



H.R. 6929, SUSAN MUFFLEY ACT OF 2022

Background

Delphi Corporation (Delphi) was the nation's largest automotive parts supplier, originally created as a division of General Motors. In 1999, Delphi was spun-off from General Motors (GM) and reestablished as an independent company. In the years after its spin-off from GM, Delphi struggled financially and in October 2005 filed for bankruptcy.

Delphi sponsored six defined benefit pension plans at the time of its bankruptcy.^[1] Therefore, the Pension Benefit Guaranty Corporation (PBGC), the federal insurer of private defined benefit pensions, became involved in Delphi's bankruptcy proceedings. Early in the bankruptcy, Delphi was committed to maintaining the pension plans. However, with the state of the economy in 2009, upholding this commitment no longer seemed viable for Delphi. By 2009, after Delphi's first bankruptcy reorganization plan failed, there were two options with respect to the pension plans; either GM would absorb Delphi's pension plans or PBGC would terminate the pension plans. Both Delphi and PBGC advocated for GM assumption.

However, GM filed for bankruptcy in 2009 and the new reorganized GM, which was being organized by the federal government who lead the bankruptcy proceedings commonly referred to as the auto bailout, declined to assume the pension plans. Although Delphi and PBGC worked together to avoid termination of the pension plans, eventually, Delphi proved incapable of sustaining the financial burdens of plan continuance. In May 2009, PBGC terminated Delphi's pension plans and assumed responsibility for paying pension benefits for 70,000 participants.

Because by law PBGC may not pay more than a statutory maximum benefit, some participants received less than their full benefit. For 2022, the maximum guaranteed amount is \$74,454.60 per year for workers who begin receiving payments from PBGC at age 65.^[2]

In September 2009, the Delphi Salaried Retirees Association (the "DSRA") filed a lawsuit against the PBGC seeking full restoration of the Delphi pension benefits. After losing decisions at lower courts, the DSRA petitioned the U.S. Supreme Court; however, last year the U.S. Supreme Court denied the request and Congressional action became the only option for fully restoring the participants' benefits.

[1] The Delphi Hourly-Rate Employees Pension Plan, Delphi Retirement Program for Salaried Employees, PHI Non-Bargaining Retirement Plan, ASEC Manufacturing Retirement Program, PHI Bargaining Retirement Plan, and Delphi Mechatronic Systems Retirement Program

[2] The statutory maximum guarantee can be lower or higher depending on certain factors. The maximum guarantee is lower if workers begin receiving payments from PBGC before age 65 or if they received their pension benefits in a form that provides benefits for a surviving spouse or other beneficiary. The maximum guarantee is higher if you are over age 65 when you begin receiving benefits from PBGC.



Policy Goal

PBGC currently pays participants' benefits up to the statutory maximum, which leaves some receiving less than their full benefits. The policy goal is to restore retirees in Delphi pension plans full benefits as if PBGC's statutory maximum limit did not apply. This means participants and beneficiaries who have already begun receiving reduced benefits will receive a lump sum payment of the difference between what was actually paid by PBGC and would have been paid without the statutory maximum limitation, plus interest at 6% per year. Going forward, all participants and beneficiaries will receive their full benefit amount, regardless of the statutory maximum.

In General

The bill would fully restore Delphi pension plan benefits by directing the PBGC to recalculate benefits for participants and beneficiaries in Delphi plans without regard to the statutory maximum limits on their guarantee. The bill addresses which plans, participants and beneficiaries would be eligible for increased benefits and how benefits of eligible participants and beneficiaries would be calculated and paid.

Eligibility

There are six eligible pension plans, which were all sponsored by Delphi immediately preceding termination: Delphi Hourly-Rate Employees Pension Plan, Delphi Retirement Program for Salaried Employees, PHI Non-Bargaining Retirement Plan, ASEC Manufacturing Retirement Program, PHI Bargaining Retirement Plan, and Delphi Mechatronic Systems Retirement Program. Participants and beneficiaries, usually spouses, in these pension plans are eligible to receive a lump sum payment for past benefits if they had a benefit payment reduced by PBGC's statutory maximum (of generally \$74,454.60 annually). They are also eligible to receive increases to their future benefit payments if those payments would have been limited by the statutory maximum (of generally \$74,454.60 annually). Either the participant or beneficiary must be living at the time of enactment to receive a benefit.

Calculation and Payment

To pay lump sum payments for reduced benefits paid in the past, PBGC would calculate the excess of what would have been paid but for the statutory maximum (of generally \$74,454.60 annually) over the amount actually paid. Those excesses would be increased for interest at 6% per year and aggregated into a lump sum. For benefits that have yet to be paid, PBGC would simply recalculate the benefit at a level that disregards the statutory maximum limit and pay at that higher level going forward.



Other

A fund will be created in Treasury for paying these increased benefits and administrative expenses. PBGC will manage any disputes in the same way it handles disputes about other benefit determinations. To ease the tax burden, participants and beneficiaries may pay income taxes on lump sum payments over a three-year period.

Payfor

Under current law, PBGC single employer pension plan premiums are generally due on October 15th. The payfor accelerates the payment of variable-rate premiums for single employer pension plans for which the due date under present law occurs during the period after September 15, 2032, and before November 1, 2032, to September 15, 2032, thereby accelerating payments to PBGC into FY 2032.