

Benefits & Executive Compensation News

Trump's Delphi Pension Pitch Raises Questions Over Who Will Pay

By Warren Rojas

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- Returning assets to nonexistent company unprecedented
 - Could open door to other disgruntled pensioners
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Restoring full retirement benefits to Delphi auto workers, as requested by President Donald Trump, would require creating a shell company to dispense money it doesn't have, former federal pension insurer officials said.

Trump ordered various cabinet members to intervene on behalf of participants in Delphi Corp.'s salaried pension program who have been contesting their diminished benefits in court for years. That program was underfunded by \$2.7 billion when the Ohio-based company passed it off to the Pension Benefit Guaranty Corporation as part of its bankruptcy proceedings.

While the PBGC in rare instances has restored financially distressed plans, in those cases there was still a company around to shoulder the burden, policy professionals said.

Fulfilling Trump's request is tricky because reinstating the plan entails handing things over to a non-entity that "would still be short several billion and have no one at the helm," Israel Goldowitz, a PBGC alum turned partner at Wagner Law Group, said.

"There is no Delphi nor any other entity to put it back to," Goldowitz said.

Joshua Gotbaum, former PBGC director who is now a guest scholar at the Brookings Institution, denounced the order to review Delphi employee pensions as a political "scam."

"Sadly, this is an effort to get people to vote for President Trump by pretending that a study—which conveniently won't be delivered until after the election—will get Delphi's salaried workers' pensions back to them," he said.

The White House didn't respond to requests for comment about the new project.

Rare Occurrence

Former PBGC director Tom Reeder said the federal pension insurer has invoked its authority to return struggling pension plans to sponsors just twice before.

The PBGC in 1990 forced LTV Steel to honor its pension liabilities during the company's first go-around in bankruptcy. That battle went all the way to the U.S. Supreme Court, in *PBGC v. The LTV Corp.*, where the PBGC prevailed. The pension insurer wound up trusteeing the plan a decade later during LTV's subsequent restructuring bid.

The second time, in 2016, involved Renco Steel, which was part of a venture capital group. Renco put up a fight, but eventually agreed to resume responsibility for the plan.

The difference with Delphi is that the company no longer exists, Reeder said.

"I don't know what's going to happen to put that \$2.7 billion back into the plan," Reeder said. "Who would be the sponsor?"

Reeder said restoring the funds absent PBGC protections means plan participants would face a first-come, first-served scenario favoring current retirees over those not yet eligible for earned benefits.

"If it's not in the PBGC's hands, benefits are just paid out until the money's gone," Reeder said.

Gotbaum urged pensioners against putting their faith in what he called election year gambits.

"The only thing that would save Delphi workers is if Congress changes the law and authorizes paying their full pensions," he said.

And doing that would open the door to tens of thousands of Americans—including the airline and steel workers who suffered benefit cuts when their plans collapsed—demanding immediate do-overs.

"There are others in the same position as the Delphi workers," Gotbaum said.

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