Verbal Summary of Testimony from Bruce Gump, Vice-Chairman, Delphi Salaried Retiree Association to the House Oversight and Government Reform Sub-Committee on Regulatory Affairs, Stimulus Oversight and Government Spending. June 22, 2011

Chairman Jordan, Ranking Member Kucinich, and Members of the Committee; thank you for this opportunity to represent the thousands of Delphi Retirees who were mistreated by the Obama Administration during its unprecedented intervention in the Auto Industry, particularly in respect to the re-making of General Motors.

I know you have had an opportunity to see my written testimony, so I will summarize quickly. From the time Candidate Obama said in May of 2008 "If a company goes bankrupt, then workers need to be our top priority, not an afterthought" to the weekly radio address by Vice-President Biden just a few weeks ago when he said "We're focused on making sure that if you work hard, play by the rules, you'll be able to get ahead, put your kids through college [and] retire with dignity and security" we have learned that talk is cheap in this town, but action and determination to do what is right is hard to come by.

In this situation, a purposeful decision was made to create a government that was commercially minded instead of being bound by the precepts of our constitution such as due process and equal protection. Decisions that were discriminatory and politically motivated were made behind closed doors, out of sight of any supervisory board or committee, and for the last two years the records of those decisions have been protected and fiercely guarded by both the PBGC and the Treasury. The only explanation offered so far was that there was no "commercial necessity to do anything for those people." In reality it was done for the expediency of GM's bankruptcy exit, not for the benefit of the people of the country.

A quick chronology would include the fact that GM was forced into chapter 11 bankruptcy by the administration. Delphi, a GM spin off, had been in bankruptcy for several years, but remained a major supplier to GM, and so was needed in order for GM to be able to survive. Because Delphi had not made contributions to their pension plans, the PBGC had placed liens on Delphi's foreign assets which made it impossible for Delphi to sell those assets. So the Treasury cut a deal with GM, the PBGC and Delphi such that the PBGC gave up their liens in favor of an equity position in New Delphi, a one-time $70 million payment from GM, and a $3 billion unsecured claim. Thus GM could keep their major supplier, but the participants in the pension plans lost a great deal unlike the pensioners at GM.

In May 2009, the PBGC met along with the Treasury, Delphi, GM and the UAW to come to a mediated settlement on the GM and Delphi bankruptcies. We were not represented and even though our government is charged with equally protecting all the citizens of this country, they did nothing for the groups of workers, especially the salaried workers, who were considered too weak to retaliate at the bad treatment they planned, but well cared for the groups that were well organized, rich and large enough to retaliate. That is what is meant by "commercial necessity."

PBGC also followed an "involuntary termination" process whereby they simply took over without any adjudication or outside review, thus denying us any opportunity to be represented or follow any kind of due process. Simply put, our decades of effort for the company were considered to be valueless to the administration, and so they kicked us to the curb while taking good care of their supporters – the only worker group represented at the negotiating table.

In short, the administration's unprecedented involvement, from the perspective of the retirees who could not protect themselves, was political, illegal, unethical and immoral. They had the ability to treat every worker group in a fair and equitable manner, and they still can, but they refused then and they continue to refuse to do so.

The long term effects of these decisions are horrendous indeed. According to a study by Youngstown State University extended to include the national consequences, every year $1.6 billion dollars of economic activity has been lost and will continue to be lost every year for the next two decades or more, clearly in violation of the requirements of the TARP. Thousands of retirees have completely lost their futures, and will struggle to survive at or near the poverty level for the rest of their lives. The lost health care insurance on top of the reduced pensions results in many not being able to pay mortgages or put their kids through college. They have to compete for the same non-existent jobs that so many others are trying to find. One such person is here with me today, and she has to deal with several other issues including a husband who is fighting a debilitating disease. She and thousands of other retirees are in an unsustainable situation. Others have seen their homes foreclosed, have had to declare personal bankruptcy, and some have seen their families break up or worse. This is simply shameful, and it must be corrected.

We need your help to bring true transparency to this issue, to reveal for all to see the records of the agreements that helped some, but excluded others. We need your help to achieve a fair and equitable settlement for all the Delphi Retirees, especially the salaried retirees who worked just as hard, contributed just as much and depended on the company and our government to live up to the promises made over decades.

Written Testimony from Bruce Gump, Vice-Chairman, Delphi Salaried Retiree Association to the House Oversight and Government Reform Sub-Committee on Regulatory Affairs, Stimulus Oversight and Government Spending. June 22, 2011

Chairman Jordan, Ranking Member Kucinich, and Members of the Committee; thank you for this opportunity to represent the thousands of Delphi Retirees who were mistreated by the Administration during its unprecedented intervention in the Auto Industry, particularly in respect to the re-making of General Motors and Delphi Corporation.

I would like to begin by stating our agreement with President Obama concerning his 2008 campaign statement "*Pension protection is something we should put at the top of our priority list. Right now, bankruptcy laws are more focused on protecting banks than protecting pensions and I don't think that's fair. It's not the America I believe in. It's time to stop cutting back the safety net for working people while we protect golden parachutes for the well off. If you work hard and play by the rules, then you've earned your pension. If a company goes bankrupt, then workers need to be our top priority, not an afterthought.*"[1] I only wish his administration had actually followed this concept in their unprecedented involvement in the bankruptcies of GM and Delphi. We worked hard and played by the rules, we did everything right but this administration determined that our pensions were not worth saving while others' were. That is discrimination in the workplace to put it bluntly.

In this hearing I am hopeful that we will finally hear an explanation of what was meant in testimony offered almost exactly two years ago by the head of the President's Auto Task Force Mr. Ron Bloom when he told the House Judiciary Commercial and Administrative Law Subcommittee "*From the beginning of this process, the President gave the Auto Task Force two clear directions regarding its approach to the auto restructurings. The first was to behave in a commercial manner by ensuring that all stakeholders were treated fairly and received neither more nor less than they would have simply because the government was involved. The second was to refrain from intervening in the day-to-day management of these companies.*"[2] From our perspective neither of these "directions" was successfully accomplished except perhaps for the transforming of our elected government into a totally commercial enterprise not constrained or obligated to inconvenient constitutional or ethical requirements. The Merriam-Webster Dictionary defines "fair" in this context as "marked by impartiality and honesty: free from self-interest, prejudice, or favoritism." We contend that the settlement reached between the Treasury, the PBGC and others was none of these. The final settlement in fact treated some groups that were more important politically very well, and those groups retained their full pensions with the plan

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[1] http://www.youtube.com/watch?v=lHJzTdCsiGk&feature=fvsr Candidate for President Obama speaking to a group of seniors in Gresham Oregon May 18, 2008

2 Statement by Ron Bloom, Senior Advisor at the U.S. Treasury Department Before the House Judiciary Commercial and Administrative Law Subcommittee, "Ramifications of Auto Industry Bankruptcies, Part II" July 21, 2009

being raised to 100% funding status and their health care plan one of the best in America. Another group, made up of people who were perceived to not have the same political importance, were treated very poorly. As a result the Delphi Salaried Retirees especially were singled out to see their promised and earned pensions turned over to the PBGC in a manner that allowed them to be reduced in many cases by 30% to 70%, and to lose ALL of their promised and earned health care insurance, and ALL of their promised and earned life insurance. A member of the Auto Task Force justified treating some groups of workers very well compared to other groups by explaining that there was “no commercial necessity to do anything for those people.” But, we think that “commercial necessity” is just a code for “political expediency.” The fact is, the groups well treated just happen to be groups that supply millions of dollars in campaign contributions to the President’s party and millions more in lobbying efforts. And even they see the injustice of this treatment. The previous UAW President Ron Gettelfinger has said “*This is a grave injustice. Our Union advocates for working people. We are advocating for the salaried retirees whose pensions have been eroded, though their dedication to the company and their years of service remained steady. No one should sit silently by and say nothing about the unfair and inequitable treatment these people are receiving. Such silence goes against the founding principles of our Union*.”[3] This has been reaffirmed by the current International UAW President Bob King in the press. Also, the Ohio Senate passed unanimously a resolution calling for fair and equitable treatment of all the Delphi Retirees[4] and the Speaker of the House wrote a personal letter stating essentially the same thing[5]. Furthermore the Ohio AFL-CIO wrote “*On behalf of Ohio’s working families and the Ohio AFL-CIO’s 700,000 members we offer our support for the introduction of a Senate Resolution that urges the President of the United States, the Secretary of the Treasury, the head of the President's Auto Task Force, and the members of the United States Congress to treat all of the General Motors-Delphi retirees fairly and equitably and provide for the full earned pensions and other post employment benefits in the same manner for all groups regardless of their representation.*”[6] This support is recognition by many in government and private industry that there has been a terrible injustice done and that it must be corrected. Dozens of Governors, Senators and Congressmen have written and spoken to the Administration and to GM in an attempt to have them act to correct the issue. But it has all fallen on deaf ears so far and so the precedent that many have recognized as unjust, unfair and inequitable treatment of citizens based on their perceived “commercial necessity” has been allowed to stand.

Even more upsetting is the fact that even now, almost two years since our plan was terminated, we still don’t know even the most basic details about the basic facts of our pension plan’s termination, what happened, who was involved, and the extent that our governmental representatives played in the PBGC’s decision-making. For example, we know that actuarial reports, completed mere weeks before the PBGC terminated our Plan, showed that the Plan was well funded, but the report

[3] Letter from Ron Gettelfinger to Mike Husar, Delphi Salaried Retiree Association, dated January 15, 2010

[4] Ohio Senate 128th General Assembly Regular Session 2009-2010 Sub. S. C. R. No. 23

[5] Letter from Armond Budish, Speaker, Ohio House of Representatives to the Honorable Barack Obama, President of the United States dated January 27, 2010

[6] Letter from Joesph P. Rugola President, Ohio AFL-CIO to Members of the Ohio General Assembly dated November 25, 2009

appears nowhere in the PBGC's official administrative record. In fact, that record excludes any facts or events that took place after mid-April, despite the fact that the terms of the termination were negotiated after that time. Moreover, the Plan's actuary has indicated that the PBGC commissioned yet another report that has been hidden from us so far.

