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Benefit Reductions to Participants in Delphi Pension Plans

Introduction

Delphi Technologies is a parts and components supplier to automakers that was spun off from General Motors (GM) in 1999. In May 2009, Delphi's pension plans were terminated, and responsibility for the payment of plan participants' benefits was turned over to the Pension Benefit Guaranty Corporation (PBGC), a government-run corporation that insures benefits for workers in private sector defined benefit (DB) pension plans. PBGC operates separate insurance programs for single-employer and multiemployer DB plans. Delphi sponsored six single-employer pension plans. Although most workers in pension plans that are taken over by PBGC receive all of their promised benefits, some workers may receive less than their full benefits. This is because PBGC may not pay an individual more than a statutory maximum benefit. Some participants in Delphi pension plans whose benefits were reduced by PBGC claimed that their pension plans were wrongly terminated and have sought relief via both judicial and legislative processes.

Defined Benefit Pensions and PBGC

DB pensions are employer-funded pension plans in which retirees are typically paid a monthly dollar amount in retirement. The benefit is calculated using a formula typically based on a combination of the number of years of service and salary. For example, a plan might offer a benefit of 1.5% multiplied by the number of years of an employee's service multiplied by the average of the employee's highest five years of salary. Employers are responsible for ensuring that their DB plans have sufficient funding to pay for current and future benefit payments.

A DB plan can terminate in one of three ways: (1) standard termination, which occurs when a plan has sufficient assets from which to pay participants' full benefits and the plan typically purchases insurance annuities to pay participants' benefits; (2) distress termination, which occurs when a company in bankruptcy requests that PBGC become the trustee of the company's underfunded DB plan; and (3) involuntary termination, which occurs when PBGC initiates the termination of a company's DB plan in order to protect the plan or the pension insurance system.

When PBGC becomes the trustee of a DB in a distress or involuntary termination, it places the pension plan assets in a PBGC trust fund and pays participants' benefits up to a statutory maximum benefit. Benefits that are higher than the maximum guarantee are reduced to the guarantee amount. The maximum guarantee for a single-employer pension that was terminated in 2009, the year of Delphi's bankruptcy, was \$4,500 per month (\$54,000 per year) for retirees who began receiving pensions for the remainder of their lives (a *straight-life annuity*) at the age of 65. The

maximum benefit amounts are reduced so that retirees receive *actuarially neutral* pension benefits if they choose benefits in a form other than a straight-life annuity or if they begin receiving benefits before or after the age of 65. For example, the maximum benefit for individuals in plans terminated in 2009, who began receiving a joint and 50% survivor annuity benefit at age 55, the maximum benefit was \$2,025 per month (\$24,300 per year). PBGC reported in 2019 that 84% of retirees who receive benefits from PBGC are paid the full benefit amounts they earned under their retirement plans (i.e., they do not have their benefits reduced to the maximum benefit guarantee).

Background on Delphi Pension Plans

In 1999, GM and some unions representing Delphi workers negotiated an agreement as part of the spin-off. Delphi's workforce consisted of hourly employees and salaried employees. In general, the hourly workers were union members, whereas the salaried workers were not. The two groups of workers had separate benefit plans. To receive the unions' approval for the spin-off, GM agreed to protect certain post-retirement health and pension benefits for hourly workers. These *Benefit Guarantee Agreements* obligated GM, in the event of the termination of the Delphi hourly pension plans, to supplement the benefits for workers whose benefits might be reduced due to PBGC's statutory maximum guarantee. GM agreed to pay (or *top up*) each covered employee the difference between the benefit received from PBGC and the benefit the individual would have received had the plan not been terminated. Because they were nonunion and therefore not subject to collective bargaining procedures, GM did not need the salaried workers' approval for the spin-off, and salaried workers did not receive any benefit guarantees.

Six DB pension plans covered Delphi workers, of which the two largest were the Delphi Hourly Rate Employees Pension Plan, with 44,440 participants in 2009, and the Delphi Retirement Program for Salaried Employees, with 20,000 participants in 2009. The four other DB plans had a total of 2,229 participants in 2009.

Termination of Delphi Pension Plans

Delphi filed for bankruptcy in October 2005. As part of the bankruptcy reorganization plan, GM agreed to the transfer of up to \$3.4 billion of liabilities from the Delphi hourly plan to the GM Hourly Rate Employees Pension Plan. GM initially transferred approximately \$2.6 billion of liability from the Delphi hourly plan to the GM plan. On June 1, 2009, GM filed for bankruptcy and subsequently received U.S. government financial assistance to assist with its reorganization. In July 2009, GM advised Delphi that it would not assume the hourly plan and would not transfer additional liabilities from Delphi to the GM pension plan.

