

**Testimony to the House Subcommittee on
Health, Employment, Labor and Pension
by Bruce Gump, Delphi Salaried Retirees Association
December 2, 2009**

Good morning Chairman Andrews, Ranking Member Price and members of the committee. Thank you for this opportunity to describe the effect of the Delphi Bankruptcy on our members.

The DSRA is made up of highly educated and qualified people who were employed as secretaries, technicians, engineers, sales people, accountants, and many other positions. They worked for Delphi with the promise of current and future compensation funded through the effort of each worker. They all looked forward to a safe, secure and healthy retirement.

The salaried employees were told at the time Delphi was spun off from GM and again at the time bankruptcy was declared that our pension plan and other post employment benefits were a "foremost priority" for the company. In addition PBGC Director Charles Millard said in May of 2008 "We will act forcefully to protect Delphi's pension plans." And "We will draw down certain letters of credit and keep liens in place on the company's assets until Delphi has successfully emerged and made its pension plans whole." These liens were on Delphi's foreign assets which were not included in the bankruptcy.

Thus salaried employees were given assurances by both the company and the PBGC that our pension plan was being properly managed and protected, when in reality the company was not adding funds to the plan, and in the end, the PBGC did not protect the plan by using their valuable liens.

I will leave the description of the legalities of the process up to Mr. Cunningham, but suffice it to say for now that we have definitive evidence that the PBGC acted under powerful influence from the Department of the Treasury (the Secretary of which was charged with the "rescue" of the auto industry and also happens to be a Board Member of the PBGC) to release the liens put in place to protect Delphi's pension plans. Consequently, the plan was terminated in a very underfunded condition. This will cause many participants' pensions to be reduced by 30% to 70%, and any supplements that were used to coerce early retirement will be eliminated.

Even though the Hourly Retirees' pensions were also transferred to the PBGC, they will not experience any pension reduction because of the unprecedented agreement brokered by the Auto Task Force for GM to "top up" those pensions. Dr. Edward Montgomery and Ron Bloom of the ATF explained the reason for this discrimination against Salaried Retirees by telling us the Administration had chosen to follow a "commercial model" in dealing with the auto industry bankruptcies. Since the salaried retirees had no "commercial value" to GM or Delphi, [we therefore received no protection or benefit from the Auto Task Force](#). We believe this is a very dangerous precedent to follow. Consider what would happen if the United States Government chose to follow exactly the same thought process regarding health care or social security or even contract law. As Congressman Ryan has written: "Because government assistance is taxpayer subsidized, additional considerations must be included beyond the usual business judgments that take place in the bankruptcy courts."

We believe the United States Treasury determined the "standard of fairness" when they helped GM fund the benefits of the unionized workers and that same standard should be applied to all worker groups involved.

I will now take a moment to describe some examples of the effects of this treatment on workers and communities:

The average Salaried Retiree will lose about \$300,000 over his or her life. Some will have incomes below the national poverty level.

A woman, who was forced into retirement at age 54 after more than 30 years of dedicated service has lost all of her health care insurance and will lose more than half of her pension. She could barely afford a high deductible health care insurance policy to provide some protection for herself and her self-employed husband. Two weeks later learned she might have cancer. Because of the high deductible policy, she had to bear the entire burden of the tests to determine if she would live or die.

A study by Dr. Frank Akpadock of Ohio's Youngstown State University showed that the local economy in the NE Ohio region known as the Mahoning Valley, already damaged by the loss of the steel industry, will sustain an additional loss of \$161 Million per year, leading to about 5000 additional non-automotive jobs lost. That will cause the unemployment rate in that community to rise to more than 20%. Taken to a national level, the result will be about 85,000 Americans [who](#), through no fault of their own, will see their jobs simply evaporate due to the unfair and inequitable treatment of the auto industry worker groups.

In summary, we believe the Delphi Salaried Pension plan was improperly terminated. The tax-payer provided funds supplied by the Congress to the Department of the Treasury were applied in a discriminatory manner based on an ill-conceived “commercial model,” and the liens put in place to protect the value of our pension plan were eliminated because the Auto Task Force and GM were in a hurry. We lost the protection of the United States Government and significant portions of our pensions because it was inconvenient for the ATF to follow the rules.

We ask only for fair and equal treatment for all worker groups in the auto industry bankruptcies. We all have the same “contract” with our government.