Similarly, we have not seen any records of the substance of the PBGC's many closed-door meetings with the Treasury and Auto Task Force over these issues, including the "Poughkeepsie Meeting" where the final deal between the PBGC and the Treasury (among others) was finally cut. In fact the PBGC has fought "tooth-and-nail" to prevent us from obtaining any records beyond its so-called administrative record, or learning how the decisions were made that allowed billions of taxpayer provided dollars made available through the TARP program to be used for the benefit of some but not all. It has been estimated that had the Treasury had a budget of what it spent to fund the pensions of some at a 100% level, it could have funded all at a 93% level. That would normally be considered excellent coming from a bankrupt company at the bottom of a recession! But instead, some groups were funded at a 100% level because they were considered too powerful to not treat well while others were considered too weak to be able to protect themselves and so nothing was done to treat them in a fair and equitable manner. Both Old and New GM wrote in court documents that they were NOT obligated to pay the pensions of some groups of workers and they were allowed to exit bankruptcy without being held to the original contracts. However, after one visit to GM by an official from the Treasury, suddenly they announced that they were able to "top up" the pensions of some, but refused to do anything for other groups. "Top up" means that the workers receive two checks to make up their full pensions – one from PBGC and one from GM. GM even said in their 10-k document filed with the SEC that these payments were "gratuitous in nature" rather than obligatory. Some believe that because the well-treated groups strongly support the Administration, they in turn were strongly supported by the administration. In fact that belief is sufficient enough that both the GAO and the Special Investigator General for TARP have started investigations into the issue.

To be clear: the Delphi Salaried Pension Fund was not in distress when the PBGC chose to terminate it, and was in fact funded in a similar manner and at a similar level as the average of the top 100 pension funds in America at the time. Instead, it was unnecessarily and illegally terminated using a process that denied the participants any due process or even representation at the negotiating table. Those that were represented included the Treasury, the PBGC, GM, Delphi and the UAW, but who of that group should have represented the Salaried Retirees? It was certainly not the function of the UAW. GM and Delphi had already turned their backs on us. The United States Treasury, a function of our elected government not only did nothing to represent us, but found it convenient to purposely treat us badly. In fact, during this process we have been told by some that we were simply considered not big, rich or powerful enough to matter, and that we were "just a bunch of Republicans." That, I believe, is the source of the statement from the Auto Task Force when they said there was no "commercial necessity to do anything for those people." In this unprecedented intrusion of the United States Government into a private industry bankruptcy, some groups were able to find hope, but all we got was the audacity!

It is frightening to even think about allowing this precedent to stand when it could be used as a justification in almost anything else the government does! Consider Social Security – when will some groups be considered "commercially unnecessary"? What about Medicare or even the Military in which my own son will soon be serving as are many other of our members' sons and daughters. Will this “commercially necessary” precedent now established allow some government official to decide one group of soldiers is not “commercially necessary” and arrange for them to take on the most dangerous tasks while some other more powerful and politically supportive groups are protected? Simply stated, this is a precedent that must not be allowed to stand. The taxpayers expect the government to follow the concept of “commercial necessity” when it comes to commodities like pens and paper, but the citizens of this country are NOT commodities, and this decision, this precedent makes them into less than citizens – all of whom deserve to be treated with respect and dignity. The Constitutional precepts of “Equal Protection” and “Due Process” must be followed by our government at all times, not just when it is politically or commercially convenient. This is why we must not allow our government to become simply a commercial enterprise and “behave in a commercial manner.”

In the end it was political expediency which caused the Treasury to orchestrate our current situation. The Treasury was simply in a hurry to get GM out of the bankruptcy which they had forced it into. Because GM needed Delphi to remain a major supplier, and the PBGC held liens on Delphi’s foreign assets to protect the pension plans, the Treasury brokered a deal where the PBGC gave up their liens on those assets on the cheap. Instead of obtaining the full value of those liens for the benefit of the pensioners whose plan they were supposed to be protecting, for example by insisting that GM fund or “top up” the funding of the Salaried Plan, the PBGC and Treasury instead agreed to a deal whereby everybody wins except the Salaried Retirees. Amazingly, the PBGC, as administered by the President’s Cabinet Members is acting exclusively for the benefit of GM instead of the benefit of the citizens for whom it is a trustee.

The economic effect of this decision on my community was calculated by the Youngstown State University Department of Urban and Regional Studies.[7] Dr. Frank Akpadock announced that the result on the local economy was nothing short of “catastrophic.” When his results are extended to include the other lost benefits along with pensions for all the affected groups, the overall cost to the economy of the United States is about $1.6 billion per year, every year, for the next 20 to 30 years. In addition, because the economic activity is reduced so significantly, about 85,000 American Citizens who had nothing to do with the Automotive Industry have or will see their employment simply evaporate.

When the Emergency Economic Stabilization Act of 2008 that created the Troubled Asset Relief Program – called TARP – was written, Congress wrote in section 113 titled “Minimizing Negative Impact”: “*The Secretary shall use the authority under this Act in a manner that will minimize any potential long-term negative impact on the taxpayer, taking into account the… overall economic benefits of the program, including economic benefits due to improvements in economic activity and the availability of credit, the impact on the savings and pensions of individuals, and reductions in losses to the Federal Government.*” We respectfully submit that the Secretary of the Treasury did not do everything possible to meet this obligation.

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[7] Measuring the economic impact of pension reductions and health care cuts on the salaried retirees of Delphi Packard Electric Systems resident in the Mahoning Valley, Ohio. Frank Akpadock, Ph.D. Senior Research Associate and Regional Scientist. Public Service Institute Center for Urban and Regional Studies Youngstown State University. September, 2009.

Consider just a 10 year time horizon: $16 billion of economic activity has been lost because the Delphi Retirees did not receive the same benefit of protection and support that other groups in the auto industry did. Each of those transactions represents income for somebody, and if taxed at 15% then the US Government will NOT collect $2.4 billion and local governments will NOT collect $960 million in sales taxes calculated using an average 6% rate. This does not include the INCREASED COST to the US Government for programs supported by them such as unemployment compensation and retraining. Nor does it include the devastating long term costs of personal bankruptcies and home foreclosures – many of which have already happened along with family breakups and other horrible situations.

And so as a result of this discriminatory decision by the US Treasury to fully fund pensions and benefits for one group while leaving other groups out, economic activity is significantly REDUCED, there is a strong NEGATIVE impact on the savings and pensions of thousands of individuals, and the Federal Government will see significantly more LOSSES than they would otherwise. To me, that obviously is not living up to the requirements of the TARP, and is a policy error that MUST be corrected.

This hearing is titled "Lasting Implications of the General Motors Bailout" so I would like to explain some of those lasting implications from the perspective of the retirees. If the retiree was a member of the most favored group, there are no significant changes in their future. They can participate in the economy and pretty much just follow the plan they had when they retired. If they are in a less favored group, then while they still have their full pensions thanks to the allowed use of TARP funds provided to General Motors, their health care insurance was drastically reduced and so until they reach Medicare eligibility, they will have to reduce their participation in their local economies by several hundred dollars per month. But if they were part of the least favored, the least protected group, like me, then for many their pensions were reduced by 30% to 70% - a devastating blow that will require they either curtail nearly any other activities, or that they go back to the workforce and try to take jobs from those who were already competing for them. To make it worse, the complete loss of health care insurance requires an additional several hundred dollars per month expenditure or be one slip-on-the-stairs away from total financial ruin. The loss of their pensions is for the rest of their lives, and for the salaried group there is no inflation adjuster, so the extremely low income they now have will at some point, and for many that point will be very soon, they will fall below the poverty level for income in the United States. This will be their fate after 30 or 40 or more years of service to the company that was just as important and just as significant as those who are in the more favored groups. The only difference between them and the other groups is that the United States Government chose winners and losers, and they were simply chosen to be the losers. This effect will be lasting indeed, and the entire economy of the county will feel it. The administration constantly points to, and wants everybody to ONLY see the jobs that were saved, but at what expense? The loss of credible expectation of fair government, the loss of their futures, and in some cases their health and their families. That is a very high expense to pay by one group so another group can live well!

To explain just some of the effects on the citizens of America, I have taken a few excerpts from more than 800 written testimonies offered at a field hearing of the Oversight and Investigations subcommittee of the House Financial Services Committee held in Canfield, Ohio last July – nearly a year ago:

From David Clute: During the GM/Delphi bankruptcy exits, those whose duty it was to protect the basic rights of all working men and women, gathered together and using TARP funds, unfairly facilitated an outcome that benefited only selected groups. As a result of this discrimination my annual income in retirement is more than $6500.00 BELOW POVERTY LEVEL GUIDELINES for the state of Indiana and all of my Health Insurance has been eliminated. I do not exaggerate when I say my life has been devastated. I worked 30 years to earn my promised pension and benefits just like many of those at the same company whose pensions and benefits were protected by our government. I cannot understand why I am not worthy of the same protection.

From Albert Campbell: The inequitable treatment I have received at the hands of the Treasury and the PBGC has destroyed me financially. Two days ago I received the foreclosure notice on my home. So where do my family and I go now that we are losing our home due to this treatment by Treasury and the PBGC?

From David Gulledge: Suddenly I was losing 50% of my pension because I am salary and in the Obama Administration words "you have no commercial value". My wife has now lost her job, I am a heart attack quadruple bypass survivor that is 61 years old now and no one will hire because of medical history. I will most likely lose my house, and am having a hard time because bills outnumber the money coming in. <u>My government has taken my honor and betrayed me.</u> This country is not the country my father fought for, why am I losing everything I have and have worked for? Please answer me that, I am a citizen with no rights. I don't see any need in going on anymore, when a person's word is nothing, and a person's country slams them, why even live anymore.

From Brenda Jones: I am now 58 years old cannot find a job to supplement my income; I still have a mortgage and car payment. I was pretty self-sufficient but now I rely on my children to help pay my bills.

From Carl Nagy: I have applied for literally dozen[s] of engineering jobs. No one wants to hire a 58 year old even though I have an engineering degree, MBA, and a Professional Engineers License. … I have been substitute teaching for [just above minimum] wages to help make ends meet. They are not meeting. I need new hearing aids. I can't afford them. I don't know when I will ever be able to buy a new car, let alone a new GM car. We don't go out to eat anymore. We don't go shopping. I need to have surgery on my neck, but have put it off due to the having to pay the deductibles.

From Charles Smith: I have looked for a job but even with a college degree and experience it has been difficult. I have a 90 year old mother whom I must help take care of and I cannot leave the area for any amount of time. My mother has given me money to keep me going but her nest egg is running out. My family, wife Bev, and I need the pension [reinstated] so we can continue to make payments and get out of debt. I am really disappointed being a US citizen to be treated so unfairly by our government.

From Dan Shapiro: I deeply request that you help me answer my granddaughters when they ask: Grampa, Should I go to college? (Answer: Whatever you do, be sure to join a really big union!)

From Barbra Burns: I have lost almost 50% of my pension. It's difficult to find a decent paying job. Currently my income is below the poverty level. I am definitely worse off today than I was before President Obama was in office. All I am asking for is fair and equitable treatment.

