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# Congress of the United States

## House of Representatives

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September 6, 2013

LAWRENCE J. BRADY  
STAFF DIRECTOR

### MEMORANDUM

**To:** Members, Subcommittee on Government Operations  
**From:** Majority Staff, Committee on Oversight and Government Reform  
**Subject:** Subcommittee on Government Operations hearing entitled, "Oversight of the SIGTARP Report on Treasury's Role in the Delphi Pension Bailout"

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On **Wednesday, September 11, 2013, at 1:30 p.m. in room 2154 of the Rayburn House Office Building**, the Subcommittee will hold a hearing examining a recent report issued by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) on the Treasury Department's role in the decision of General Motors (GM) to make whole the pension payments of Delphi hourly employees.

#### **Delphi Pensions and the Bailout of GM**

Delphi is an American manufacturer of auto parts and is one of the largest auto suppliers in the world. Originally part of GM, Delphi separated in 1999 to become an independent company. Delphi declared bankruptcy in October of 2005, and emerged from bankruptcy in October 2009. In March 2009, GM, after having received federal assistance, agreed to purchase Delphi's steering business.<sup>1</sup> Delphi is now an independent company, but maintains ties to GM through its relationship as a parts supplier.<sup>2</sup>

As part of the 1999 separation agreement between Delphi and GM, three unions – the United Automobile, Aerospace, and Agricultural Implement Workers of America ("UAW"); the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers; and the United Steelworkers of America – secured a guarantee from GM that in the event of a Delphi bankruptcy, GM would "top up" (i.e., make whole) the remainder of pensions not covered in the event of a loss. No such guarantee was given to Delphi employees that were not members of these three unions. This agreement was preserved after the bankruptcy of GM.

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<sup>1</sup> Bill Canis, "U.S. Motor Vehicle Industry: Federal Financial Assistance and Restructuring." Congressional Research Service. May 29, 2009. Available at [http://www.crs.gov/Pages/Reports.aspx?ProdCode=R40003#\\_Toc243885918](http://www.crs.gov/Pages/Reports.aspx?ProdCode=R40003#_Toc243885918).

SIGTARP was asked to examine the Department of Treasury's role in the decision for GM to pay the full cost of Delphi pensions less the Pension Benefit Guarantee Corporation payout, and whether the Administration or the Presidential Task Force on the Auto Industry pressured GM to provide additional funding for the plan.<sup>3</sup> Despite assurances that Treasury's role, as well as that of the Presidential Task Force on the Auto Industry, was supposed to be purely advisory, SIGTARP found both the Auto Task Force and Treasury pressured GM to approve the UAW collective bargaining agreement with the so-called top-up.<sup>4</sup>

## **Hearing Purpose**

The hearing seeks to hear from SIGTARP, the Government Accountability Office, and former members of the President's Auto Task Force about the facts and circumstances leading to the decision to top-up Delphi hourly pensions. Additionally, the hearing will focus on lessons learned about the unintended consequences of the Federal Government's intervention into private business operations.

## **Witnesses**

The Honorable Christy L. Romero  
Special Inspector General for the Troubled Asset Relief Program

Ms. Barbara D. Bovbjerg  
Managing Director  
Education, Workforce and Income Security  
U.S. Government Accountability Office

Ms. A. Nicole Clowers  
Director  
Financial Markets and Community Investment  
U.S. Government Accountability Office

Mr. Matthew A. Feldman  
Partner  
Willkie Farr & Gallagher, LLP

Mr. Steven Rattner  
Chairman  
Willett Advisors, LLC

Mr. Harry J. Wilson  
Chairman & CEO  
MAEVA Group, LLC

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<sup>3</sup> SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM, TREASURY'S ROLE IN THE DECISION FOR GM TO PROVIDE PENSION PAYMENTS TO DELPHI EMPLOYEES, at 2. Available at [http://www.sigtar.gov/Audit%20Reports/SIGTARP\\_Delphi\\_Report.pdf](http://www.sigtar.gov/Audit%20Reports/SIGTARP_Delphi_Report.pdf).

<sup>4</sup> *Id.* at 33-41.

**Staff Contacts**

For questions related to the hearing, please contact Tyler Grimm or Matt Tallmer of the Majority staff at 202-225-5074.