

March 30, 2011

Congressional Requesters

Subject: *Key Events Leading to the Termination of the Delphi Defined Benefit Plans*

The Delphi Corporation was a global supplier of mobile electronics and transportation systems that began as part of the General Motors Corporation (GM)¹ and was spun off as an independent company in 1999. Following bankruptcy in 2005, Delphi's six qualified defined benefit (DB) plans were terminated and trustee by the Pension Benefit Guaranty Corporation (PBGC) in July 2009. These terminations culminated from a complex series of events involving Delphi, GM, various unions, the U.S. Department of the Treasury (Treasury), as well as PBGC. You asked us to examine a range of issues related to PBGC's termination of Delphi's DB plans,² such as the decision to terminate, the efforts to secure plan assets, the treatment of collective bargaining agreements, and Treasury's role throughout the process. As discussed with your staff members in December 2010, this report includes a timeline of key events leading to the termination of Delphi's plans (see enclosure I). The timeline focuses, in particular, on events related to the reasons for GM providing retirement benefit supplements to certain Delphi employees, but not to others, and Treasury's role in those events. We will compare PBGC's process for terminating Delphi's pension plans with its process for terminating other large, complex plans in a future report.

To construct the timeline, we relied on publicly available documents, such as bankruptcy filings by GM and Delphi, company reports to the Securities and Exchange Commission, press releases; and on documents received from groups with whom we have talked, including Delphi, GM, the Delphi Salaried Retiree Association (DSRA), PBGC, and Treasury. We conducted our work from October 2010 to March 2011 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we

¹Prior to bankruptcy reorganization, GM's legal name was General Motors Corporation. The legal name of the new entity that was created through the bankruptcy process is General Motors Company (the entity that purchased the operating assets of the pre-reorganization corporation, which we discuss later in this report). As of October 19, 2009, General Motors Company became General Motors LLC. Throughout this report, in cases where a distinction is important, we refer to the pre-reorganization corporation as "old GM" and the post-reorganization company as "new GM."

²For a summary of Delphi's six qualified DB plans, insured by PBGC, see enclosure II.

plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product.

Summary

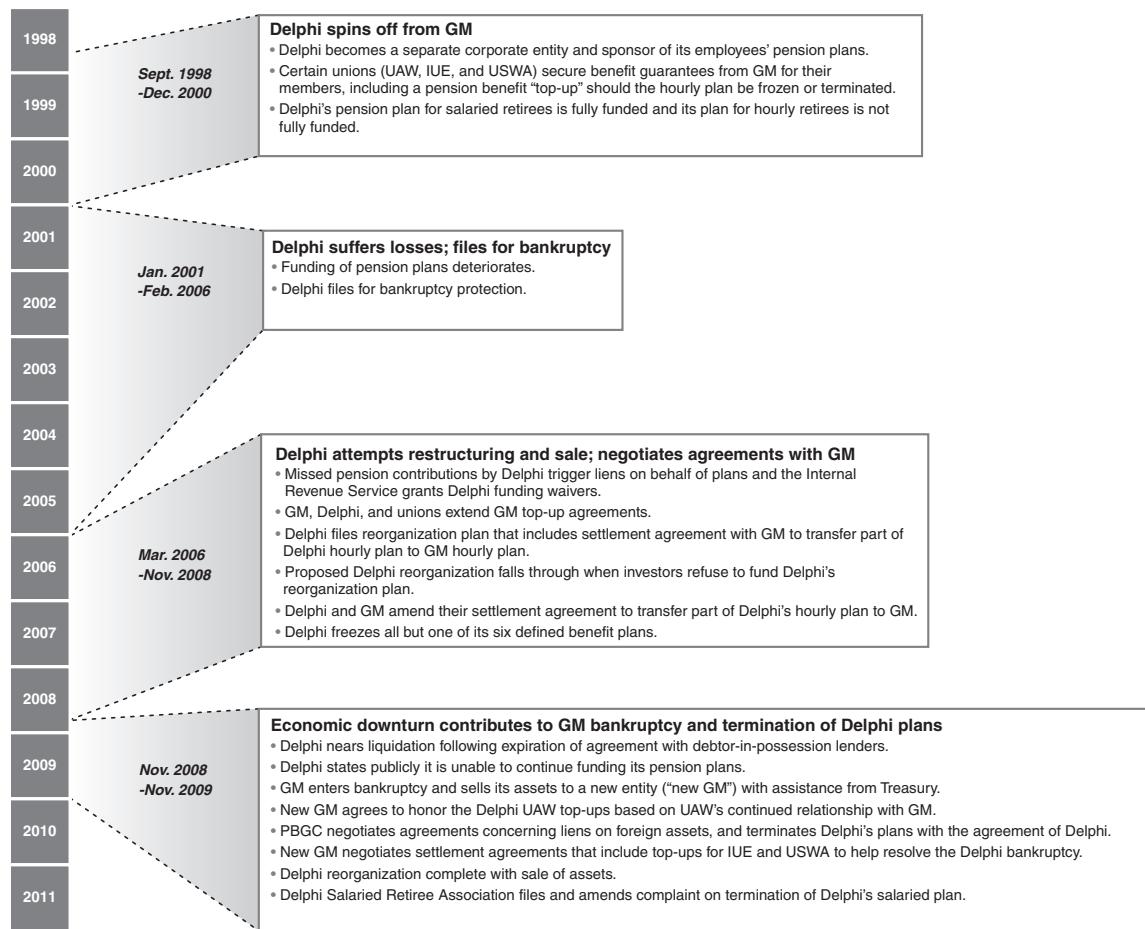
During the 1999 spin-off negotiations between GM and Delphi,³ three unions secured benefit guarantees for their members: International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW); the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, AFL-CIO (IUE);⁴ and the United Steelworkers of America (USWA). The benefit guarantees included an agreement that GM would provide a retirement benefit supplement (referred to as “top-ups”) to certain Delphi employees who were members of these unions should their pension plans be frozen or terminated and they were to suffer a resulting loss in pension benefits. No other Delphi employees had a similar agreement to receive a top-up, including salaried workers and hourly workers belonging to other unions. Over the course of events that followed, summarized in figure 1 and described in more detail below, the agreements with these three unions were ultimately preserved through the resolution of the bankruptcies of both GM and Delphi. Because Delphi’s pension plans were terminated with insufficient assets to pay all accrued benefits, and because PBGC must adhere to statutory limits on the benefits it guarantees,⁵ many Delphi employees will receive a reduced pension benefit from PBGC compared with the benefits promised by their DB plans. Those Delphi employees receiving the top-ups will have their reduced PBGC benefit supplemented by GM while others will not.

³For the purposes of this report, “Delphi” refers to the company prior to its emergence from Chapter 11 reorganization. Postbankruptcy Delphi is DPH Holdings Corporation, a liquidating entity, and Delphi Automotive LLP is a United Kingdom limited partnership, which was created in 2009 and purchased most of Delphi’s assets.