From Bill Martindale: After more than 40 years with this company, I have been forced to find other work (at lower pay) in order to support myself and my family as the pension I get from PBGC is insufficient… I am at poverty level. I can no longer assist my two daughters with helping to repay their college loans … I drive two old G.M. vehicles ('03 and 04 Chevies) and will not be able to ever purchase a new car again and, if I do, it will not be a G.M. product.

From Brian Bower: GM & Delphi bankruptcies and the recent unfair use of TARP funds by the Treasurer have destroyed my retirement security. I am forced to accept these unfair changes without any representation or consideration while others who worked side by side with me will continue to be awarded full retirement benefits. That is not equality as stated in our constitution.

From Bruce Naylor: my pension was absorbed by the PBGC and reduced by 38%. I lost my job and was declined unemployment. Now we are always late on our house payments, and scramble to cover utilities. My plan to educate myself for a real service role of teacher is out of reach…

These citizens, these people who are not just commodities, always felt they had done the right thing. They obeyed the law and their superiors at work, they believed the promises made by those employers, and certainly by their government. Now they feel betrayed; they are angry, they are hurt and they are scared because of the discriminatory treatment they have received. Can anybody blame them?

We call on our elected officials to correct what amounts to a policy error and cause a fair and equitable settlement to be achieved for all of the Delphi Retirees. It was the US Treasury itself that established the "standard of fairness" when they chose to help protect the represented workers from GM and Delphi. That same standard must be used for all workers, not just the chosen groups. We also call on the members of this committee to obtain the records of the "Poughkeepsie Meeting" where all the deals were cut. Finally, we call on the Congress to correct the ERISA laws and the Bankruptcy code so that workers are protected from conditions beyond their control. Just do what the President said and our children won't have to deal with having to prove their "commercial necessity" to this government. *"If a company goes bankrupt, then workers need to be our top priority, not an afterthought.*"

We look forward to the Obama Administration living up to the Vice-President's statement from one of the weekly addresses to the nation: "*That's why the President and I remain focused on, not just recovering from this recession. We're focused on making sure that if you work hard, play by the rules, you'll be able to get ahead, put your kids through college, [and] retire with dignity and security."*[8]

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[8] http://www.whitehouse.gov/the-press-office/2011/05/28/weekly-address-resurgent-american-auto-manufacturers-signal-economy-rise

Addendum to Written Testimony from Bruce Gump, Vice-Chairman, Delphi Salaried Retiree Association to the House Oversight and Government Reform Sub-Committee on Regulatory Affairs, Stimulus Oversight and Government Spending. Hearing was June 22, 2011. This Addendum Offered June 29, 2011

Chairman Jordan, Ranking Member Kucinich and members of the Committee, I offer this addition to the written testimony offered at the hearing held last Wednesday, June 22, 2011 because so much of the information offered by other witnesses was incomplete or obfuscational in nature.

It is obvious that Mr. Bloom confuses the idea of something being legal with that same thing being fair. Human history is replete with laws that were patently unfair and singled out various groups for different treatment. Our position is that the treatment certain worker groups received in this administration-orchestrated bailout of GM and Delphi was political in nature, and that certain favored groups were able to receive something of value from our government that other less or non-favored groups were not. In fact, this is both illegal and unfair, and is at least the partial basis of the litigation against the PBGC and Treasury, including Mr. Bloom, that is currently in process in the Eastern District of Michigan. Over and over Mr. Bloom stated that the treatment all the groups received was "fair." But in reality he knows very well that it was not anything approaching the definition of being fair, whether or not it was legal.

Mr. Bloom also tried to deflect responsibility by stating that it was the company's choice to treat the various worker groups differently, characterizing the administration's involvement as just a simple investor without any real control over the company. However, there is no denying that the money GM was using was supplied through the TARP, and as such it had to have certain requirements and restrictions on its usage. Mr. Bloom apparently wants the committee to believe on the one hand that they simply gave $50 Billion to a bankrupt company with no input, influence or guidance on how it should be used. While I do not believe that is completely accurate, if it was then the incompetence in the handling of taxpayer provided funds would be truly amazing! However, and at the same time, he has us understand that the Treasury had the authority as majority shareholders to approve any expense large enough to cross a threshold – I have heard that was set at $100 Million – and he also explained that the Treasury did in fact disapprove of at least one version of a plan to reorganize. I know Congressman Jordan tried to gain access to what Mr. Bloom saw, but I am not sure that was agreed to. My point in this is that the Treasury cannot deflect responsibility or involvement in the decisions made affecting the thousands of retirees who received varying treatments with the use of the TARP funds provided to GM.

There was also testimony offered, and comments made from the committee that there were contractual obligations that resulted in other non-UAW unions receiving “top up” payments from GM in order to make their pensions whole. My understanding is that is an inaccurate statement also. Both Old GM and New GM included in filings with the bankruptcy court that they were NOT obligated to those contracts due to their own bankruptcy, and they were allowed to exit Chapter 11 bankruptcy protection without being held to those previous obligations. Furthermore, GM claimed in their filings with the SEC that those payments are gratuitous in nature, not obligatory. The point is that this is contestable and rather than the Treasury protecting their money invested in GM, they instead led, coerced, forced, or encouraged GM to top up the pensions of two of the more favored worker groups, but did not do so for the Salaried Retirees. Mr. Bloom is well aware of the lack of contractual obligations, but I believe he is using them to obfuscate the real facts.

Mr. Snowbarger also deflected a question from Congressman Johnson regarding why the PBGC is “fighting so hard to -- against releasing the records of the PBGC decision-making process that led up to that determination?” Mr. Snowbarger stated clearly “We've released them to this committee, as well as to the I.G. -- special I.G. for the (inaudible), as well as the GAO, as well as (inaudible) information act request from various Delphi salaried employees.” And then added “And in the court case as well.” Again, the real facts were distorted as the “fight” is over records of the decisions made after mid-April. Mr. Snowbarger's response to his question was, well, disingenuous at best. Please allow me to try to clear this up a bit as it is somewhat confusing. The issue is about access to the Administrative Record, to which we as plaintiffs have rights to up to the point when the decision was made to terminate the pension plan:

- The PBGC did make a determination to terminate the Delphi Pension Plans in mid-April of 2009,
- HOWEVER they were approached by the Delphi Creditors and asked to NOT terminate the plans unless they decided to foreclose - a plan to which the PBGC agreed.
- The PBGC says they chose to "forebear" on their decision, but we say they made a new decision to NOT terminate the plans.
- That is important because they know we have rights to the administrative record up to the point when the decision was made, and all the big decisions about who would get what were made after that mid-April decision point.
- A final decision to terminate the plan was not made until July of 2009 based on new information – a notice from Delphi’s creditors that they intended to foreclose.
- So the records we seek are from after mid-April and the PBGC and Mr. Snowbarger are working diligently to prevent us from being able to have access to those records.

- Mr. Snowbarger's answer that they had given us the documents related to the administrative record and FOIA requests related to the records from prior to April 2009 - they have supplied very heavily redacted copies of e-mails etc. We have been seeking the administrative record for April to August since we filed suit and Mr. Snowbarger is very well aware of that.
- The magistrate judge did determine that we had rights to those records concerning at least one of our 4 counts against the PBGC in our litigation.
- We have had to filed a motion to compel - meaning the court would force them to give us what we have asked for, and they have filed for protective orders (meaning we would be prevented from pursuing certain people or documents as a part of the Discovery phase)
- Mr. Snowbarger is well aware of this fight going on in the 6th Circuit (Eastern District of Michigan, Judge Arthur Tarnow) and so his answer that they are NOT fighting us for access to the records was completely false.

The big question in all this is this: When the United States Government "invests" in a private industry can they pick winners and losers based on political power? That is exactly what has happened in this case, and it must not be allowed to stand as a precedent! The damage to the relationship between the people and their government would be too horrendous to be allowed.

Thank you for the opportunity to present additional perspective on the hearing and its contents. I have offered this testimony in the belief that it is accurate and correct in every way.

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UAW

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA – UAW

RON GETTELFINGER, *PRESIDENT* ELIZABETH BUNN, *SECRETARY-TREASURER*

VICE-PRESIDENTS: GENERAL HOLIEFIELD • BOB KING • CAL RAPSON • JIMMY SETTLES • TERRY THURMAN

January 15, 2010

Mr. Michael Husar
Delphi Salaried Retirees Association
12151 East Sand Hills Road
Scottsdale, AZ 85255

Dear Mr. Husar:

This will confirm and follow up on your discussions with members of my staff.

The UAW has long been known for its support for fair and equal treatment of the employees we represent. While we are recognized as the union for hourly auto industry workers, we represent salaried workers in various industries, and believe that all workers deserve to be treated with dignity and respect. The economic crisis faced by the automotive manufacturers and their suppliers is unprecedented in our history, and our struggle to protect the workers in this industry will continue.

Fortunately for the hourly workers involved in the Delphi bankruptcy and restructuring, they were represented by the UAW, had negotiated benefits, and a collective voice that protected them from most pension and benefit losses resulting from Delphi's failure. Unfortunately, their salaried counterparts were not members of the UAW, and therefore were not able to protect their pensions and health insurance for their retirees.

We believe the 22,000 Salaried Delphi Retirees, who worked long and hard for GM for most of their careers, deserve to be treated with fairness and equity. While the restructuring of America's auto industry requires shared sacrifice and responsibility, Delphi's salaried retirees/former employees are being forced to bear extra burdens that are not warranted. The life they logically expected upon retirement no longer exists. For many, they counted on their pension, planned their futures, and now they are merely hoping that they will get enough from the PBGC to keep them above poverty level. This is a grave injustice.

Our Union advocates for working people. We are advocating for the salaried retirees whose pensions have been eroded, though their dedication to the company and their years of service remained steady. No one should sit silently by and say nothing about the unfair and inequitable treatment these people are receiving. Such silence goes against the founding principles of our Union.

