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## For Delphi Pensioners, the Union Label Helps

By [MARY WILLIAMS WALSH](#)

WARREN, Ohio — Bruce Gump and his neighbors feared for their retirement checks when the federal government took over the pension plans at Delphi, the big auto parts maker where they once worked.

But four months later, Mr. Gump finds himself in a far more perilous condition than his neighbors.

On his street, he is the only Delphi worker whose pension benefits may be cut. His neighbors all belong to unions and have received a lifeline in an unprecedented deal related to the government-supervised bankruptcy of [General Motors](#), the onetime parent of Delphi. (G.M. spun off the parts division as a separate company 10 years ago.)

Mr. Gump and some 21,000 other salaried workers and retirees are furious that their roughly 46,000 union co-workers at Delphi have had their benefits restored, apparently with government largesse, and they have not.

“They’ve been relatively well taken care of,” he said. “But I’m being thrown out with yesterday’s trash.”

The [Pension Benefit Guaranty Corporation](#), which insures pension plans, caps the amount of benefits it will pay, using a formula based on age and the type of benefits an employee earned. But in a side arrangement, G.M. is agreeing to pay special supplements, called top-ups, so that Delphi’s union retirees get everything they were promised.

The automaker is drawing the money from its own pension fund, according to a person familiar with the arrangement. In a sense, the G.M. pension fund is being weakened to help the Delphi union members.

Mr. Gump and others suspect the [Treasury Department](#) told G.M. to pay the supplements. The federal government is both the company’s largest shareholder and the financier of its restructuring, through the

[Troubled Asset Relief Program](#). Obama administration officials confirmed that they brought the parties together to negotiate a resolution of Delphi's pension failure but said they did not dictate the outcome.

The difference between the haves and have-nots at Delphi is not between the highly paid and lower-wage earners. As a senior engineer, Mr. Gump simply did not belong to a union. Neither did Delphi's thousands of other engineers, bookkeepers, clerks, quality controllers, purchasing agents and other white-collar employees. They may have earned more in some cases, but they did not have the chance to earn paid overtime as union members did in good years. Records show the average pay for a nonunion worker just shy of 50 years old, with 20 to 24 years' service, was about \$96,000.

"Why did the hourly folks get what they needed and the salaried folks get nothing, if the bankruptcy process is supposed to be fair?" asked Paul Beiter, who retired as finance manager of a Delphi plant in Rochester. "The U. S. government is taking care of a select group of people and tossing the rest of us under the bus."

Mr. Beiter estimated that slightly fewer than half of Delphi's white-collar retirees would have their pensions cut, by 30 to 70 percent. One woman in his area who had earned a pension of \$2,925 a month checked [with the Guaranty Corporation](#) and was told her retirement check would be pared to \$390. But others will have smaller losses, and some will not lose at all.

The wide-ranging losses occur because of the way Congress devised the pension insurance program. It gave the biggest protection to the elderly, so that in practice, people in their 50s take the biggest hits.

Congress also wanted to discourage companies from promising rich benefits, then sticking the pension agency with the bills. For that reason, the program does not cover high dollar amounts, pension sweeteners granted just before a bankruptcy, and certain early-retirement benefits.

At Delphi, both the union members and the white-collar workers earned valuable supplements if they retired early, and Delphi raised basic benefits for both groups while it was in Chapter 11. The government insurance will not cover any of those extras. But only the white-collar retirees will feel the pain, because G.M. has agreed to top up the union retirees anyway.

"A bunch of men in dark glasses in a smoke-filled room tossing dice to determine thousands of people's fates is

what this feels like,” said the woman, 50, who will get a \$390 monthly check. The Pension Benefit Guaranty Corporation’s limits depend on whether each person was qualified to retire on the date the plan failed; at 29 years and 11 months, she missed the cut-off for more favorable treatment by one month. Because she still works at Delphi, she asked that her name not be used for fear of retaliation.

The idea that G.M. might back up Delphi’s pensions emerged in 1999, during the spinoff. Companies that spin off subsidiaries are supposed to shift adequate pension assets to the new company, and the automaker did this for its white-collar workers.

But it did not have enough money to cover the benefits of the Delphi union workers, who are represented by the [United Auto Workers](#), the [United Steelworkers](#) and the International Union of Electrical Workers.

The unions threatened to block the spinoff. To appease them, G.M. promised that if the pension fund for the hourly workers at Delphi ever collapsed, it would restore any benefits that the government refused to pay.

White-collar workers did not get such a promise. They said they did not expect to need one; their pensions were fully funded.

What they did not take into account was how quickly a pension surplus can evaporate. A big chunk of the money disappeared in the bear market that followed. An emergency financing rule eventually forced Delphi to pump more money into the pension fund — but by then the company was in trouble. Delphi declared bankruptcy in 2005, to avoid having to spend precious cash on more pension contributions.

Once in Chapter 11 bankruptcy proceedings, it could defer contributions.

Delphi spent four years in bankruptcy and contributed only a fraction of the amounts owed to its white-collar pension fund in that time. Meanwhile, the fund was paying out about \$150 million a year. By the time the pension agency stepped in, the plan for salaried workers was \$2.5 billion short. The union plan was \$4.3 billion short.

With the [recession](#) taking its toll, G.M. needed government financing to survive and wound up in a controlled bankruptcy, closing plants, shedding dealerships and trying to cut costs. Initially, it was going to pay

supplements only to Delphi's retirees who belong to the U.A.W., because that was the only union representing its workers after the bankruptcy. But the steelworkers' and electrical workers' unions cried foul, and they got the top-ups from G.M. too.

The white-collar workers cried foul — to no avail.

Administration officials said it would be wrong to think politics had any role in the outcome at Delphi. They said G.M. paid top-ups to the union retirees because it had promised to do so in 1999. The white-collar retirees got nothing because G.M. had not promised them anything.

A spokesman for G.M., Tom Wilkinson, said he was sympathetic to the white-collar retirees' plight. But the fate of their pensions in bankruptcy "isn't something that G.M. has any control over," he said. "G.M. doesn't have the legal obligation, nor does it have the money to re-fund those pensions."

Of course, G.M. does not really have the money to pay the top-ups to Delphi's union retirees either. It is operating with \$53 billion in assistance from the Treasury after failing to find financing anywhere else.

Officials of the pension agency said there was no precedent for the Delphi situation but declined to comment further. In another time, the agency might have argued that if G.M. had enough money to pay top-ups, the automaker should transfer that money to the government pension insurer to help cover its costs. The insurance is provided by premiums paid by companies, but that funding is proving inadequate in an age of industry-wide restructurings and giant failures.

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