⁴Effective October 1, 2000, IUE merged with the Communications Workers of America to become the Industrial Division of CWA (IUE-CWA); for the purposes of this report, we continue to refer to this entity as the IUE.

⁵When a plan is terminated without sufficient assets to pay all promised benefits, PBGC determines the amount of benefit guaranteed based on certain limits specified under the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1322-1322b, and related regulations, 29 C.F.R. §§ 4022.21, 4022.24 and 4022.25 (2010). While PBGC does not expect to finalize benefit amounts for each participant in Delphi’s plans for several years, it anticipates that the application of these limits will result in many participants receiving a lower benefit from PBGC than that promised by their plans. For more on PBGC guarantees and the benefit determination process, see GAO, *Pension Benefit Guaranty Corporation: More Strategic Approach Needed for Processing Complex Plans Prone to Delays and Overpayments*, GAO-09-716, (Washington, D.C.: Aug. 17, 2009).

Figure 1: Overview of Key Events Leading to Termination of Delphi's Pension Plans



Sources: GM, Delphi, and Treasury documents. (For further details, see enclosure I).

Three Unions Secured Top-Up Agreements in Negotiations Following Delphi's Spin-Off from GM

As part of Delphi's spin-off from GM in 1999, GM was required to collectively bargain with the unions affected by the spin-off—including UAW, IUE, and USWA, as well as other "splinter" unions.⁶ As a result of these negotiations, GM agreed to provide top-ups to "covered employees" with UAW, IUE, or USWA if the Delphi pension plans were terminated or frozen at a later date, covering any shortfall of benefits below the level promised by the Delphi plans. "Covered employees" were generally defined as those who had been represented by these unions as GM workers and now as Delphi workers with no break in employment or seniority as of

⁶The splinter unions include the International Association of Machinists and Aerospace Workers; International Brotherhood of Electrical Workers; Michigan Regional Council of Carpenters, Local 687 and Interior Systems, Local 1045; International Brotherhood of Painters and Allied Trades of the United States and Canada, Sign & Display Union Local 59; International Brotherhood of Teamsters; International Brotherhood of Boilermakers; International Union of Operating Engineers; and United Catering Restaurant Bar & Hotel Workers.

May 28, 1999. The top-up benefits were part of separate benefit guarantee agreements, signed between September and December 1999, between GM and certain unions representing Delphi workers—specifically, the UAW, IUE, and USWA. Also, on December 22, 1999, Delphi agreed to indemnify GM for all benefits provided by GM under the UAW benefit guarantee.⁷ At the time GM entered into these agreements, Delphi's salaried plan was fully funded while Delphi's hourly plan was not fully funded (see enclosure III).

After Delphi Filed for Bankruptcy, Delphi and GM Agreed to Extend the Top-Up Agreements with the Three Unions

Over the period 2001 to 2005, Delphi suffered large losses, and the company filed for bankruptcy in October 2005.⁸ During the bankruptcy, Delphi failed to make required minimum contributions to the plans and, as a result, liens were triggered by federal statute on behalf of the plans. Beginning in March 2006, PBGC took steps to perfect these liens in accordance with law.⁹ While Delphi was in bankruptcy and attempting to restructure, in May 2007, the Internal Revenue Service (IRS) granted Delphi waivers that temporarily allowed Delphi to forego making minimum contributions to its plans and to provide letters of credit as collateral for the waivers.

Shortly thereafter, Delphi and GM agreed to extend the top-up agreements with UAW, IUE, and USWA. In June 2007, GM, Delphi, and UAW entered into a memorandum of understanding (MOU) extending the GM benefit guarantee for Delphi UAW workers, which would be enforceable if benefit accruals for future credited service in the Delphi hourly plan were frozen and if the plan were terminated. On August 5, 2007, GM and Delphi entered into a MOU with Delphi IUE, and on August 16, 2007, with Delphi USWA, providing the same top-up guarantee as the Delphi UAW MOU. The splinter unions negotiated for other benefits at this time, but were not guaranteed top-ups; nor were any agreements reached regarding top-ups for salaried workers.

In September 2007, GM and Delphi entered into a global settlement agreement that included a plan to transfer assets and liabilities from Delphi's hourly pension plan to the GM hourly pension plan, and for Delphi to freeze new accruals to its hourly plan. The agreement did not establish a specific effective date, but listed various conditions that had to be met in order for it to become effective. Before becoming effective, the agreement was modified in September 2008, based on further negotiations described below.

⁷This indemnification would allow GM to have a claim against Delphi for any expenses incurred by GM for coverage of guaranteed benefits.

⁸For a summary of Delphi's financial statistics, 1999 to 2009, see enclosure III. For a summary of the funding history of Delphi's hourly and salaried plans, see enclosure IV.

⁹Perfecting a lien involves registering it with the proper legal authority, resulting in it becoming a secured interest and thereby receiving a higher priority in bankruptcy.

Under Delphi's initial reorganization plan, the company planned to emerge from bankruptcy without terminating its pension plans. However, in April 2008, the deal with investors that would have made this possible fell through. Five months later, in September 2008, Delphi and GM amended their September 2007 global settlement agreement to specify that GM would take responsibility for approximately \$3.4 billion of net liabilities in Delphi's hourly plan in two phases. In phase 1, GM would assume a portion of Delphi's hourly plan with net liabilities of \$2.1 billion. This transfer took place on September 29, 2008. In phase 2, upon "substantial consummation" of Delphi's reorganization, the remaining assets and liabilities in Delphi's hourly plan were to be transferred to GM. No comparable arrangements were made concerning a transfer of assets and liabilities for Delphi's salaried plan or other smaller plans.

In September 2008, Delphi froze its salaried plan and three of its smaller plans, and in November 2008, Delphi froze its hourly plan as well.¹⁰

Losses throughout the Auto Industry Pushed Delphi Near Liquidation and GM to Seek Assistance from Treasury

Beginning in the fall of 2008, economic conditions deteriorated throughout the auto industry. Delphi experienced declining revenues as GM and other manufacturers sharply reduced production in light of rapidly falling sales. According to documents provided by PBGC, when Delphi's financing agreement with its debtor-in-possession (DIP) lenders expired on April 21, 2009, Delphi's operations were threatened by the prospect of imminent liquidation. On April 21, PBGC determined that it would seek termination of the Delphi salaried and hourly pension plans to avoid the losses that would result if the DIP lenders were to foreclose on their collateral and break up Delphi's controlled group. However, at the request of Delphi and the DIP lenders, PBGC agreed not to proceed with the termination in order to allow the parties to continue negotiating. In exchange, the DIP lenders agreed to give PBGC advance notice of any decision to foreclose so that PBGC could commence termination of the Delphi pension plans in time to protect PBGC's claims.

GM's losses in the fall of 2008 led the company to seek assistance from Treasury through the Automotive Industry Financing Program (AIFP).¹¹ As a condition of

¹⁰A freeze is an amendment to a DB plan to limit some or all future pension accruals for some or all participants. For more information on types of freezes and their effects, see: GAO, *Defined Benefit Pensions: Plan Freezes Affect Millions of Participants and May Pose Retirement Income Challenges*, GAO-08-817 (Washington, D.C.: July 21, 2008).