Sincerely,

R. Gettelfinger

Ron Gettelfinger
President
International Union, UAW

RF/LF/ob

ohio afl-cio

Joseph P. Rugola
PRESIDENT

Pierrette M. Talley
SECRETARY-TREASURER

American Federation of Labor and Congress of Industrial Organizations

November 25, 2009

Statement of Support

To: Members of the Ohio General Assembly

From: Joseph P. Rugola
President, Ohio AFL-CIO

JR

Subject: Delphi Retirees

On behalf of Ohio's working families and the Ohio AFL-CIO's 700,000 members we offer our support for Senate Concurrent Resolution 23 that urges the President of the United States, the Secretary of the Treasury, the head of the President's Auto Task Force, and the members of the United States Congress to treat all of the General Motors-Delphi retirees fairly and equitably and provide for the full earned pensions and other post employment benefits in the same manner for all groups regardless of their representation.

www.ohaflcio.org

Ohio AFL-CIO | 395 E. Broad Street, Suite 300 | Columbus, OH 43215 | phone 614-224-8271 | fax 614-224-2671

As Adopted by the Senate

128th General Assembly
Regular Session
2009-2010

Sub. S. C. R. No. 23

Senators Cafaro, Schiavoni

Cosponsors: Senators Miller, D., Morano, Strahorn, Wilson, Turner, Sawyer, Carey, Grendell, Schaffer, Kearney, Buehrer, Fedor, Harris, Hughes, Husted, Miller, R., Niehaus, Patton, Smith, Wagoner, Widener, Jones

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C O N C U R R E N T   R E S O L U T I O N

To urge the President of the United States, the Secretary of the Treasury, the head of the President's Auto Task Force, and the members of the United States Congress to treat all of the General Motors-Delphi retirees fairly and equitably and provide for the full earned pensions and other post employment benefits in the same manner for all groups regardless of their representation and to charge any obligations that arise from providing the pensions and benefits to the general debt obligation of General Motors.

BE IT RESOLVED BY THE SENATE OF THE STATE OF OHIO (THE HOUSE OF REPRESENTATIVES CONCURRING):

WHEREAS, In the General Motors-Delphi Corporation bankruptcy proceedings, which were guided by the United States Treasury and the President's Auto Task Force, all Delphi Corporation employee pension funds were transferred to the Federal Pension Benefit Guarantee Corporation; and

WHEREAS, The earned pensions of all Delphi retirees are part of their promised compensation; and

WHEREAS, General Motors has agreed to fulfill the pension plans of the Delphi hourly employees represented by the United Auto Workers (UAW), the International Union of Electronic, Electrical, Salaried, Machine, and Furniture Workers-Communication Workers of America (IUE-CWA), and the United Steel Workers (USW); and

WHEREAS, General Motors has not agreed to fulfill the pension plans of the Delphi salaried retirees and the Delphi hourly retirees represented by the International Brotherhood of Electrical Workers (IBEW), the International Association of Machinists and Aerospace Workers (IAMAW), and the International Union of Operating Engineers (IUOE); and

WHEREAS, Funds for the health care insurance promised as a retirement benefit have been provided for the UAW, totally eliminated for the Delphi salaried retirees, and greatly reduced for the IUE-CWA, the USW, the IBEW, the IAMAW, and the IUOE; and

WHEREAS, This is unfair and inequitable treatment of the different working groups and will lead to thousands of job losses in the State of Ohio; and

WHEREAS, The Delphi retirees worked loyally, faithfully, and beneficially for General Motors and the Delphi Corporation; and

WHEREAS, All of the Delphi retirees deserve equal treatment from their federal government; now therefore be it

RESOLVED, That we, the members of the 128th General Assembly of the State of Ohio, hereby urge the President of the United States, the Secretary of the Treasury, the head of the President's Auto Task Force, and the United States Congress to treat all of the General Motors-Delphi retirees fairly and equitably and provide for the full earned pensions and other post employment benefits in the same manner for all groups regardless of their representation; and be it further

RESOLVED, That we, the members of the 128th General Assembly of the State of Ohio, hereby urge the President of the United States, the Secretary of the Treasury, the head of the President's Auto Task Force, and the United States Congress to charge any monetary advances made to General Motors for the purpose of complying with the recommendations of this resolution to the general debt obligation of General Motors and to require General Motors to repay such monetary advances under the terms of the debt obligation General Motors has already incurred; and be it further

RESOLVED, That we, the members of the 128th General Assembly of the State of Ohio, urge General Motors to affirm any obligations that arise out of complying with the recommendations of this resolution; and be it further

RESOLVED, That the Clerk of the Senate transmit duly authenticated copies of this resolution to the President of the United States, the Secretary of the Treasury, the head of the President's Auto Task Force, the Speaker and the Clerk of the United States House of Representatives, the President Pro Tempore and the Secretary of the United States Senate, the members of the Ohio Congressional delegation, and the news media of Ohio.

Armond Budish
Speaker

January 27, 2010

The Honorable Barack Obama
President of the United States
1600 Pennsylvania Avenue
Washington, D.C. 20510

Dear President Obama:

Thank you for your efforts and leadership in the past months to preserve and bolster the U.S. auto industry. Here in the State of Ohio, many hard-working Americans rely on this industry to support themselves and their families. It is critical that we do all within our power to assist them in this great time of need.

As you are aware, in the General Motors-Delphi Corporation bankruptcy preceding, under the guidance of the United States Treasury and the President's Auto Task force, all Delphi Corporation employee pension funds were transferred to the Federal Pension Benefit Guarantee Corporation. General Motors has agreed to preserve the pension plans of the Delphi hourly employees represented by the United Auto Workers (UAW), the International Union of Electronic, Electrical, Salaried, Machine, and Furniture Workers-Communication Workers of America (IUE-CWA), and the Unites States Steel Workers (USW).

However, General Motors has not agreed to preserve the pension plans of the Delphi salaried retirees or the Delphi hourly retirees represented by the International Brotherhood of Electrical Workers (IBEW), the International Association of Machinists and Aerospace Workers (IAMAW), and the International Union of Operating Engineers (IUOE). Funds for the health care insurance promised as a retirement benefit have been provided for the UAW, yet they have been totally eliminated for the Delphi salaried retirees and greatly reduced for the IUE-CWA, the USW, the IBEW, the IAMAW, and the IUOE.

The Delphi retirees all worked for the same company, side by side for twenty, thirty, sometimes forty years. All Delphi retirees worked loyally, faithfully and beneficially for General Motors and Delphi Corporation. They are all deserving of their earned post-employment benefits as well as equal treatment from their Federal Government.

At this critical time in Ohio's economy, an Economic Impact Study issued by the Youngstown State University indicated that Ohio stands to lose nearly $500 million dollars per year in

77 South High Street • Columbus, Ohio 43215-6111

economic activity and an additional 15,000 jobs as a result of this. The restaurants, the gas stations, the supermarkets and the laundromats that relied on the business of the Delphi retirees will also suffer due to the loss of this steady and regular flow of business.

It is my understanding that you have been briefed by Congressman Tim Ryan on his Voluntary Employee Beneficiary Association for former Delphi employees (H.R. 3455). This bill would use unspent money already authorized by the Emergency Economic Stabilization Act of 2008 to provide health coverage to both hourly and salaried retirees of the Delphi Corporation.

I believe that all retired workers should be treated in a fair, equitable manner. I am not asking for special treatment for the Delphi Salaried retirees; I am asking that these men and women be treated in a manner similar to other retirees of Delphi and GM. This Act has the support of Ohio Senator Sherrod Brown and Ohio's Governor Ted Strickland.

In closing, I respectfully request that you urge Congress to move and pass H.R. 3455 in a timely manner to minimize the severe financial impact to Delphi retirees as well as their communities and that steps be taken to restore pensions and other post employment benefits due to all Delphi retirees.

Sincerely,

Armond Budish
Speaker
Ohio House of Representatives

cc: Ohio Federal Congressional Delegation
Timothy Geithner, Secretary of the Treasury
Larry Summers, National Economic Council Director
Ed Whitaker, General Motors CEO
Rodney O'Neal, Delphi Corporation President and CEO
Bruce Gump, Delphi Salaried Retirees Association Chairman

MEASURING THE ECONOMIC IMPACT OF PENSION REDUCTIONS AND HEALTH CARE CUTS ON THE SALARIED RETIREES OF DELPHI PACKARD ELECTRIC SYSTEMS RESIDENT IN THE MAHONING VALLEY, OHIO

By

Frank Akpadock, Ph.D.
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Youngstown, Ohio 44555

September 2009

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ACKNOWLEDGMENTS

My deep appreciation goes to Larry Hardman, himself a Delphi retiree, who was the spokesperson for what the study was all about, and who shouldered the responsibility for collecting data samples used in this study from other Delphi retirees, without whom it would have been very difficult to complete this study. My appreciation also goes to Tom Finnerty, Associate Director, Center for Urban and Regional Studies, for his part in providing related literature for the study, his participation in numerous meetings, and his feedback during the writing of this report; and last but not least, Kathy Globeck of the Center for Urban and Regional Studies, for editing this work.

Frank Akpadock, Ph.D.

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EXECUTIVE SUMMARY

This study is an analysis of how the economic well-being of 1,056 salaried Delphi retirees living in the Mahoning Valley will be affected in particular, and the Mahoning Valley's economy in general, by the reduction in their defined pension plan and health care cuts due to the Pension Benefit Guaranty Corporation's (PBGC) takeover of these programs as a result of Dephi's filing for Chapter 11 bankruptcy protection. An Input-Output (I-O) RIMS II model was applied in the estimation of both the fiscal and employment impact multipliers. This model is based on an accounting framework input-output table that shows industry interrelationships associated with the purchase and sale of inputs and outputs in a production process leading to final demand. The RIMS II model is widely used in both the public and private sectors for the estimation of impacts of projects and programs of varying economic sizes. The RIMS II model provides regional industry multipliers for output, employment, and earnings using 500 detailed industries and 38 aggregated industries.

FINANCIAL ESTIMATES

- Grand Annual Average ***Pre-PBGC*** Total Pension (without Tax) of 1,056 Salaried Delphi Retirees ________ **$43.2 million**
- Grand Annual ***Post-PBGC*** Total Pension (without Tax) of 1,056 Salaried Delphi Retirees ________ **$25.3 million**
- Grand Annual Average Total Loss of Pension Income of 1,056 Salaried Delphi Retirees in the ***Post-PBGC*** Period ________ **$17.9 million**
- Grand Annual Average Total Pension Income of 1,056 Salaried Delphi Retirees in the ***Post-PBGC and Post-Tax*** Period ________ **$21.9 million**
- Average Annual Health Care Cost from Out-of-Pocket Expenses of the 1,056 Salaried Delphi Retirees ________ **$ 8.2 million**
- Estimated Total Loss in a Year ________ **$26.1 million**

A fiscal multiplier of **1.21** was estimated, using the ***RIMS II (I-O) Model***. This means that for every $1 million reduction in retirees' income, an equivalent of **$21,000** would be lost in the Mahoning Valley's economy due to the reduced consumption of goods and services by these retirees. Since a direct impact of **$26.1 million** was assessed, a total fiscal impact of **$31.6 million** was calculated, for a grand total fiscal impact of **$57.7 million annually**.

