

Written Testimony from Bruce Gump, Vice-Chairman Delphi Salaried Retirees Association to the House Oversight and Government Reform Committee. November 14, 2011

Chairman Issa, Congressman Turner, members of the committee: Thank you for another opportunity to explain our issues and the effect the treatment we have received at the hands of the Obama Administration and the PBGC has had on our members and the nation, and to request your help in resolving those issues.

I would like to tell you about the harm that has happened to us for no reason other than the PBGC determined to cut a deal with Delphi and General Motors at the direction of the United States Treasury, especially the President's Auto Task Force. First, please understand that the Salaried Retirees include people who worked as secretaries, customer service representatives, cost estimators, technicians, engineers, accountants, and numerous other functions that helped to make the company run. We were all told what to do, and did what we were told in exchange for the current and future compensation, including a modest pension. We were not all "highly compensated" nor were we "fat cats", but we did work hard, we did everything right and we expected to be paid the wages we earned including the deferred compensation known as a pension. We were reassured several times by both Delphi and the PBGC that our pension plan was being well protected. But then the Treasury stepped in...

The short version is the PBGC chose to unnecessarily and illegally terminate our pension plan to make it easier for GM to retain Delphi as one of their main suppliers. No representation from the participants in the Salaried Plan was ever allowed, no effort was made to gain additional value from the company when the plan was terminated in spite of the PBGC's right to do so, and it appears special effort was made to make the plan appear to be badly underfunded. The results of this have been devastating to our members and our communities.

I will tell you my own story first: At age 57 I had contributed almost 33 years to GM and Delphi. My wife and I have four children, and currently all four are in college with our oldest in grad school at Case Western Reserve. We provide health care insurance as well as other expenses for the whole family. The Delphi bankruptcy and the termination of the pension resulted in a 30% reduction plus the loss of all health care and life insurance. My wife works part time as a nurse for an area hospital that has just been taken over as a part of their own bankruptcy. If she works three days a week we can purchase health care insurance for about one-fourth the value of my pension. Scholarship money and loans help, but we still spend about 65% of my pension on tuition and room & board for our children. All of the taxes, fees, food, mortgage, utilities, fuel and incidentals are paid for through my wife's relatively small income plus our savings. Over the last 30 months, we have spent about \$60,000 we had not planned to spend this early in my retirement. The future is certainly not rosy for us, and looking down the road just 10 years from now our

savings will be severely depleted. My fixed income pension will not be able to purchase even the necessities, let alone any optional expenses. Fifteen and twenty years from now will be even worse, but hopefully we won't live so long as to be a burden on our children. I wish I had joined a large and powerful union, but I never thought that my government would choose to treat me badly just because I didn't. I guess I was naïve. I have warned my children and as many others as I can that no promise from any company, or from our government can be relied upon. They are on their own and they had better be prepared to display their "commercial necessity" in the future for that is the only thing that matters to them. Citizenship, contributions to society, nothing matters except their "commercial necessity." That precedent, if it is allowed to stand, will just get worse over time and will likely be applied to education, Medicare and Medicaid, the military, Social Security, anything the government does. That is the lesson in the way the winners and losers were chosen in this unprecedented intrusion. The PBGC will play along with that too and allow everything to be taken away if they determine or are told to choose one group over another. The future my children face given this precedent is the biggest reason I fight for what is right and will not give up.

I will also tell you about the co-chairman of our Warren Legislative Group in the DSRA, Mary Ann Hudzik. She lost 40% of her earned pension, and the cost of health care insurance rose to more than 12 times what it cost while working. Fortunately the Health Coverage Tax Credit has been a life saver for her and for many others whose pensions are at the PBGC, and so her cost to provide insurance for herself and her self-employed husband is "only" about a 500% increase. She had earned an "award" of sorts for saving the company about \$3 million in her position in the sales department, but that didn't matter to Delphi and even less to the PBGC who saw her as only a liability. Her husband suffers greatly from a degenerative disease and so cannot always work. Self employed means no work = no pay so their income fluctuates wildly as a result and their savings is the only buffer. With the reduced pension and increased cost for health and life insurance, their future is more uncertain than ever as they are having to use their savings much earlier than planned. Had she been a member of the right group, one that was favored by the administration, or even if the PBGC had actually protected the pension as they promised they would, then much of the uncertainty would be removed and they could plan for a healthy and secure retirement after the 30 or more years spent at Delphi. Mary Ann is a fighter, and so she says she has spent more than 5,000 hours working with the Warren Legislative Group fighting for the pension she earned by talking to, pleading with, and demanding her political representatives to do what is simply the right thing to do. As the chairman of that group, I will tell you she has estimated her time spent very conservatively. I would guess over the last 2 ½ years she has contributed more than 7,000 hours working to reverse the decisions and the precedent that have affected us all. Unfortunately, Mary Ann has depleted her own physical resources and has developed a case of mononucleosis. It is for that reason alone that she is not here today. She is simply too weak to risk travel.