¹¹In December 2008, Treasury established AIFP under the Troubled Asset Relief Program (TARP) to help stabilize the U.S. automotive industry and avoid disruptions that would pose systemic risk to the nation's economy. TARP was originally authorized under the Emergency Economic Stabilization Act of 2008 (EESA), Pub. L. No. 110-343, div. A, 122 Stat. 3765 (codified as amended at 12 U.S.C. §§ 5201-5261). EESA originally authorized Treasury to purchase or guarantee up to \$700 billion in troubled assets. The Helping Families Save Their Homes Act of 2009 amended EESA to reduce the

receiving this assistance, GM was required to develop a restructuring plan to identify how the company planned to achieve and sustain long-term financial viability. In April and May 2009, Treasury worked with GM to develop a restructuring plan through the Presidential Task Force on the Auto Industry (Auto Task Force) and its staff (auto team).¹² On June 1, 2009, GM filed for bankruptcy and sought the approval of the bankruptcy court for the sale of substantially all of the company's assets to a new entity ("new GM").¹³ In court documents, a Treasury official stated that Treasury was mandated by the President to act in a "commercially reasonable manner" as it related to GM's restructuring and ensure that the new GM assumed only those liabilities of the old company that were thought to be "commercially necessary" for the new company to operate.¹⁴ As GM's primary lender, Treasury was concerned about GM's overall exposure to risks related to distressed suppliers, including Delphi. Specifically, Treasury was concerned about how GM's Delphi liabilities would fit within the new company's business plan. According to a Treasury official deposition, Treasury's mandate to restructure GM included helping GM determine the "best resolution" of the Delphi bankruptcy from GM's perspective, which was guided by three principles (see table 1).¹⁵ However, as Treasury asserted in a February 2010 court motion, the Auto Task Force did not dictate what should be done with the Delphi pensions.¹⁶

maximum allowable amount of outstanding troubled assets under EESA by almost \$1.3 billion, from \$700 billion to \$698.741 billion. Pub. L. No. 111-22, div A, § 402(f), 123 Stat. 1658, 1643. EESA requires that the appropriate committees of Congress be notified in writing when the Secretary of the Treasury, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines that it is necessary to purchase other financial instruments to promote financial market stability. § 3(9)(B), 122 Stat. 3767 (codified at 12 U.S.C. § 5202(9)(B)).

¹²Treasury established an internal working group—referred to as the auto team—to oversee AIFP and provide analysis in support of the Auto Task Force.

¹³On June 1, 2009, GM filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code (11 U.S.C. §§ 1101-1174) and conducted a court-supervised asset sale (under 11 U.S.C. § 363), in which substantially all of the operating assets of the company were sold to General Motors Company, or "new GM," and most of the company's debt and liabilities remained in the possession of Motors Liquidation Company, or "old GM," which is being addressed in bankruptcy court. New GM emerged from bankruptcy on July 10, 2009.

¹⁴Deposition of Treasury Official at 185, No. 04-44481 (RDD) (S.D. N.Y. July 21, 2009) and Motion of Defendants U.S. Department of the Treasury et al. at 10, No. 2:09-cv-13616 (E.D. Mich. Feb. 16, 2010).

¹⁵According to the December 19, 2008, pre-bankruptcy loan agreement between Treasury and GM, Treasury had the right to review and prohibit any "asset sale, investment, contract, commitment, or other transaction not in the ordinary course of business proposed to be entered into with a value in excess of \$100 million," referred to as a "material transaction." Treasury also needed to sign off on the purchase agreement under which old GM sold substantially all of its assets to new GM. This agreement established which contracts would be assumed by new GM. After July 10, 2009, the only approval right, pursuant to the new loan agreement, was if new GM needed funds from an escrow account.

¹⁶The Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is conducting an audit of Treasury's role in GM's decision to provide top-ups for hourly workers, including whether

Table 1: Treasury's Three Guiding Principles for Resolving GM's Liabilities Related to Delphi

Principle	Treasury rationale
Development of a resolution that guaranteed the "sanctity" of GM's supply chain	Treasury did not want GM's attention, which was focused on its own restructuring, to be diverted to finding suppliers for the products provided by Delphi.
Quick resolution of the Delphi bankruptcy	Treasury wanted Delphi's bankruptcy to conclude sooner rather than later, given that Delphi had already been in bankruptcy for 3 years by this point.
A resolution that required the least possible amount of investment by GM	Because GM had already invested billions of dollars in Delphi during Delphi's bankruptcy process, Treasury believed that GM should not provide additional money to Delphi absent an overall resolution of the Delphi bankruptcy.

Source: Deposition of Treasury Official, No. 04-44481 (RDD) (S.D. N.Y. July 21, 2009).

In assisting with GM's reorganization, Treasury conducted analysis confirming GM's assessment of the Delphi pension liabilities. Specifically, in May 2009, Treasury had anticipated that Delphi's salaried pensions would be terminated, but that GM would assume additional liabilities for the Delphi hourly plan, as called for in phase 2 of the September 2008 agreement. Additionally, on June 1, 2009, Delphi announced that its hourly plan would be "addressed by GM." According to a Treasury official deposition, there was a reasonable argument for GM to assume the Delphi hourly plan for UAW-represented workers, given that UAW's role was continuing with the new GM and that the hourly plan was not fully funded at the time the plan was transferred from GM to Delphi in 1999. However, the phase 2 transfer called for Delphi to pay a \$2.055 billion administrative claim to GM, which it could not do. In the Treasury official's deposition, it was noted that shortly after GM's bankruptcy filing, GM notified Treasury that it had not built sufficient funding into its restructuring plan to take on the hourly plan, but that it had built in the assumption that it would provide the top-up for Delphi UAW retirees. Treasury's auto team assessed GM's analysis on the potential cost of GM taking on the Delphi hourly pension plan and agreed with GM's conclusion that the hourly plan was a "\$3 billion liability that General Motors could not afford."¹⁷ Phase 2 of the transfer of hourly plan liabilities from Delphi to GM was not in GM's reorganization plan and never took place.

GM's Reorganization Maintained Delphi UAW Top-Ups Based on UAW's Continued Relationship with GM

As part of the sale of the assets of old GM to new GM, GM negotiated with UAW—which represented its largest employee group—to modify wages, benefits, and work rules to be more cost competitive. As a result of these negotiations, GM and UAW agreed that new GM would assume all employment-related obligations and liabilities under any assumed employee benefit plan relating to employees that are

the Administration or Auto Task Force pressured GM to provide additional funding for the hourly plan. SIGTARP has not announced when it expects to complete this audit.