EMPLOYMENT MULTIPLIER

It was estimated that the annual loss of nearly **$58 million** in pension income by the 1,056 salaried Delphi retirees would result in a reduced consumption of goods and services produced (directly or indirectly) in the Mahoning Valley. Since these goods and services create employment opportunities downstream, an employment multiplier of **1.3** was assessed for this loss. This means that for every **$1 million** of reduced retirees' pension, an equivalent of **30** employment positions that are currently in existence, or would have been created in the future, would be lost. A grand total of **1,740 employment** losses annually was estimated from the primary, secondary, and tertiary sectors of the Mahoning Valley.

> ***SIDEBAR:*** *It should be noted that if the out-of-pocket expenses of health care plans of the 700 IUE members were factored into the total loss of the salaried retirees, we would have had a different outcome both for the fiscal and employment multipliers, and invariably in the grand total losses.*

INTRODUCTION

BACKGROUND

The Packard Electric Company started in Warren, Ohio, in 1890 as a company that produced incandescent light bulbs. During this period of growth and change, the company branched out into automobile manufacturing when it built its first car in 1899. In 1902 the car manufacturing division separated from the parent Packard Electric Company. Packard Electric itself was acquired by the General Motors (GM) Company in 1932, supplying GM with the wiring systems for all GM vehicles.

During the 1980s and 1990s the Packard Electric Company expanded rapidly, becoming the leader in the production of wire harnesses, as well as other electrical automotive components, with branch locations nationally and internationally. At its peak, roughly 14,500 salaried and hourly employees worked in the Warren, Ohio, and other Mahoning Valley Packard Electric facilities. By the time Delphi Packard Electric Systems was spun off from General Motors in 1999, about 4,000 employees remained in the Mahoning Valley.

Following the spinoff from GM, Delphi began to experience financial difficulties. The severity of these financial conditions forced Delphi to seek Chapter 11 bankruptcy protection in October 2005, in part because of the company's inability to maintain its pension plans and other legacy costs for retirees. During this time the PBGC (Pension Benefit Guaranty Corporation)[1] was asked to step in to keep Delphi retirees' pensions solvent. The PBGC's move made it obvious to the retirees that the pension plans they had retired under were likely to be seriously reduced. The PBGC's takeover would only pay them the highest amount allowed by law, rather than the pension benefit plans agreed to between them and the Delphi Company. This has been the crux of the retirees' agitations and frustrations throughout the rank and file of Delphi's current employees and the retirees.

[1] The PBGC, a federal corporation created under the Employee Retirement Income Security Act of 1974**,** currently guarantees payment of basic pension benefits earned by 44 million American workers and retirees participating in over 29,000 private-sector defined benefit pension plans. The agency's source of funding is largely from investment returns of companies, and insurance premiums paid by companies that sponsor pension plans.

As these retirees' anger and frustrations grow louder and louder across the country because of their perceived risk of the loss of their pension plans, these same frustrations and aggravations are being echoed by all the Mahoning Valley's retirees. Putting it in perspective, the *Buffalo News-McClatchy-Tribune Information Services via COMTEX* of July 23, 2009, succinctly reported that by law, the PBGC would only pay a 65-year old retiree a maximum of $54,000 annually. The paper went on to say "While that cap impacts higher-paid retirees who receive more, a greater number of retirees will be affected by the reduced benefits the agency [PBGC] pays out for each year a worker retired at the age younger than 65." For instance, the report quoted one of the retirees as saying that "the agency's maximum annual payout for someone who retired at 60 is $35,100, or about $19,000 less than someone who retired at 65."

Delphi's defined early employee retirement plans (retiring before the age of 62) included the loss of 6% a year of salary payments. However, a financial compensation called a "bridge," or early retirement supplement, was put in place, which Delphi pays to a retiree until the age of 62 years, when Social Security kicks in. Unfortunately by law, the PBGC does not recognize such financial bridge arrangements for early retirees. This is one of the central arguments in the retirees' opposition to and rejection of the PBGC's management of their pension benefit payments.

During its news release on July 22, 2009, the PBGC announced its plans to resume responsibility for the pension plans of 70,000 workers and retirees of Delphi Corp., the nation's largest producer of automotive parts. The PBGC estimated that for the *Hourly Pension Plan* with 47,000 participants, Delphi had about $3.7 billion in assets, and over $8 billion in liabilities. Out of this amount, the PBGC would be responsible for a maximum disbursement of only $4.0 billion from "the Plan's shortfall of $4.4 billion." Apparently, the $.4 billion shortfall is to be absorbed by the retirees.

For the *Salaried Pension Plan*, which covers 20,000 workers and retirees and has an estimated $2.4 billion in assets and $5 billion in liabilities, the agency would be lawfully responsible for about $2.2 billion in payments out of Delphi's "estimated $2.6 billion in underfunding." Again, the remaining $.4 billion shortfall is presumably to be absorbed by the 20,000 salaried workers and retirees.

The PBGC will also be responsible for the payment of four smaller Delphi defined benefit plans with $50 million of underfunding for 2,000 participants, namely: *ASEC Manufacturing Retirement Program, Delphi Mechatronic Systems Retirement Program, Packard–Hughes Interconnect Bargaining Retirement Plan,* and *Packard Hughes Interconnect Non-Bargaining Retirement Plan.* As has been described previously for the first two, their benefit plans, even when paid to the full extent of the law by the PBGC, will not be without the risk of underpayments to these 2,000 participating employees.

> ***SIDEBAR***: *At the initial stage of this study, the full pension payments of both hourly and salaried retirees in the Mahoning Valley were reviewed. However, on September 1, 2009, the IUE-CWA brokered a tentative agreement (for the Hourly Retirees) with the new General Motors (GM) that indicated that the company will "provide baseline security for retirees who are facing the loss of their health care and pensions." Under this agreement, Delphi retirees have a "top-up" from the new GM for retirees whose pensions were taken over by the PBGC. In other words, GM will honor the MOU (Memorandum of Understanding) signed in 2007 that will "ensure that all eligible retirees at Delphi are made whole if the PBGC reduces their pensions." This agreement, unfortunately, leaves the "Salaried Retirees" hanging out to dry, and is therefore the raison d'être for this study.*

STUDY GOALS

The goals of this study are twofold: a) to assess how the social and economic well-being of the current and retired salaried employees of Delphi in the Mahoning Valley would be affected in terms of cuts in their pension and health care plans following the PBGC's takeover, and b) to determine how the retirees' pension and health care benefit cuts under the PBGC will impact the economy of the Mahoning Valley in general.

METHODOLOGY

This study will use multifarious approaches associated with sample data collection from current Delphi salaried and hourly employee retirees, and applied research methods to show the *pre-* and *post-effects* of pension cuts on the retirees. In order to estimate both the fiscal and/or economic impact on the retirees in particular, and the Mahoning Valley in general, the study will apply the Input-Output (I-O) model technique called the *RIMS II Model* to delineate the impact multipliers, or ripple effect, on the target population and on the Mahoning Valley's economy.

REVIEW OF RELATED LITERATURE

The language of retirement savings or pension programs is nothing new in the lexicon of workers in the U.S. or for that matter, in other parts of developing and non-developing economies. Whether one works for a private company or government institution, there is always a need for a *defined retirement plan* based on the understanding that when we finally retire from work, we will have some financial resources to fall back on in order to maintain our quality of life. The pension savings, therefore, can be seen from the spectrum of being people's lifeline of sustainability during retirement, and any attempt by employers to cut or reduce retirees' pension entitlements is tantamount to creating a life of misery for those affected. The old canard, "Saving for a rainy day" is not limited to saving for unexpected events in life only, but more so to saving for our retirements. Reinsdorf and Lenze (2009) said it well when they wrote that "U.S. households usually participate in two kinds of retirement income programs: Social Security, and a plan sponsored by their employers. The employer plan may be organized as either a defined benefit contribution plan, such as a 401(k) plan, or a defined benefit plan."

In their efforts to separate the two retirement plans, they posited that "defined contribution plans provide resources during retirement based on the amount of money that has been accumulated in an account, while defined benefit plans determine the level of benefits by formula that typically depends on length of service and average or final pay." The salaried employee retirees of Delphi had a *defined benefit plan* similar to the one described here.

In reviewing the literature on retirement pensions, there was no study related to the impact of retirees' health care and/or pension cuts by employers. However, a report relevant to the situation of the current salaried Delphi retirees was done when United Airlines (UA) *threatened* to slash their employees' pension plans in 2005. What happened was that during the September 11, 2001, terrorist attack on the U.S., two of United Airlines' planes were hijacked. Coupled with the high cost of jet fuel at the time, United Airlines experienced deep financial difficulties.

Consequently, UA filed for Chapter 11 bankruptcy protection in December 2002 and furloughed tens of thousands of its employees. Three years later in 2005, United threatened to cut its employees' pension plans having 120,000 participants, in which the PBGC was to administer pension payments with $9.8 billion in under-funded obligations. Foreseeing the losses to their pension plans if the PBGC were to take over, the employees' union planned to take legal action against the UA. Before the situation got out of control, United Airlines reached a settlement with the employees' union without turning over its pension disbursement to the PBGC. Since the threat of pension cuts was not carried out by United Airlines, the impact on the employees or retirees was never analyzed. This study will analyze the fiscal economic impact of pension reductions and health care cuts on salaried Delphi retirees in the Mahoning Valley.

CASE STUDY OF THE MAHONING VALLEY DELPHI RETIREES

Before Delphi was spun off from General Motors in 1999, the Packard Electric Company was first established in Warren in the 1800s. Many of its current workers and retirees in the Mahoning Valley are from generations who have worked all their adult lives for the company. Consequently, the prospects of benefit cuts for these retirees would compromise not only *their* lifestyles, but would also affect the secondary and tertiary economic activities that depend on these workers and retirees for the consumption of their goods and services, possibly including business closures. In other words, the pension cuts for the retirees would have a *trickle-down* negative economic impact on the lives of these retirees that would snowball to include the economy of the Mahoning Valley in general.

SALARIED RETIRED EMPLOYEES

Out of the 20,000 Delphi salaried pension employees identified by the PBGC, an estimated 1,200 live in the Mahoning Valley, consisting of 471, or 39%, registered members of the Delphi Salaried Retiree Association (DSRA). The age groupings of the registered members are: 42, or 9%, of persons under 55 years old; 109, or 24%, of persons between 55-58 years old; 134, or 28%, of persons between 59-62 years old; and 120, or 25%, of persons between 62-65 years old; while those over 65 years of age make up 14.0% (see Table 1).