Finally I will tell you about Jim Kane who is here today. Jim worked 36 ½ years for GM and Delphi. While working for Delphi in Mexico he contracted a virus that destroyed the hearing in his right ear. His Superintendent told him to get whatever health care was needed. Unfortunately for him that Superintendent retired before Jim had completed the health care process and so he ended up having to pay more than \$12,000 out of his retirement savings because Delphi would not cover it. On being told he was being “involuntarily terminated” he lost his life and health care insurance, and then the PBGC terminated the pension plan causing him to further endure a 30% reduction in his pension. He has since had a heart attack and developed diabetes. His retirement savings are gone. He can no longer provide health care insurance for his wife or himself. He says “I want what was promised to survive with some dignity in my final years. I want justice.”

I think that sums it up, that is what we all want – what we were promised, the ability to survive with some dignity and some justice. Please note that each of the stories you hear today are just the beginning of a situation that, if allowed to continue, will just get worse and worse. Many of our members have already fallen off the financial cliff and had to declare personal bankruptcy and have seen their homes foreclosed. We have had to endure additional health issues due to the stress and the desire to conserve resources. One friend of mine delayed going to the doctor for something he felt was wrong because he wanted to earn enough from a part-time job to pay for the expenses. He waited too long and by the time he was diagnosed it was too late and he was dead in just a few weeks.

On a larger scope, there are worse indications of the effects of these retirees not being able to participate in the economy as they had planned. In my community in NE Ohio, a recent Brookings Institute study determined that Youngstown Ohio has the highest concentration of poverty IN THE NATION! The poverty rate there was determined to be 49.7%. I saw an article in the local newspaper a couple months ago decrying the fact that 30% of the dwellings in Warren, Ohio are vacant. A nine-story bank building in good condition and right across the street from the Courthouse was sold at auction just a short time ago. It brought only \$75,000 for the owner. A study by Youngstown State University predicted that the salaried pension issue alone would cost the economy of the Mahoning Valley more than \$58 million per year and if the health care insurance losses for all the retirees was included that number would increase to \$161 million per year. It has been 2 ½ years now, so what we are seeing is at least partially due to the loss of more than \$400 million taken out of the local economy. All because we were determined by our government to have no “commercial necessity” so our pensions were unnecessarily and illegally terminated, we lost all our earned benefits and can no longer participate in the economy. On a state level and adding in the retirees from the Dayton, Columbus and Sandusky regions, those numbers increase to \$480 million per year or nearly \$1.2 billion SO FAR. On a national level it is about \$4 billion in just the last 2 ½ years, but the effects could last for decades.

TARP required the Secretary of the Treasury to use the funds to “*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...” Based on what I just told you, I think he failed miserably and the citizens of the country, especially in the areas where he became involved in Delphi are paying the price. But this can be corrected and reversed even now. The PBGC has the ability to solve this problem and do what is right in regards to the well funded pension plan they took. I’m sure our attorneys would be glad to explain the methods available.

We also fight for information about the termination of our pension plan and facts about the status of the plan, however the PBGC continues to defy us and the court by refusing to allow any transparency further than they deem desirable. One must ask why the PBGC would fight the Federal Court on our discovery effort, even when it has specifically spoken on it. I can only come to one conclusion: the consequences of defying the Federal Court are less severe to them than complying with it. That means that protecting the information is worth going to jail or enduring heavy fines, the potential loss of a law license or a career. Let this be known: we will continue to fight in both the legal and the political arenas. We need the aid of good people in government who are willing to help bring transparency, to show the light of truth on a dark area of government. This fight is not really necessary though as all we are asking is to be treated in a fair and equitable manner, not thrown out like yesterday’s trash!

We have a great deal of support and agreement from numerous people and agencies that what was done to us is wrong. That support comes from more than 70 Congressmen and Senators who have written, spoken and acted on our behalf. It also comes from the President of the International United Auto Workers who called the current treatment we have received “a gross injustice.” The Ohio AFL-CIO wrote in support of an Ohio Senate Resolution that called on the Obama Administration and the Congress to treat all the Delphi Retirees in a fair and equitable manner. The Speaker of the Ohio House of Representatives, who didn’t believe in resolutions, wrote a personal letter to the Administration and the Congress in support also. Even the state Democratic Parties in Ohio and Michigan have passed resolutions demanding that all the Delphi Retirees be treated fairly. It seems that everybody except the Obama Administration and the PBGC see the wrong that has been committed and is demanding it be corrected.

Help us, please, to put an end to this nightmare and reverse the precedent set by this administration and the PBGC so we and those who come behind us will not have to deal with the same horrible issues. Help us stop the slide down the financial cliff our members have been forced to endure and which can only lead to ruin. Do it for your and our children’s and grandchildren’s sake. Do it for the sake of the entire country. Do it for us, and please do it quickly! There is an old saying that all evil requires to succeed is for good people to do nothing. We’re doing all we can and we ask you to do the same.