¹⁷Deposition of Treasury Official, No. 04-44481 (RDD) (S.D. N.Y. July 21, 2009).

or were covered by UAW collective bargaining agreements in its master sale and purchase agreement, to which Treasury gave its approval.¹⁸ Thus, the master sale and purchase agreement included only GM's obligation to provide top-ups to Delphi UAW retirees.¹⁹ No other negotiations took place that resulted in comparable obligations concerning top-ups for members of the two other unions, IUE and USWA, even though they had previously secured top-up agreements with GM; nor for the splinter unions or the salaried employees who had no previous top-up agreements with GM. As noted in a Treasury official deposition, because of the bargaining between GM and UAW concerning the GM bankruptcy and new UAW agreement, GM was prepared to honor the obligation of providing top-ups to UAW Delphi retirees, while the situation regarding comparable obligations with the other unions was less clear.

On June 19, 2009, IUE and USWA objected to the proposed sale of GM's assets because retirees of Delphi represented by IUE and USWA would not receive the same benefits as retirees of Delphi represented by UAW.²⁰ The court overruled these unions' objection to the sale, stating that new GM needed a "properly motivated workforce to enable [new GM] to succeed," requiring it to enter into "satisfactory agreements with the UAW" and was not "similarly motivated in triaging its expenditures to assume obligations for retirees of unions whose members, with little in the way of exception, no longer work for GM."²¹ Accordingly, the bankruptcy court approved the sale of GM's assets on July 5, 2009, and those assets were conveyed to new GM on July 10, 2009.

Delphi Publicly Stated That It Was Unable to Fund Its Plans and the Plans Were Terminated

On June 1, 2009, Delphi, citing its inability to fund its plans and a lack of feasible alternatives, publicly stated that PBGC "may initiate an involuntary termination" of the Delphi salaried plan. Delphi and GM entered into agreements with PBGC that provided PBGC an unsecured claim in Delphi's bankruptcy and released PBGC's current claims and foreign liens on Delphi's assets on July 21, 2009. PBGC agreed to release its \$196 million of foreign liens (foreign subsidiaries had not filed for

¹⁸In re General Motors Corp, 407 B.R. 463, 481 (Bankr. S.D.N.Y. 2009) (Decision on debtor's motion for approval of (1) sale of assets to Vehicle Acquisitions Holdings LLC; (2) assumption and assignment of related executory contracts; and (3) entry into UAW retiree settlement agreement).

¹⁹The master sale and purchase agreement outlined, among other things, the assets being sold by old GM to new GM and the liabilities being assumed by new GM from old GM.

²⁰Objection to Debtors' Motion Pursuant to 11 U.S.C. §§ 105, 363(b), (f), (k) and (m), and 365 and Fed. R. Bankr. P. 2002, 6004, and 6006, to (I) Approve (A) the Sale Pursuant to the Master Sale and Purchase Agreement with Vehicle Acquisition Holdings LLC, a U.S. Treasury-Sponsored Purchaser, Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (B) the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (C) Other Relief; and (II) Schedule Sale Approval Hearing, In re General Motors Corporation, No. 09-50026(REG) (Bankr. S.D.N.Y. June 19, 2009).

²¹407 B.R. 512.

bankruptcy) and other termination claims in exchange for a \$3 billion unsecured claim in Delphi's bankruptcy, a \$70 million cash contribution from GM, and 10 percent of the first \$7.2 billion of distributions from Delphi Automotive LLP, the newly-created British partnership that purchased most of Delphi's assets. On July 22, 2009—12 days after the sale of GM's assets to new GM—PBGC announced the termination of all six of Delphi's qualified DB plans, and on August 10, 2009, PBGC assumed trusteeship of the plans. PBGC stated that the Delphi pension plans were underfunded by \$7 billion when they were terminated. PBGC estimates that it will need to make up about \$6 billion of that shortfall using PBGC funds, leaving plan participants to bear the loss of the \$1 billion difference through reduced benefit amounts provided by PBGC.

New GM Ultimately Agreed to Provide Top-Ups for IUE and USWA to Help Finalize Delphi's Bankruptcy

The approval of the sale of old GM did not resolve IUE's and USWA's claims that new GM was required to continue to provide the pension benefit guarantees in accordance with collectively bargained agreements. Both old GM and new GM denied these claims. According to a company filing, new GM maintained that it was not obligated to assume or to continue to abide by old GM's collective bargaining agreements with IUE and USWA, while old GM maintained that it was entitled to cancel or terminate all obligations arising from collective bargaining agreements between old GM and IUE or USWA.²² In the summer of 2009, IUE and USWA shifted the focus of their objections from the GM bankruptcy settlement to the Delphi bankruptcy settlement. On July 9 and July 15, 2009, IUE and USWA, along with some of the splinter unions, filed objections against Delphi's proposed reorganization plan and sale.²³ On July 15, 2009, Delphi Salaried Retiree Association (DSRA) filed an objection against Delphi's bankruptcy based on Delphi's modified plan including the termination of the salaried plan, among other things. On July 30, 2009, the Delphi bankruptcy court overruled the IUE, USWA, and DSRA objections and authorized the consummation of Delphi's modified reorganization plan.

Delphi remained a significant—if not the largest—supplier for GM. Thus, although GM was not required to provide the top-ups to IUE and USWA under its own bankruptcy settlement, GM was motivated to resolve Delphi's bankruptcy, and

²²Settlement Agreement Between and Among GMCO/MLC-IUE-CWA and USWA Regarding Retiree Health Care, Life Insurance, Pension Top-Up, and Modification and GMCO Assumption of MLC-IUE-CWA CBA, dated Sept. 10, 2009.

²³Preliminary Objection of IUE-CWA to Motion for Order Authorizing and Approving the Equity Purchase and Commitment Agreement Pursuant to Sections 105(a), 363(b), 503(b) and 507(a) of the Bankruptcy Code, No. 05-44481 (RDD), (Bankr. S.D.N.Y. July 9, 2009) and Joinder of United Steel, Paper & Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union to Preliminary Objection of IOUE Locals and IBEW and IAM to Debtors' Motion for Order Authorizing and Approving Modified Plan of Reorganization, No. 05-44481 (RDD), (Bankr. S.D.N.Y. July. 15, 2009). Objection to Debtors' Proposed Modifications to Debtors' First Amended Plan of Reorganization (As Modified) at 2, No. 05-44481 (RDD) (Bankr. S.D.N.Y. July 15, 2009).

Treasury, as previously noted, was interested in a quick resolution of the Delphi bankruptcy that required the least possible amount of investment by GM, but that guaranteed the “sanctity” of GM’s supply chain. According to the Delphi–GM master disposition agreement, IUE’s and USWA’s consent was required to finalize the sale of assets in Delphi’s bankruptcy.²⁴ As a result, new GM continued negotiating with IUE and USWA to resolve their objections against Delphi’s bankruptcy case.

On September 10, 2009, new GM, old GM, IUE, and USWA signed a settlement agreement that, among other things, required new GM to provide top-ups to retirees of Delphi represented by IUE or USWA who were covered by the benefit guarantee agreements that GM had entered with IUE and USWA in 1999.²⁵ The parties entered into this agreement after consideration of the “factual and legal arguments regarding these issues, as well as the costs, risks, and delays associated with litigating these issues.” In its February 2010 court motion, Treasury noted that in light of these costs, new GM had solid commercial reasons for agreeing to provide top-ups to Delphi retirees represented by IUE or USWA. As part of the settlement agreement, IUE and USWA agreed to withdraw their objections against Delphi’s bankruptcy, resulting in the completion of Delphi’s reorganization on October 6, 2009, with the sale of its assets.

