

Feds take control of Delphi pension funds

By JOSEPH SZCZESNY

The federal Pension Benefit Guaranty Corp. announced Wednesday that it will assume responsibility for the pension plans covering more than 70,000 active and retired employees of Troy-based Delphi Corp.

The PBGC is stepping in to protect the Delphi pensions because with its restructuring, the auto supplier cannot afford to maintain its pension plans and General Motors Corp. has stated it will not assume them. Delphi was spun off from GM in 1999.

The collapse of the Delphi pension fund is the latest fallout from the ongoing meltdown in the U.S. auto industry that has already pushed Delphi, General Motors Corp., Chrysler Corp. and dozens of suppliers into bankruptcy.

The collapse has left many retirees angry and frustrated, particularly since PBGC's takeover of the Delphi plan will reduce the pension of Delphi's salaried employees by anywhere from 30 to 70 percent.

Many retirees also are angry because it appears that the U.S. Treasury has allowed the United Auto Workers to cut a separate deal for blue-collar workers. The Delphi Salaried Retirees Association has hit Delphi's pension fund with a lawsuit that targeted four of the plan's trustees, claiming they failed in their fiduciary responsibility.

GM officials said that the automaker and the union had negotiated a separate agreements, calling for blue-collar pension obligations to revert to GM if Delphi collapsed or failed to meet its financial obligations.

"As a result of bargaining at the time of the spin-off, GM did agree to top-up pension benefits for certain limited groups of hourly employees and retirees in the event that the Delphi hourly pension plan was terminated. As with other union agreements that it has assumed from the old GM, General Motors Co. will honor these commitments," GM said.

GM also said it had reached a preliminary agreement whereby the PBGC would receive a \$70 million cash payment from GM, as well as a portion of future distributions to GM from the new company that acquires Delphi assets upon resolution of its bankruptcy.

"This is a very difficult situation and we understand the

personal sacrifices that Delphi employees, retirees and many others, including GM employees and retirees, have made and continue to make during this industry-wide crisis," GM said in its statement.

"However, GM has met and continues to meet its obligations toward the Delphi pensions, and General Motors Company continues to support Delphi's emergence from bankruptcy at considerable cost to the company," according to the statement.

In September 2008, GM took on about \$2.5 billion in liabilities of Delphi's hourly pension plan.

David Kudla, chief executive officer of Mainstay Capital in Grand Blanc, which has advised hundreds of Delphi and GM retirees, said the PBGC takeover of Delphi's plan had been widely discussed for months.

"The possibility of a PBGC takeover of the Delphi pension, and corresponding pension benefit reduction, has been a potential scenario that we have factored into the retirement planning process for our hundreds of Delphi employee and retiree clients over the past few years," he said.

The Pension Benefit Guaranty Corp. said Wednesday that it will assume responsibility for the pension plans of 70,000 Delphi Corp. workers and retirees as the troubled auto supplier continues to restructure under bankruptcy protection.

The Delphi Salaried Pension Plan covers about 20,000 workers and retirees and has \$2.4 billion in assets and liabilities of \$5 billion, according to PBGC estimates. The PBGC expects to be responsible for about \$2.2 billion of its estimated \$2.6 billion in underfunding.

The Delphi Hourly Pension Plan, which cover members of the International Union of Electrical Workers and the United Steel Workers, covers 47,000 participants and has about \$3.7 billion in assets and more than \$8 billion in liabilities, according to PBGC estimates. The PBGC expects to be responsible for about \$4 billion of the plan's shortfall of nearly \$4.4 billion.

The PBGC also is taking responsibility for \$50 million in underfunding of four smaller Delphi plans with 2,000 participants.

GM spun off Delphi in 1999 in part to take advantage of rising stock prices. In September 2008, GM took on about \$2.5 billion in liabilities of Delphi's hourly pension plan. Until recently, it had been expected to assume the entire obligation for Delphi's hourly plan.