Testimony of Paul J. Dobosz

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Chairman Mica, Congressman Turner, and distinguished members of the committee

Thank you for the opportunity to address you on a matter that has profoundly altered the lives and financial futures of over 20,000 Delphi salaried employees, retirees, and their families.

My name is Paul Dobosz. I am a retired GM and Delphi engineer who served those companies loyally for 37 years; the last 9 of those years of employment were with Delphi. Like my colleague Bruce Gump, I have received Delphi's highest engineering honors for numerous patents and other intellectual property contributions that helped to make Delphi a technology leader and enabled the company to win nearly half a billion dollars in new business.

At the time I retired in December of 2008, my wife and I had carefully planned for financial self sufficiency with a retirement plan built around a 3 legged stool of personal savings, my Delphi pension, and someday, Social Security benefits. I never imagined that just 7 months later I would see that stool kicked out from under me by Federal government institutions charged with defending and preserving pension plans such as mine.

As I sat in the courtroom of Federal Judge Arthur Tarnow, I could scarcely believe my ears as I heard the PBGC's attorney tell the judge it was the obligation of the PBGC to protect the PBGC and its assets. When Judge Tarnow asked him who was looking out for the interests of the pensioners, the attorney was speechless.

In the short time I have to address the committee this morning, I would like to share how unnecessary the termination of our already frozen pension plan was, especially in light of actuarial data the PBGC had in hand concerning the assets and liabilities of our plan. The salaried pension plan had already been frozen in October of 2008 which meant it was no longer accruing additional liabilities. The plan had also been closed to new hires since January of 2001. These new employees received a defined contribution benefit in its place.

The PBGC was acutely aware the economy was in a trough and that financial markets were in the beginning stages of recovery. The decreased valuation of the plan's assets represented a snapshot in time rather than a realistic determination of their ability to pay benefits and their long term viability. At the time of termination the Dow was hovering around 9000 but 4 years later, the Dow is at 15,000, an increase of 67%. A market recovery of that proportion has grown the value of the plan assets but unfortunately for retirees, it makes no difference because the PBGC's valuation of those assets, for purposes of benefit computation, is frozen in time at the July 2009 numbers.

That raises the obvious question, if the Delphi salaried plan's assets were merely experiencing the effects of a dip in the financial markets, why was the PBGC so agreeable to terminating a plan to its own financial detriment? The answer to that question lies in the political influence Delphi's hedge fund Debtor in Possession lenders and other politically influential players in the GM Bailout were able to exert on the PBGC via the US Treasury and Auto Task Force to clear all pension liabilities from Delphi's balance sheet.

With the knowledge gained from discovery, we now know that despite its public insistence that the Delphi salaried plans were severely underfunded, the PBGC's own internal analysis of potential scenarios to preserve the Delphi salaried plan showed that very modest additional funding would be required to fully meet the plan's obligations. Actuarial reports in the PBGC's possession showed the real asset to liability ratio at 75% or greater utilizing even the most pessimistic economic assumptions. Meanwhile the PBGC continued justifying its termination by citing asset to liability ratios of around 46%. Independent actuaries who benchmarked the Delphi salaried plan against peer plans that they deemed adequately funded judged that the Delphi Salaried plan funding was on a par with those plans.

All of the uncertainty and conflicting numbers continues to hang over the heads of retirees who, four years after plan termination, are still waiting for an accurate accounting of assets and liabilities seized by the PBGC, and their final PBGC benefit amount. In a response to an inquiry by Congressman Turner, the PBGC recently stated they are unlikely to have this task completed before 2015, six years after the termination took place. There is no credible excuse for taking 6 years to account for assets and liabilities and to compute benefit amounts according to a set formula.

I could dive deeper into what we have learned in this arduous four year battle to recover pensions that were seized to benefit the politically powerful but time severely limits what can be shared in this forum. Delphi salaried retirees aren't asking for a handout, we are just asking our government to behave in an open and honest manner and to apply laws and regulations without regard to political influence or power. This issue may not garner the widespread attention and front page headlines the IRS scandals have generated, but it represents an equally blatant abuse of political power.

I thank you for this opportunity to testify before the committee and I would be happy to answer any questions you might have.