The settlement agreement did not provide top-ups to the splinter unions or to any other noncovered employees, including all members of Delphi’s salaried plan. On September 14, 2009, DSRA filed a complaint against PBGC in U.S. district court related to the termination of Delphi’s salaried plan.²⁶ DSRA amended its complaint on November 5, 2009, to include new GM, Treasury, and the Auto Task Force as defendants. New GM was later removed new GM as a defendant in the case.²⁷

We provided a draft of this report to PBGC, Treasury, and the Department of Labor for their review. These agencies provided us technical comments, which we have incorporated where appropriate. In addition, we received technical comments on

²⁴Master Disposition Agreement among Delphi Corp.; GM Components Holdings, LLC; Gen. Motors Co., Motors Liquidation Co.; DIP Holdco3, LLC; and the Other Sellers and Other Buyers Party Hereto at 96 (July 26, 2009).

²⁵Settlement Agreement Between and Among GMCO/MLC-IUE-CWA and USWA Regarding Retiree Health Care, Life Insurance, Pension Top-Up, and Modification and GMCO Assumption of MLC-IUE-CWA CBA, dated Sept. 10, 2009.

²⁶Complaint for Equitable Relief, No. 2:09-cv-13616 (E.D. Mich. Sept. 14, 2009).

²⁷First Amended Complaint, No 2:09-cv-13616 (E.D. Mich. Nov. 5, 2009). On March 12, 2010, the court dismissed GM as a party to the DSRA lawsuit. The court stated that if the plaintiffs showed new facts and circumstances that demonstrated new GM’s conduct is not subject to the release and injunction provisions of the approved Delphi modified plan and plan modification order, then the plaintiffs could bring a future claim against new GM. Black v. Pension Benefit Guaranty Corp., No. 2:09-cv-13616 (E.D. Mich. March 12, 2010) (Order dismissing General Motors LLC).

certain segments of the draft report from GM and Delphi, and have incorporated their comments where appropriate as well.

We are sending copies of this report to the appropriate congressional committees, the Director of PBGC, the Secretary of Labor, the Secretary of Treasury, and other interested parties. The report also is available at no charge on GAO's Web site at www.gao.gov.

If you or your staff have any questions about this report, please contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov or A. Nicole Clowers at (202) 512-8678 or clowersa@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in enclosure V.



Barbara D. Bovbjerg
Managing Director, Education, Workforce, and Income Security Issues



A. Nicole Clowers
Acting Director, Financial Markets and Community Investment Issues

Enclosures (5)

List of Congressional Requesters

The Honorable John Boehner
Speaker of the House of Representatives

The Honorable Roger Wicker
United States Senate

The Honorable Spencer Bachus
Chairman, Committee on Financial Services
House of Representatives

The Honorable Mike Pence
House of Representatives

The Honorable Michael Turner
House of Representatives

Chronology of Key Events Leading to the Termination of the Delphi Defined Benefit Plans

Delphi Spins Off from GM

(September 1998–December 2000)

September 1998 –May 1999	Delphi spins off as independent company from GM <ul style="list-style-type: none">• Delphi becomes an independent company after incorporating as a wholly-owned subsidiary of General Motors Corporation (GM), taking on its share of GM corporate assets and liabilities and issuing stock. Its spin-off from GM is complete on May 28, 1999.• GM transfers assets and liabilities from its salary and hourly pension plans to newly established Delphi salary and hourly pension plans.• GM retains responsibility for paying benefits to Delphi hourly employees who retired by January 1, 2000.
September – December 1999	UAW, IUE, and USWA negotiate with GM to provide pension “top-ups” and other benefit guarantees for their members <ul style="list-style-type: none">• As part of Delphi's spin-off from GM in 1999, GM is required to collectively bargain with the unions affected by the spin-off—including the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW), the United Steelworkers of America (USWA), and the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, AFL-CIO (IUE), as well as other “splinter” unions.^a• UAW negotiates agreement on September 30 with GM for benefit guarantees for their members now working for Delphi who had seniority as of May 28, 1999.<ul style="list-style-type: none">• Under this agreement, GM would make supplemental payments, or “top-ups,” to “covered employees”^b should the pension plans be frozen or terminated, covering any shortfall of retirement benefits below the level promised in the Delphi plans.^c• The IUE and USWA sign similar guarantees, including the top-ups, with GM on November 14 and December 16-17.• On December 22, Delphi agrees to indemnify GM for all benefits provided by GM pursuant to these benefit guarantees.^d• National union negotiations also result in allowing for the possibility of future transfer of some UAW hourly employees back to GM, with pension responsibility allocated between GM and Delphi based on time of employment.• No comparable agreements regarding top-up provisions are reached with other GM employees spun off to Delphi, including salaried workers and hourly workers belonging to other smaller unions.• According to Delphi documents, as of the end of 1999, Delphi's salaried plan is fully funded while Delphi's hourly plan is not (see enclosure IV).
2000	Delphi is profitable

^aThe splinter unions include International Association of Machinists and Aerospace Workers; International Brotherhood of Electrical Workers; Michigan Regional Council of Carpenters, Local 687 and Interior Systems, Loca11045; International Brotherhood of Painters and Allied Trades of the United States and Canada, Sign & Display Union Local 59; International Brotherhood of Teamsters; The International Brotherhood of Boilermakers; International Union of Operating Engineers; and United Catering Restaurant Bar & Hotel Workers. Effective October 1, 2000, IUE merged with the Communications Workers of America to become the Industrial Division of CWA (IUE-CWA); for the purposes of this report, we continue to refer to this entity as the IUE.

^b“Covered employees” were defined as those employees represented by these unions previously as GM workers and now as Delphi workers with no break in seniority or employment, with the exception that the IUE and USWA agreements excluded certain workers employed under competitive hire and wage agreements.

^cThe supplemental payments that GM was required to make were payments equal to the pension benefits called for in the GM/Delphi/UAW, GM/Delphi/USWA, or GM/Delphi/IUE agreements applicable at that time minus any pension benefits received from a pension plan sponsored by Delphi, any of its subsidiaries or affiliates, or any of their successor companies, from the Pension Benefit Guaranty Corporation (PBGC), and/or from a pension plan sponsored by GM.

^dUnder the indemnity agreement, Delphi was required to immediately enter into an indebtedness agreement to provide security to cover any losses incurred by GM for benefits paid under the benefit guarantee agreement.