TABLE 1

Mahoning Valley Registered Members of the Delphi Salaried Retiree Association (DSRA)

AGE	NUMBER	PERCENTAGE
Under 55	42	9%
55-58	109	24%
59-62	134	28%
62-65	120	25%
Over 65	66	14%
Total	**471**	**100%***

Source: Data from Sampling of 110 hourly, and
50 salaried, Mahoning Valley Delphi Retirees.

*Does not add up to 100 because of rounding of numbers.

SECTION 1

PRE-TAX AND *PRE-PBGC* SALARIED EMPLOYEES' AVERAGE PENSION EARNINGS

SCENARIO I

Currently on average, salaried retirees (up to and including 62 years of age) each receive a **monthly** total base pension of **$3,338** (a base pension income of **$1,926** *plus* a $**1,412** supplement), or **$40,056 a year**. Since there are a total of **817** retirees in this cohort, a pre-tax grand total pension of **$32,725,752, or $32.7 million annually**, was calculated.

Those from 63 to 65 years of age each also receives a **monthly** pre-tax pension of **$3,650** (a base pension of **$2,027** *plus* a Social Security payment of **$1,623**), or **$43,800 a year**. Since there are **239** retirees in this cohort, a pre-tax grand total of **$10,468,200,** or **$10.5 million annually**, was calculated. A pre-tax grand total pension of **$43.2 million annually** for the two cohorts (up to and including age 62, and 63-65 years of age) was calculated. (See Table 2 following.)

TABLE 2

***Pre-Tax* and *Pre-PBGC* Salaried Employee Average Pension Earnings**

AGE	NUMBER OF RETIREES	MONTHLY PENSION	PRE-TAX ANNUAL EARNING	PRE-TAX GRAND ANNUAL TOTAL	PRE-TAX GRAND TOTAL (PRE 62-65)	BASE PENSION		
UP TO 62	817	$3,338	$40,056	$32.7 million		$1,926	$1,412	Supple-ment
63 TO 65	239	$3,650	$43,800	$10.5 million		$2,027	$1,623	Social Security
SUB-TOTAL	1,056				$43.2 million			
	144*							
TOTAL	1,200							

Source: Data from Sampling of Actual Salaried Pension Recipients during the Retirees' Breakfast Meeting of August 13, 2009.

*12% are over 65 years old and excluded.

POST-TAX AND *PRE-PBGC* SALARIED EMPLOYEES' AVERAGE PENSION EARNINGS

SCENARIO II

In this scenario, we ***assume*** that a **13.5%** federal and state tax will be levied on the retirees' pensions, giving each salaried retiree in this cohort (up to and including 62 years of age) a net income of **$2,887 a month**, or **$34,644 a year**, for a grand total of **$28,304,148,** or **$28.3 million annually** for the 817 retirees in the cohort.

For those 62-65 years of age, each retiree receives **$3,157 a month**, for an **annual** income of **$37,884.** Since there are 239 retirees in this cohort, a grand total of **$9,054,276, or $9.1 million annually**, was calculated. The grand total for the two age cohorts (up to and including age 62, and 63-65 years of age) was **$37.4 million annually** (see Table 3).

TABLE 3

***Post-Tax* and *Pre-PBGC* Salaried Employees' Average Pension Earnings**

AGE	NUMBER OF RETIREES	TOTAL MONTHLY PENSION	FEDERAL AND STATE TAXES 13.5%	POST-TAX ANNUAL EARNING	POST-TAX GRAND ANNUAL TOTAL	POST-TAX GRAND TOTAL (UP TO 62-65)	BASE PENSION		
UP TO 62	817	$3,338	$451	$34,644	$28.3 million		$1,926	$1,412	Supple-ment
63 TO 65	239	$3,650	$493	$37,884	$9.1 million		$2,027	$1,623	Social Security
SUB-TOTAL	1,056					$37.4 million			
	144*								
TOTAL	1,200								

Source: Data from Sampling of Actual Salaried Pension Recipients during the Retirees' Breakfast Meeting of August 13, 2009.

*12% or 144 are over 65 years old and excluded.

SECTION 2

POST-PBGC AND *PRE-TAX* SALARIED EMPLOYEES' AVERAGE PENSION EARNINGS

This portion of the study discusses pension earnings *after* the PBGC takes over the pension disbursement for salaried Delphi retirees. In the post-PBGC takeover of management of the Delphi retirees' pension, Ringler of the *Tribune* newspaper of July 24, 2009, wrote that "Retirees face cuts of 30 percent to 70 percent in their monthly pension after Wednesday's announcement of the Pension Benefit Guaranty Corp., the federal agency that insures private pensions, that it will take over six Delphi pension plans covering 70,000 workers and retirees including salaried and hourly people."

SCENARIO III

POST-PBGC AND PRE-TAX AVERAGE EARNINGS OF SALARIED RETIREES

In the post-PBGC period, a total *pre-tax* **monthly** pension of **$1,630** (base pension of $1,348 *plus* a $282 supplement) was assessed for each retiree (up to and including 62 years of age), for a total of **$19,560 a year**. Since there are 817 retirees in this group, a grand **annual** total of **$15,980,520,** or **$16.0 million**, was calculated. When the pre-PBGC monthly pension earning of each retiree is compared with the post-PBGC earning, a *difference* or loss of **$1,708 monthly** was calculated, for a total of **$20,496 annually**. For the 817 retirees in this cohort, a grand total post-PBGC pension loss of **$16,745,232, or $16.7 million annually**, was calculated.

In the same manner, the post-PBGC retirees in the 62-65 years of age cohort each receive a pre-tax average income of **$3,245 a month**, or **$38,940 a year**. For the 239 retirees in this cohort, a grand total of **$9,306,660,** or **$9.3 million annually**, was calculated. This results in a loss of **$405 a month** per retiree in the post-PBGC period for a total of **$4,860 annually**. Since there are 239 retirees in this cohort, a grand total loss of **$1,161,540,** or **$1.2 million annually**, was calculated. The grand total loss/difference in pension income for both age cohorts (up to and including age 62, and 63-65 years of age) was **$17.9 million annually** ($16.7 + $1.2 million) (see Table 4).

SIDEBAR:

It should be realized that the loss of $17.9 million in Delphi retirees' income in the post-PBGC takeover of the employee pensions is invariably a loss to both the federal and state government in tax revenues.

TABLE 4

***Post-PBGC* and *Pre-Tax* Salaried Retirees' Pension Earnings**

AGE	NUMBER OF RETIREES	TOTAL MONTHLY PENSION	TOTAL ANNUAL PENSION	GRAND ANNUAL PENSION	COMBINED ANNUAL GRAND TOTAL PENSION LOSS (PRE-62 TO 65)	BASE PENSION		
UP TO 62	817	$1,630	$19,560	$16.7 million	$16.7 million	$1,348	$ 282	Supple-ment
63 TO 65	239	$3,245	$38,940	$ 9.3 million	$ 1.2 million	$1,622	$1,623	Social Security
SUB-TOTAL	1,056				$17.9 million			
	144*							
TOTAL	1,200							

Source: Data from Sampling of Actual Salaried Pension Recipients during the Retirees' Breakfast Meeting of August 13, 2009.

*12% are over 65 years old and excluded.

SCENARIO IV

POST-PBGC AND *POST-TAX* SALARIED RETIREES' AVERAGE PENSION EARNINGS

In the post-PBGC takeover and the assumed tax deductions of 13.5% from the retirees' income, each retiree has a **monthly** income of **$1,410** ($1,348 base pension, plus a $282 supplement) for a total of **$16,920 a year**. This cohort consists of 817 retirees, hence the grand **annual** total pension was calculated to be **$13,823,640**, or **$13.8 million annually**.

In the post-tax deductions, each retiree receives **$2,807 a month** from the cohort consisting of 63 to 65 years of age, for a total of **$33,684 a year**. Since this cohort consists of 239 retirees, a grand total pension of **$8,050,476, or $8.1 million annually**, was calculated**.** The grand **annual** total pension for both cohorts (up to and including age 62, and 63-65 years of age) in the post-PBGC and post-tax period amounted to **$21.9 million annually** (see Table 5).

TABLE 5

***Post-PBGC* and *Post-Tax* Salaried Employees' Average Pension Earnings**

AGE	TOTAL RETIREES	PRE-TAX MONTHLY PENSION	TAX (FEDERAL AND STATE) 13.5%	POST-TAX MONTHLY PENSION	ANNUAL TOTAL POST-TAX PENSION	GRAND ANNUAL TOTAL POST-TAX PENSION	COMBINED GRAND ANNUAL TOTAL PENSION (PRE-62 TO 65)	BASE PENSION		
UP TO 62	817	$1,630	$220	$1,410	$16,920	$13.8 million		$1,348	$ 282	Supple-ment
63 TO 65	239	$3,245	$438	$2,807	$33,684	$ 8.1 million		$1,623	$1,623	Social Security
SUB-TOTAL	1,056						$21.9 million			
	144*									
TOTAL	1,200									

Source: Data from Sampling of Actual Salaried Pension Recipients during the Retirees' Breakfast Meeting of August 13, 2009.

*12% or 144 are over 65 years old and excluded.

HEALTH CARE BENEFIT REDUCTIONS/CUTS FOR SALARIED DELPHI RETIREES

The loss of health care benefits is another variable that the salaried Dephi retirees will lose in the event of a takeover of pension management by the PBGC. Based on the skyrocketing cost of health care insurance today, and the fact that buying private insurance is about three times as much as buying from one's employer (on average), about 75% of the salaried Delphi retirees will pay about $4,000 per year or even more in deductibles. This part of the study illustrates that these costs will add to the economic losses that these retirees will face in a post-PBGC takeover. Assuming that, on average, these retirees selected a Gold insurance coverage plan for themselves and their families, each participant would face a monthly deductible of $320, in addition to a monthly out-of-pocket cost (co-pay) of about $330 (doctors' visits, dental, vision, eyeglasses, etc.) for family members. **Monthly**, each retiree is assumed to spend on average, a total of **$650,** or **$7,800 a year**, in out-of-pocket expenses. Since there are a total of 1,056 target retirees, a grand total of **$8,236,800**, **or $8.2 million annually**, was calculated.

ECONOMIC IMPACT MULTIPLIERS

This study is an assessment of how the impact of defined pension plan reductions, and cuts in the health care plans of 1,056 salaried Delphi retirees in the Mahoning Valley, will affect their social and economic well-being, and how their reduced consumption of goods and services produced in the Mahoning Valley will trickle down to the secondary and tertiary economic sectors downstream in the Mahoning Valley in what economists call the "multiplier" or "ripple effect."

