by the UAW will get a reprieve thanks to an agreement GM

and the UAW made as Delphi was spun off from GM in 1999.

The agreement, which is part of the new GM, said that if the PBGC ever took over Delphi's pensions, GM would pay the difference between what the PBGC can pay by law and what some workers and retirees would have gotten with Delphi, said Tom Wilkinson, a GM spokesman.

The PBGC says on its Web site that in 2008 GM took back some of the Delphi hourly pension plan and that people who were transferred back to GM will continue to receive their pensions from GM.

David Kudla of Mainstay Capital Management in Grand Blanc said that many of his clients have for years prepared for the scenario that the PBGC would take over their pensions and they have a comprehensive retirement income plan to make up for that loss.

Kudla, chief executive officer and chief investment strategist for Mainstay Capital Management, said some clients will lose 20 percent to 40 percent of pension income. People who may be affected the most include salaried Delphi retirees in their 50s, Kudla said.

"For people who didn't plan for this, this could be a significant setback for them," he said.