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Delphi Suffers Losses, Files for Bankruptcy (January 2001—February 2006)

2001–2005	Delphi financial condition deteriorates <ul style="list-style-type: none">• Company net income falls from \$1.0 billion in 2000 to -\$4.8 billion in 2004 (see enclosure III).• Funding for hourly and salaried pension plans deteriorates (see enclosure IV).• Delphi financial rating is downgraded from investment-grade to speculative-grade (March 2005).
October 2005–February 2006	Delphi files for bankruptcy protection <ul style="list-style-type: none">• Delphi (October 8) and certain of its U.S. subsidiaries (October 14) file for Chapter 11 bankruptcy.• On October 8, Delphi notifies GM about the likelihood that top-ups could be triggered.• Delphi announces in February 2006 that the company expects to emerge from bankruptcy in early to mid-2007.

Delphi Attempts Restructuring and Sale as Delphi and GM Negotiate Agreements (March 2006—November 2008)

March 9, 2006	Missed pension contributions by Delphi trigger liens against Delphi's foreign subsidiaries on behalf of plans <ul style="list-style-type: none">• Delphi first reports missed required contributions to its DB plans in January 2006, triggering liens under federal statute.• PBGC takes steps to perfect a lien of \$75.2 million on behalf of salaried plan.^e• Throughout the remainder of Delphi's bankruptcy, PBGC continues to take such steps as liens are triggered.
March 31, 2006	Delphi announces its restructuring plan <ul style="list-style-type: none">• As part of plan to emerge from bankruptcy by the middle of 2007, Delphi announces its intention to freeze hourly and salaried DB plans by end of 2006.
May 1, 2007	Internal Revenue Service grants Delphi funding waivers <ul style="list-style-type: none">• Waivers allow Delphi to temporarily forego minimum contributions to hourly and salaried plans.• Waivers are conditional upon Delphi exiting bankruptcy by February 29, 2008.• Waivers result in Delphi providing letters of credit to PBGC of \$100 million for the hourly plan and \$50 million for the salaried plan as collateral for the waivers.• IRS approves waiver modifications on July 13, 2007; October 4, 2007; February 27, 2008; and March 28, 2008; ultimately extending until May 9, 2008 the date by which Delphi must exit bankruptcy and increasing the amount of letters of credit on behalf of hourly plan to \$122.5 million.
June–August 2007	GM, Delphi and larger unions enter into Memorandums of Understanding (MOU) to extend and trigger top-up guarantee <ul style="list-style-type: none">• With the GM top-up agreement set to expire in October, on June 22 UAW enters into an MOU with Delphi and GM extending the top-up guarantee, which would be enforceable if benefit accruals for future credited service in the Delphi hourly plan were frozen or if the plan were terminated.^f• IUE (August 5) and USWA (August 16) negotiate separate agreements for the top-up guarantee extension that are the same as the UAW extension.• All three unions' MOUs also include plans for freezing the pension plans and triggering the top-ups during Delphi's reorganization.• The splinter unions negotiate other benefits at this time but are not covered by the same top-up agreements.

^ePerfecting a lien involves registering it with the proper legal authority, resulting in it becoming a secured interest and thereby receiving a higher priority in bankruptcy.

^fThe new agreement specified the top-up benefit would "continue in full force and effect" anytime after the Delphi hourly plan was frozen and either terminated or amended in a way to diminish benefits below those required by the agreement, regardless of whether the termination or amendment occurred before or after the original expiration date of the top-up agreement.

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September 6, 2007	Delphi files reorganization plan with the bankruptcy court <ul style="list-style-type: none">GM and Delphi enter into a global settlement agreement outlining the resolution of major business issues, including a plan:<ul style="list-style-type: none">to freeze Delphi's pension plans "as soon as practicable following the effective date" of reorganization;to transfer part of Delphi's hourly pension plan to GM's hourly pension plan; andto release GM, Delphi, and related parties from claims, except for those in the agreement.Under the reorganization plan, Delphi is to continue sponsoring all its pension plans.
April 4, 2008	Proposed Delphi reorganization deal falls through <ul style="list-style-type: none">Despite Delphi announcing that it had met the conditions to "substantially consummate" their reorganization plan, investors inform Delphi they are terminating their planned investment in Delphi.
May 2008	Internal Revenue Service funding waivers expire and PBGC takes additional defensive action to protect plan <ul style="list-style-type: none">PBGC draws down the Delphi letters of credit worth \$172.5 million, which results in crediting \$122.5 million in contributions to the hourly plan and \$50 million to the salaried plan.
September 2008	Amended Delphi-GM settlement agreement provides for transfer of liabilities from Delphi's hourly plan to GM's hourly plan <ul style="list-style-type: none">GM and Delphi agree to move up to \$3.4 billion in net liabilities from the Delphi hourly plan to the GM hourly plan in two phases.<ul style="list-style-type: none"><i>Phase 1:</i> On September 29, 2008, Delphi transfers \$2.7 billion in liabilities and \$0.6 billion in assets transfer from its hourly plan to GM's hourly plan. Delphi agrees to release GM from all potential litigation arising out of the 1999 spin-off.<i>Phase 2:</i> Upon Delphi's substantial consummation of its reorganization plan, Delphi is to transfer the remaining liabilities from its hourly plan to GM's hourly plan, and at the same time is to provide GM with a \$2.055 billion administrative claim in Delphi's bankruptcy to compensate GM, in part, for its assumption of the up to \$3.4 billion in unfunded Delphi pension liabilities.No comparable arrangements are made concerning a transfer of assets and liabilities for Delphi's salaried plan or other smaller plans.PBGC states that the first transfer will eliminate more than \$1.2 billion in liens filed against Delphi's nondebtor foreign affiliates. PBGC's liens on behalf of the Delphi salaried plan are unaffected by the transfer and remain in effect.GM also agrees to reimburse Delphi for the pension benefit cost associated with credited service in Delphi's pension plan between January 1, 2007, and the date its pension plans are frozen.In a September 12 press release, Delphi announces it has "remained committed to fully funding [its] pension plans."
September–November 2008	Delphi freezes pension plans <ul style="list-style-type: none">Effective September 30, Delphi freezes its salaried plan, the ASEC Manufacturing Retirement Program, the Delphi Mechatronic Systems Retirement Program, and the Packard Hughes Interconnect Non-Bargaining Retirement Plan.Effective November 30, Delphi freezes benefit accruals under its hourly plan.

Economic Downturn Contributes to GM Bankruptcy, Termination of Delphi Plans (November 2008–November 2009)

November 2008	Collapse of financial markets impacts multiple sectors, including auto industry <ul style="list-style-type: none">The September bankruptcy of Lehman Brothers, in part, triggers stock market collapse and financial crisis.Macroeconomic slowdown brings significant financial stress to automobile industry.
December 2008–February 2009	GM receives TARP funding, Auto Task Force established <ul style="list-style-type: none">On December 31, the U.S. Department of the Treasury (Treasury) provides GM \$13.4 billion in bridge loans through the Automotive Industry Financing Program (AIFP), part of the Troubled Asset Relief Program (TARP).