The product of the *multiplier effect* depends on the level of changes of economic activities in the region associated with an interdependent and interrelated cycle of spending and re-spending by households, businesses, and governments in the consumption of goods and services produced inside the region. It is a complex web of interconnectivity among industries in which the **(sales**

or output) products of one industry become the input products **(purchases)** of another industry, leading to final demand through a self-perpetuating cycle called *inter-industry relationships*.

This study uses the *Regional Input-Output Modeling System (RIMS II)* to estimate how much the ***direct, indirect and induced*** financial impacts will be associated with the cuts in the retirement income and health care coverage of 1,056 Delphi retirees living in the Mahoning Valley, and how that impact will directly or indirectly affect the Mahoning Valley's economy.

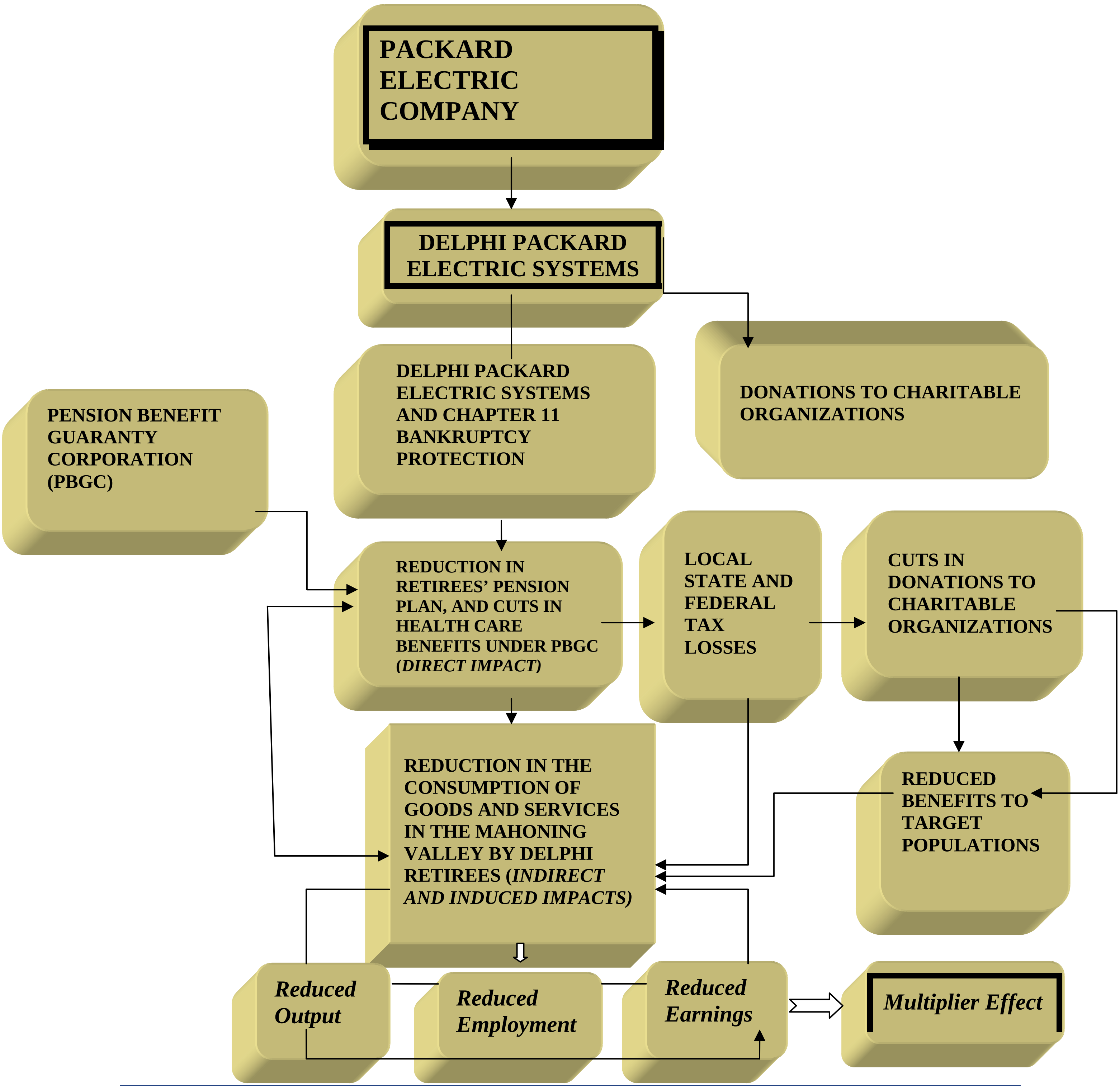
THE RIMS II MODEL

The RIMS II model evolved in the mid-1970s, when the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce developed a benchmark process for estimating regional input-output multipliers known as the Regional Industrial Multiplier Systems (RIMS), based respectively on the works of Garnick (1970) and Drake (1976). Following the works of Garnick and Drake, the BEA developed an enhanced form of the former RIMS model, now known as the Regional Input-Output Modeling System (RIMS II). (See U.S. Department of Commerce, Bureau of Economic Analysis, 1981 and 1986.)

The RIMS II model, like its predecessor, is based on an accounting framework of an input-output table that shows industry interrelationships associated with the purchase and sale of inputs and outputs in a production process leading to final demand. The RIMS II model is widely used in the public and private sectors in the estimation of the impacts of projects and programs of varying economic sizes. The RIMS II model provides regional industry multipliers for output, employment, and earnings using 500 detailed industries and 38 aggregated industries (see Figure 1 following) that depicts a schematic drawing of a chain of interconnectivities of economic activities leading to final demand multipliers.

FIGURE 1

SCHEMATIC DIAGRAM OF THE ECONOMIC IMPACT OF DELPHI PACKARD ELECTRIC SYSTEMS RETIREES' PENSION REDUCTIONS IN THE MAHONING VALLEY



DIRECT, INDIRECT AND INDUCED IMPACTS OF CUTS IN THE RETIREMENT INCOMES AND HEALTH CARE COVERAGE OF SALARIED DELPHI RETIREES IN THE MAHONING VALLEY

FISCAL ECONOMIC IMPACT

The ***direct*** fiscal impact is synonymous with the Delphi retirees' retirement income and health care benefits cuts associated with the takeover of their pension disbursement by the PBGC following Delphi's filing for Chapter 11 bankruptcy protection.

In the ***pre-tax*** and ***pre-PBGC*** period, each salaried retiree (up to and including 62 years of age) was found to receive an average **monthly** pension income of **$3,338**, consisting of a base pension of $1,926, and a $1,412 supplement, or **$40,056 annually**. Since there are 817 members in this group, a total of **$32.7 million annually** was calculated.

In the same vein, each retiree in the age cohort of 62 to 65 years of age received an average of **$3,650 a month**, consisting of a base pension of $2,027, and a $1,623 Social Security payment, or **$43,800 a year**. Since there were 239 members in this group, a grand pension income of **$10.5 million annually** was calculated. The combined grand annual pension income for the two age cohorts of 1,056 members was **$43.2 million annually**. This was the amount available to the retirees prior to the PBGC's takeover which would have been used in the consumption of various goods and services produced both within and outside of the Mahoning Valley

In the ***post-PBGC*** period, the grand annual pension income for all 1,056 retirees was found to be **$25.3 million annually**. The fiscal economic impact for all 1,056 retirees is the *difference or loss* of the grand total pension income between the *pre-PBGC* and *post-PBGC* periods, which is calculated to be **$17.9 million annually** ($43.2-$25.3 million) (see Table 6 following).

The pre- and post-tax pension was calculated to be **$37.4 million annually**; when compared side-by-side with the pre- and post-PBGC pension of **$25.3 million annually,** the post-PBGC pension leaves the retirees much worse off than the post-tax period alone by a margin of **$12.1 million annually**.

***SIDEBAR**: Due to tax law complications at both state and federal levels, their summations could not be used in the overall impact calculations even when they are used in the tables.*

TABLE 6

Summation of *Pre- and Post-PBGC* and *Pre- and Post-Tax* Pension Calculations

TOTAL RETIREES	GRAND ANNUAL TOTAL PRE-TAX AND PRE-PBGC	GRAND ANNUAL TOTAL PENSION POST-TAX AND POST-PBGC	DIFFERENCE BETWEEN PRE- AND POST-PBGC AND PRE- AND POST-TAX	GRAND ANNUAL TOTAL PENSION (PRE-PBGC ALONE)	GRAND ANNUAL TOTAL PENSION (POST-PBGC ALONE)	GRAND ANNUAL TOTAL PENSION (POST-TAX ALONE)
1,056	**$43.2 million**	**$21.9 million**	**$21.3 million**	**$43.2 million**	**$25.3 million**	**$37.4 million**

Source: Calculated from Tables 2-5 by the author.

CALCLUATION OF ECONOMIC IMPACT MULTIPLIERS OF PENSION REDUCTIONS AND HEALTH CARE COVERAGE CUTS FOR DELPHI RETIREES

- Grand Annual Average Total Pension Income of 1,056 Retirees in the *Pre-PBGC Period* ____ **$43.2 million**
- Grand Annual Average Total Pension Income of 1,056 Retirees In the *Post-PBGC period* ____ **$25.3 million**
- ***Grand Annual Average Total Loss of Pension Income in the Post-PBGC Period*** ____ **$17.9 million**
- Grand Annual Average Total Pension Income of 1,056 Retirees in the *Pre-PBGC, Pre-Tax* Period ________________________________ **$43.2 million**
- Grand Annual Average Total Pension Income of 1,056 Retirees in the *Post-PBGC, Post-Tax* Period ________________________________ **$21.9 million**
- ***Grand Annual Average Total Shortage of Pension Income in the Post-PBGC, Post-Tax Period*** ________________________________ **$21.3 million**
- Health Care Costs from Out-of-Pocket Expenses 1,056 Retirees__________ **$ 8.2 million**
- **Estimated Total Loss in a Year** ____________________________________ **$26.1 million**

ECONOMIC IMPACT MULTIPLIERS

FISCAL MULTIPLIERS

Using the RIMS II modeling system, a fiscal impact multiplier of **1.21** was estimated for this study, due to the reduction of pension income and health care cuts of salaried Delphi retirees in the aftermath of Delphi's filing for bankruptcy protection, and the takeover of its pension disbursement by the PBGC. This means that for every **$1 million** loss to the salaried Delphi retirees, another round of **$1.21 million** is being lost in the Mahoning Valley's economy from rounds and rounds of *reduced* consumption of goods and services by these retirees. Putting it differently, this means that for every **$1 million** that the retirees lose due to reduced pension income and health care coverage, an estimated **$21,000** would be lost in the Mahoning Valley's economy due to rounds and rounds of reduced consumption of goods and services by these retirees.

