

Delphi's pension shift to U.S. rules, worries retirees

But GM to help keep UAW worker benefits

By Jewel Gopwani (excerpt)
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Delphi Corp. retirees worried Wednesday that their income will be cut after the federal government said it will take over the supplier's pension plans, which cover 70,000 workers and retirees.

Many details were unclear, but the effects on current and future UAW hourly retirees should be minimized. General Motors Co. said it would help fill the gap between government maximums and what retirees were promised.

The government's Pension Benefit Guaranty Corp., suffering the largest deficit in its 35-year history, is taking over the plans. The government determined that the Troy-based supplier, which has been in bankruptcy court for nearly four years, could not cover its retirement plans' shortfall of \$7 billion.

Salaried retirees still fighting

While Delphi's UAW retirees may see a boost from GM that saves their pensions from deep cuts, salaried retirees of the Troy-based auto supplier still face steep reductions.

Angered that their pensions are being treated differently than UAW retiree benefits, Delphi's salaried retirees will take their message to Washington.

A group representing salaried retirees is to meet with Ron Bloom, head of President Barack Obama's automotive task force.

When the government's pension insurance agency, the Pension Benefit Guaranty Corp., takes over Delphi's six pension plans, it will cap pension payments to retirees depending upon a person's age, potentially reducing benefits.

For 20,000 current and future salaried retirees, and those hourly retirees who aren't represented by the UAW, the losses could be steep.

The cap is \$54,000 a year for a person who is 65 years old, and lower for younger retirees.

The agency does not insure supplemental benefits usually offered to bridge younger retirees until they become eligible for Social Security payments.

"People could have a 20%, 30%, 50% reduction in their pension benefit," said David Kudla, CEO of Mainstay Capital Management, a retiree investment adviser.

Delphi, which filed for Chapter 11 bankruptcy protection in October 2005, said it must shed its pension plans to emerge from bankruptcy.

"The PBGC is stepping in to protect the Delphi pensions because the restructuring Delphi cannot afford to maintain its pension plans, and General Motors has stated it will not assume them," PBGC said in a statement.

GM to help out

But GM will offset some of the losses to Delphi's hourly UAW pension plan.

GM said it will "top-up pension benefits" for UAW retirees if their pension plan is terminated.

The automaker, which says it has already contributed \$12.5 billion to Delphi during the supplier's bankruptcy, also will pay the PBGC \$70 million so the agency releases liens on the supplier, allowing Delphi's assets to be sold in bankruptcy court.

An auction for Delphi's assets is slated for Friday. The PBGC also will receive a \$3-billion claim in Delphi's bankruptcy case.

GM spun off Delphi in 1999. The supplier had only three profitable years before it filed for bankruptcy in 2005.

The company's stay in Chapter 11 has been prolonged after investors have backed out and the supplier has struggled to find loans that would allow it to re-emerge as U.S. auto sales plummeted and the recession gripped the economy.