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	<ul style="list-style-type: none">On February 15, President Obama establishes the Presidential Task Force on the Auto Industry (Auto Task Force) and Treasury creates a 15-member staff (auto team) to oversee federal assistance to the auto industry, including evaluating GM's restructuring plan.⁹
April 2009	Delphi nears liquidation, PBGC recommends termination of plans Delphi's declining revenues and pending April 21 expiration of agreement with its debtors-in-possession (DIP) lenders threaten company's operations. <ul style="list-style-type: none">According to PBGC documents, on April 21, PBGC determines it will seek termination of Delphi's hourly and salaried pension plans to avoid losses that would result if Delphi's DIP lenders were to foreclose on their collateral and break up Delphi controlled group. PBGC agrees not to proceed with termination in order to allow the parties to continue negotiating. In exchange, the DIP lenders agree to give PBGC advance notice of any action to foreclose.
April–June 2009	Treasury works with GM to develop a reorganization plan <ul style="list-style-type: none">Auto team, with assistance from consultants, reviews GM's new restructuring plan, and Treasury provides an additional \$6 billion of AIFP funding to GM on April 22 and May 20 to help the company continue operating while it restructures.In May, according to a Treasury official deposition, Treasury anticipates that Delphi's salaried pensions will be terminated and GM will assume liability for the remaining portion of Delphi hourly plan, as called for in phase 2 of the September 2008 agreement.Auto team concludes that GM should file for bankruptcy and move for an order permitting the assets of old GM to be sold to a "Treasury-sponsored entity," new GM.In court documents, Treasury officials state that Treasury is mandated by the President to act in a "commercially reasonable manner," which ensures that GM's restructuring plan results in GM assuming only those liabilities of the old company that are thought to be "commercially necessary" for the new company to operate.As GM's primary lender, Treasury is concerned about GM's overall exposure to risks related to distressed suppliers, including Delphi. Specifically, Treasury is concerned about how Delphi's liabilities fit into GM's business plan. According to a Treasury official deposition, Treasury tells GM that it should develop a quick resolution of the Delphi bankruptcy that requires the least possible amount of investment by GM, but that guarantees the "sanctity" of GM's supply chain.According to a Treasury official deposition, GM informs Treasury around June 3 that it is financially unlikely to be able to take over Delphi's hourly pension plan but had assumed in its restructuring plan that it would provide the top-ups for Delphi UAW retirees. After reviewing GM's calculations and discussing with GM's pension team, auto team agrees with GM's assessment that it is a "3 billion dollar liability that General Motors could not afford."
June 1, 2009	Delphi states publicly that PBGC may terminate salaried plan <ul style="list-style-type: none">In a press release, citing its inability to fund its pension plans and lack of feasible alternatives, Delphi states that "PBGC may initiate an involuntary termination of the salaried pension plan" and that its hourly plan "will be addressed by GM."
June–July 2009	GM files for bankruptcy and new GM emerges <ul style="list-style-type: none">On June 1, to effectuate its restructuring plan, GM files a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code, and Treasury provides an additional \$30.1 billion to GM to help it continue operating through its restructuring.^hIn GM's master sale and purchase agreement, new GM (the entity purchasing the operating assets of old GM), is to assume all employment-related obligations and liabilities under any assumed employee benefit plan relating to employees that are or were covered by UAW collective bargaining agreements. As part of this agreement, new GM is to assume the top-ups to covered Delphi UAW retirees.On June 19, IUE and USWA object to the proposed sale of GM because their Delphi retirees do not receive the same benefits as those provided to Delphi UAW retirees.ⁱ

⁹Treasury established an internal working group—referred to as the auto team—to oversee AIFP and provide analysis in support of the Task Force.

^h11 U.S.C. § 1101-1174. GM conducted a court-supervised asset sale, in which substantially all of the operating assets of the company were sold to the new entity ("new GM") and most of the company's debt and liabilities remained in possession of "old GM," which was addressed in bankruptcy court.

ⁱThe International Union of Operating Engineers also objected to the sale of GM, although their members had not negotiated any top-ups from GM.

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	<ul style="list-style-type: none">• On July 5, the court overrules their objection, citing that new GM needed a “properly motivated workforce to enable [new GM] to succeed,” requiring it to enter into “satisfactory agreements with the UAW” and was not “similarly motivated, in triaging its expenditures to assume obligations for retirees of unions whose members, with little in the way of exception, no longer work for GM.” The court approves the proposed sale of GM.• GM emerges from bankruptcy on July 10 with the sale of assets to new GM. Treasury receives 60.8 percent equity and \$2.1 billion in preferred stock in the new GM.
July 9–July 15, 2009	IUE and USWA file objection to Delphi bankruptcy proceedings <ul style="list-style-type: none">• Following the court overruling their objection to GM’s refusing to honor top-up agreements in GM bankruptcy proceedings, these unions file objections to Delphi’s Modified Plan of Reorganization on July 9 and July 15.^j According to the Delphi-GM master disposition agreement, IUE’s and USWA’s consent is required to finalize the sale of assets in Delphi’s bankruptcy. GM continues negotiating with IUE and USWA to resolve their objections against Delphi’s bankruptcy case.• On July 15, the Delphi Salaried Retirees Association (DSRA) also objects to Delphi’s Modified Plan of Reorganization, asserting that Delphi cannot legally enter into agreements with PBGC terminating its pension.
July 21-22, 2009	PBGC terminates Delphi’s six defined benefit plans and settles its Delphi claims <ul style="list-style-type: none">• Delphi states that the planned second transfer of hourly plan liabilities to GM’s hourly plan will not happen because the conditions under the global settlement agreement have not been met, and it was decided that GM could not afford these additional liabilities.• PBGC and Delphi enter into an agreement that provides PBGC with a \$3 billion allowed general unsecured claim against all the debtors in the Delphi bankruptcy. Delphi agrees to sign a termination and trusteeship agreement with respect to its pension plans.• PBGC and GM negotiate that, in exchange for PBGC’s release of its final outstanding foreign liens totaling \$195.9 million, all of which apply to missed contributions to the Delphi salaried plan, and PBGC’s release of its other claims, PBGC will receive \$70 million in cash from GM, and 10 percent of the first \$7.2 billion of distributions to GM from post-bankruptcy Delphi.• On July 22, PBGC announces it is terminating Delphi’s plans.<ul style="list-style-type: none">• Delphi’s unfunded benefit liabilities total approximately \$7.0 billion for all six of its plans, with the hourly plan underfunded by \$4.4 billion and the salary plan underfunded by \$2.6 billion.
July 30, 2009	Bankruptcy court approves Delphi’s Modified Reorganization Plan <ul style="list-style-type: none">• The plan includes provisions implementing GM’s agreements with Delphi and PBGC’s agreements with Delphi and GM, including the execution of the agreements terminating Delphi’s pension plans.
August 10, 2009	PBGC assumes trusteeship of Delphi plans <ul style="list-style-type: none">• PBGC and Delphi sign trusteeship agreements terminating the six Delphi pension plans effective July 31, 2009.• Because the portion of pension benefits guaranteed by PBGC following termination of a plan are subject to certain limits prescribed by federal statute and related regulations, those Delphi employees receiving the top-up benefits from GM will receive the full amount of their pension benefits promised under their plans, while many other Delphi employees will not.^k
September 10, 2009	New GM signs a settlement agreement with IUE and USWA covered employees <ul style="list-style-type: none">• GM confirms that it will pay top-up benefits to covered employees, while IUE and USWA agree to withdraw their objections to Delphi’s reorganization plan and sale, allowing Delphi’s bankruptcy reorganization to proceed.• In the settlement agreement, new GM maintains that it is not obligated to assume or to continue to abide by old GM’s collective bargaining agreements with IUE and USWA while old GM maintains that it is entitled to cancel or terminate all obligations arising from

^jThe International Union of Operating Engineers local unions, an International Brotherhood of Electrical Workers local union, and the International Association of Machinists and Aerospace Workers also filed objections in the Delphi bankruptcy case related to their plans not being transferred to GM.