Although the consumption behavior of these retirees depends on such variables as the spending variations of households, education, number of children in the household, age, marital status, ethnicity and seasonality, among others, their pension incomes would still go to the consumption of **goods** which include, but are limited to, *food and non-alcoholic beverages, alcoholic beverages and tobacco, clothing and footwear, private transport goods, furnishings and appliances, entertainment goods, personal goods, and home energy;* and on **services** which include, but are not limited to, *food and beverages away from home, holiday services, housing, household services, health goods and services, private transport services, education and training services, and miscellaneous goods and services* which are generated by the secondary and tertiary sectors of the Mahoning Valley's economy.

Since a grand total *direct impact* of **$26.1 million** of lost revenues was estimated each year in the process, an estimated total fiscal impact of **$31.6 million annually** was calculated for a **grand *total loss* of $57.7 million annually** due to direct, indirect and induced fiscal impacts due to the reduced pension income and health care cuts of 1,056 salaried retired employees of Delphi residing in the Mahoning Valley.

EMPLOYMENT MULTIPLIERS

It was estimated that the **annual** loss of nearly **$58 million** in pension income by the 1,056 salaried Delphi retirees would result in a reduced consumption of goods and services produced directly or indirectly in the Mahoning Valley. Since these goods and services create employment opportunities from the secondary and tertiary sectors of the economy, a downstream employment multiplier of **1.3** was assessed for this loss. This means that for every **$1 million** of reduced retirees' pension, an equivalent of **30** employment positions that are currently in existence or would be created in the future would be lost. In the process, a grand total of **1,740 employment losses** was estimated **annually** from the primary, secondary, and tertiary sectors of the Mahoning Valley.

CONCLUSION

The goal of this study was to show analytically how a reduction in their defined retirement plans, and cuts in their health care coverage, will fiscally impact the salaried, retired employees of the Delphi Packard Electric Systems Company, and the Mahoning Valley's economy, due to the takeover of Delphi's pension disbursement by the PBGC. This study used data samplings of current salaried pension recipients during their Breakfast Meeting held August 13, 2009, in the Mahoning Valley.

Using the *RIMS II* Modeling system, a ***fiscal multiplier*** of **1.21** was estimated, which means that for each **$1 million** of reduced pension income, **$21,000** in lost revenue will accrue to the Mahoning Valley's economy due to rounds and rounds of reduced consumption by these retirees of some goods and services produced in the Mahoning Valley. A grand **annual** total of **$57.7 million** of *direct, indirect and induced* fiscal economic impact losses was calculated for the 1,056 salaried retirees living in the Mahoning Valley. The impact of tax deductions was not factored into the pension calculation equation because of tax code complications at both the state and national levels.

An ***employment multiplier*** downstream of 1.3 was assessed for this study. This means that for each **$1 million** of pension loss from 1,056 salaried Delphi retirees in the Mahoning Valley, 30 employment positions would be foregone, for a total of **1,740 annually**, either directly or indirectly, from the primary, secondary and tertiary sectors of the Mahoning Valley's economy.

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IUE Health Care Calculations

Using Current Proposed Plan

Plan Per Couple	$140/per Month	Monthly Premium	Proposed Health Plan
Deductable (Out of Pocket)	$416/per Month	Co-Pays	Equivalent to $5000/Year

Retirees	Cost/ Month	Total Cost/Month	Cost per Year	
7000	**$140.00**	**$980,000.00**	**$11,760,000**	Premium Payments (Lost to Economy)
7000	**$416.00**	**$2,912,000.00**	**$34,944,000**	Average Deductable of $5000 per Family* per Year
			$46,704,000	**Direct Reduction in Revenue**
		Fiscal Multiplier	**1.21**	
		Fiscal Impact	**$56,511,840**	
		Total Fiscal Impact	**$103,215,840**	per YEAR

(THIS WAS NOT PART OF THE YSU STUDY- We did not have definition of the new health care plan while developing the Salary Study)

*Average of 75% of retirees will pay at least $5000 per year in deductibles- some will pay none some will max out at $7500/year.

This represents dollars removed from disposable income.

Summary Impact on the VALLEY

			Cost per Year	
1067	**Salary Pension & Health Care**		**$58,000,000**	
7000	**IUE Health Care**		**$103,000,000**	
		Totsl Fiscal Impact	**$161,000,000**	**per YEAR**

NATIONAL IMPACT- DELPHI PENSION REDUCTION AND HEALTH CARE LOSS

LOST REVENUE NATIONALLY

Pension Reduction Impact- Lost Revenue ONLY

Average Current Pension Plan Payments

13.5% Taxes Fed/State

AVERAGE SALARY PENSIONS	Retirees- Pro Rated	Total Pension	Taxes	After Taxes	Base Pension			Penetration
UP TO 62	13736	$3,338	$451	**$2,887**	$1,926	$1,412	**Supplement**	68%
63 TO 65	4040	$3,650	$493	**$3,157**	$2,027	$1,623	**SS**	20%
	17776							

*Based on 20,200 12% Over age 65

Average Post PBGC Pension Plan Payments

13.5% Taxes Fed/State

AVERAGE SALARY PENSIONS	Retirees- Pro Rated	Total Pension	Taxes	After Taxes	Base Pension			Penetration
UP TO 62	13736	$1,631	$220	**$1,410**	$1,348	$282	**Supplement**	68%
63 TO 65	4040	$3,245	$438	**$2,807**	$1,622	$1,623	**SS**	20%
	17776							

*Based on 20,200 12% Over age 65

CALCULATIONS ARE AFTER TAXES

AVERAGE SALARY PENSIONS	Retirees- Pro Rated	Total Pension Pre PBGC	Total Pension Post PBGC	$$ LOSS/MO.	Lost Income 1 Month	Lost Income 1 Year
UP TO 62	13736	**$2,887**	**$1,410**	**$1,477**	**$20,286,712**	**$243,440,546**
63 TO 65	4040	**$3,157**	**$2,807**	**$351**	**$1,416,711**	**$17,000,530**
	17776				**$21,703,423**	**$260,441,076**

*Based on 20,200 12% Over age 65

NATIONAL IMPACT- DELPHI PENSION REDUCTION AND HEALTH CARE LOSS

Salary Health Care Calculations

Using Current VEBA Plan

Assume Gold Plan for a Couple	$320/per Month	Monthly Premium	HCTC Health Plan
Deductable (Out of Pocket)	$330/per Month	Co-Pays	Equivalent to $4000/Year

Retirees	Cost per Month	Total Cost per Month	Cost per Year	
17776	**$320.00**	**$5,688,320.00**	**$68,259,840**	Premium Payments (Lost to Economy)
17776	**$330.00**	**$5,866,080.00**	**$70,392,960**	Average Deductable of $4000 per Family* per Year
			$138,652,800	

*Average of 75% of retirees will pay at least $4000 per year in deductibles- some will pay none some will max out at $7500/year.
This represents dollars removed from disposable income.

Federal And State Income Tax LOSS

	Retirees	Pre PBGC	Post PBGC/per Mo	Loss	Loss/Month	Totals per Year
UP TO 62	13736	$451	$220	$230	$3,166,134	$37,993,611
63 TO 65	4040	$493	$438	$55	$221,105	$2,653,262
	17776					**$40,646,873**

NOTE: Municipalities do not tax pension income.

Direct LOSS of Disposable Income

	Loss per year
Pension Loss	$260,441,076
Health Care Costs	$138,652,800
	$399,093,876 Direct LOSS of Disposable Income

NATIONAL IMPACT- DELPHI PENSION REDUCTION AND HEALTH CARE LOSS

Economic Impact **DOES NOT INCLUDE TAX LOSSES**

The estimated Direct LOSS of Disposable Income- Per Year	**$399,093,876**
The Economic Multiplier (Each $$ will be spent three times before leaving the economy)	**3**
	$1,197,281,627
TOTAL FISCAL LOSS	**$1,596,375,503**

Employment Multiplier **1.3**

RELATED JOB LOSS ASSOCIATED WITH LOSS OF DISPOSABLE INCLOME ***47880***

ASSUMPTIONS:

People over 65 not included in calculations
Totals are pro-rated 1200 salary
Pensions are based on a sampling of 50 salary retiree's (their actual pension breakdowns)
Retiree's over 62 will NOT lose any Social Security Benefits

Salary	Current	Post
Pre age 62 members will likely lose 80% of their supplement	$1,412	$282
Pre age 62 members will likely lose 30 % of their pension	$1,926	$1,348
Age 62-65 members will lose no SS benefits		$0
Age 62-65 members will likely lose 20% of their pension	$2,027	$1,622

Age Penetration

Salary	
68%	Age 61 and Under
20%	Age 62-65
12%	Age Over 65

NATIONAL IMPACT- DELPHI PENSION REDUCTION AND HEALTH CARE LOSS

IUE Health Care Calculations		*Using Current Proposed Plan*	
Plan Per Couple	$140/per Month	Monthly Premium	Proposed Health Plan
Deductable (Out of Pocket)	$416/per Month	Co-Pays	Equivalent to $5000/Year

Retirees	Cost/ Month	Total Cost/Month	Cost per Year	
47000	**$140.00**	**$6,580,000**	**$78,960,000**	Premium Payments (Lost to Economy)
47000	**$416.00**	**$19,552,000**	**$234,624,000**	Average Deductable of $5000 per Family* per Year
			$313,584,000	**Direct Reduction in Revenue**
		Fiscal Multiplier	**3**	
		Fiscal Impact	**$940,752,000**	
		Total Fiscal Impact	**$1,254,336,000**	per YEAR

(THIS WAS NOT PART OF THE YSU STUDY- We did not have definition of the new health care plan while developing the Salary Study)

*Average of 75% of retirees will pay at least $5000 per year in deductibles- some will pay none some will max out at $7500/year.

This represents dollars removed from disposable income.

Summary

			Cost per Year	Jobs Lost
47000	**IUE Health Care**	**Total Fiscal Impact**	**$1,254,336,000**	**37620**

NATIONAL TOTALS

	$$	JOBS LOST
TOTAL FISCAL LOSS- SALARY	**$1,596,375,503**	**47880**
TOTAL FISCAL LOSS- IUE/CWA	**$1,254,336,000**	**37620**
	$2,850,711,503	***85,500***

Delphi Salaried Retiree's Benefit Cuts Compared to GM & Delphi Hourly Retirees

Source: Various National and Local U.S. Media Reports and Publications