^kWhen a plan is terminated without sufficient assets to pay all promised benefits, PBGC guarantees participant benefits only up to certain limits, specified under the Employee Retirement Income Security Act of 1974. 29 U.S.C. § 1322(b)(1), (3) and (7), and 29 C.F.R. §§ 4022.21, 4022.24 and 4022.25 (2009).

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	collective bargaining agreements between old GM and IUE or USWA. The parties enter into this agreement after consideration of the “factual and legal arguments regarding these issues, as well as the costs, risks, and delays associated with litigating these issues.”
	<ul style="list-style-type: none">• The agreement notes that the splinter unions will not receive top-up benefits. GM estimates the total liabilities for the top-ups for UAW, IUE, and USWA to be approximately \$1 billion.• On November 12, the bankruptcy court approves the top-up agreements for IUE and USWA.
September 14, 2009	DSRA files a complaint on the termination of Delphi's salaried plan <ul style="list-style-type: none">• DSRA files a complaint against PBGC in the U.S. District Court for the Eastern District of Michigan related to the termination of Delphi's salaried plan.
October 6, 2009	Delphi reorganization is completed with sale of assets <ul style="list-style-type: none">• Four UAW sites in the United States and its steering business are sold to GM.• Most of Delphi's remaining U.S. and foreign operations are sold to a new entity, Delphi Automotive LLP (“new Delphi”), in accordance with Delphi's plan of reorganization.• Delphi Corporation (now “old Delphi”) changes its name to DPH Holdings Corp., and stock in the company is issued to a trust established to sell or dispose of remaining assets for which there were no interested buyers, such as closed manufacturing plants with environmental liabilities.
November 5, 2009	DSRA amends its complaint to include new GM, Treasury, the Auto Task Force and present and former Treasury officials <ul style="list-style-type: none">• In its complaint, DSRA alleges that new GM, acting at the direction of the U.S. government, decided to top-up the pension benefits for certain limited groups of Delphi employees, specifically certain hourly workers, but did not top-up the benefits for the salaried employees. On March 12, 2010, the court dismisses new GM as a party to the DSRA lawsuit.

Sources: GAO analysis of GM, Delphi, PBGC, and court documents.

Enclosure II

Terminated Delphi Defined Benefit Plans, as of July 31, 2009

Plan	Number of participants
Delphi Hourly-Rate Employees Pension Plan (hourly plan)	47,176
Delphi Retirement Program For Salaried Employees (salaried plan)	20,203
Packard-Hughes Interconnect Non-Bargaining Retirement Plan	1,383
ASEC Manufacturing Retirement Program	533
Packard-Hughes Interconnect Bargaining Retirement Plan	165
Delphi Mechatronic Systems Retirement Program	148

Source: Pension Benefit Guaranty Corporation (PBGC).

Delphi Financial Statistics, 1999-2009

Year	Net income (Dollars in millions)	Net sales (Dollars in millions)	Stock price (Price per share)
1999	\$1,094	\$29,192	\$15.75
2000	1,002	29,139	11.25
2001	(428)	26,302	13.66
2002	318	27,641	8.05
2003	(10)	28,077	10.21
2004	(4,818)	24,731	9.02
2005	(2,357)	23,394	0.29
2006	(5,464)	22,737	3.82
2007	(2,997)	19,526	0.14
2008	3,066	16,808	0.03
2009	9,347	8,334	0.04

Sources: GAO analysis of Delphi annual 10-K filings (net income, net sales); Dailyfinance.com (stock price).

Note: Net income and net sales figures for 2009 represent the period from January 1 to October 6, 2009; stock prices are as of end of year, except for 2009, which is as of October 6, 2009.

Funding History for Delphi's Salaried and Hourly Pension Plans, 1999-2009

Dollars in millions												
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	July 2009 ^c
U.S. salaried plan												
Assets ^a	\$2,449	\$2,449	\$2,455	\$2,256	\$1,959	\$2,532	\$2,703	\$3,027	\$3,439	\$3,600	\$2,371	\$2,456
Liabilities ^b	2,251	1,996	2,260	2,704	3,131	3,562	4,087	4,463	4,346	3,924	4,419	4,574
Net assets	198	453	196	(448)	(1,172)	(1,030)	(1,384)	(1,437)	(907)	(324)	(2,048)	(2,119)
Funded percentage	108.8%	122.7%	108.7%	83.4%	62.6%	71.1%	66.1%	67.8%	79.1%	91.7%	53.7%	53.7%
Company Contributions	\$0	\$0	\$0	\$0	\$0	\$276	\$0	\$140	\$126	\$125	\$105	\$0
U.S. hourly plan												
Assets ^a	\$2,806	\$4,247	\$3,780	\$3,627	\$4,854	\$5,763	\$6,621	\$7,214	\$7,015	\$3,732	\$3,659	
Liabilities ^b	4,063	4,620	5,535	6,323	7,531	8,408	8,894	10,212	9,734	6,792	7,035	
Net assets	(1,257)	(373)	(1,756)	(2,695)	(2,677)	(2,646)	(2,273)	(2,998)	(2,720)	(3,060)	(3,376)	
Funded percentage	69.1%	91.9%	68.3%	57.4%	64.5%	68.5%	74.4%	70.6%	72.1%	54.9%	52.0%	
Company contributions	\$1,225	\$1,125	\$0	\$400	\$714	\$600	\$485	\$108	\$69	\$157	\$0	

Source: GAO analysis of Delphi Corporation data.

^aAssets are year-end fair market values of plan assets.

^bLiabilities are the projected benefit obligations, or present value of benefits projected to be paid. Throughout this report, we have characterized the value of plan assets and liabilities based on available documents. It is often the case that the value of assets and liabilities from these sources is substantially different than their values at the point of termination. PBGC has reported that, at the time it was terminated, the Delphi plans were underfunded by approximately \$7 billion on a termination basis.

^cJuly 2009 figures are approximate as of July 31, 2009.

GAO Contact and Staff Acknowledgments

GAO Contacts

On PBGC-related issues:

Barbara D. Bovbjerg, (202) 512-7215, or bovbjergb@gao.gov.

On auto or Treasury-related issues:

A. Nicole Clowers, (202) 512-8678, or clowersa@gao.gov; or
Katherine A. Siggerud, (202) 512-2834, or siggerudk@gao.gov.

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