Because GM declined to assume the additional liabilities from the Delphi pension plans, PBGC terminated the Delphi pension plans, effective July 31, 2009.

Under Title 29, Section 1342(a), of the *U.S. Code*, PBGC may initiate involuntary termination proceedings of a single-employer DB pension plan if one of several criteria is met. PBGC indicated that the Delphi plans met several of the criteria for termination. For example, Delphi had not made required contributions to the pension plans in the previous four years, and the plans had assets to pay for only half of its benefit obligations.

Some contend that GM honored the top-up agreement under pressure from the Presidential Task Force on the Auto Industry and that the Delphi pension plans were terminated to facilitate restructuring in the auto industry. The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) issued a report on August 15, 2013, which noted that the decision to honor the top-up agreement was a joint decision by the U.S. Treasury and GM. The top-up agreement was honored because of the need to have the United Auto Workers (UAW) approve GM's bankruptcy. The report also noted that GM did not top up the pensions of other former employees at Delphi because they did not have active employees at GM and had no leverage to hold up GM's bankruptcy.

Lawsuit by Delphi Salaried Employee Association

In 2009, the Delphi Salaried Retiree Association (DSRA) and others filed a lawsuit against, among others, PBGC, the U.S. Treasury Department, and the Presidential Task Force on the Auto Industry. DSRA's claims include the following:

- The termination of the Delphi Retirement Program for Salaried Employees violated the Due Process Clause of the Fifth Amendment to the U.S. Constitution and the Employee Retirement Income Security Act of 1974 (ERISA, P.L. 93-406), a federal law that governs private sector pension plans;
- The agreement between GM and the unions representing hourly employees to top up the hourly employees' pensions violated the Equal Protection Clause of the Fifth Amendment to the U.S. Constitution. The DSRA said that GM, acting as a government actor owing to the U.S. Treasury's role in the GM bankruptcy, unfairly discriminated against the salaried employees "solely on the basis of their choice not to associate with a union." The DSRA claimed that GM's bankruptcy in June 2009 voided the 1999 top-up agreements and that GM renegotiated and provided the top up to the unions' pension plans for political motivations.

Federal district and appellate courts rejected the plaintiffs' claims. In January 2022 the Supreme Court declined to hear the case.

Recent Executive and Legislative Actions

In October 2020, President Donald Trump issued a memorandum directing the Secretaries of the Treasury,

Commerce, and Labor to review Delphi's benefit reductions and report back within 90 days with actions that could be taken. In response to congressional inquiries about the status of the Administration's report, in August 2022, the U.S. Treasury indicated that "Congressional action would be required to restore these lost pension benefits. Therefore, we have not taken further steps on this issue."

In the 119th Congress, a number of bills and an amendment have been introduced that would require PBGC to recalculate and restore the monthly benefits of participants in the six terminated Delphi plans who were not covered by the top-up agreements. In addition, participants not covered by the top-up agreements in these plans would receive lump sum payments with interest for the benefits that had been reduced as a result of PBGC's maximum guarantee.

As of January 2026, the bills include the Susan Muffley Act of 2025 (introduced as H.R. 1357 by Representative Mike Turner on February 13, 2025, and S. 1950 by Senator Jon Husted on June 4, 2025), the Delphi Retirees Pension Restoration Act (introduced as H.R. 1895 by Representative Victoria Spartz on March 6, 2025), and S.Amdt. 3233 to S. 2296 (submitted by Senator Jon Husted on July 31, 2024).

The bills and the amendment have identical language with regard to the benefit payments to eligible retirees. However, they differ in a number of ways. For example, H.R. 1357 and H.R. 1895 would allow the lump sum payments made to participants to be included in taxable income in equal amounts over three years. In addition, H.R. 1357, S. 1950, and S.Amdt. 3233 would establish a trust fund in the U.S. Treasury from which to pay benefits and would obligate such funds as necessary from the U.S. Treasury to pay for the benefits and administrative expenses. S.Amdt. 3233 would accelerate the payment of PBGC premiums that are due in October 2036 to be due in September 2036, and H.R. 1895 would fund the monthly benefits increased under the bill from the unobligated balance of PBGC's revolving fund (from which PBGC pays basic benefits to PBGC participants).

In the 117th Congress, H.R. 6929, the Susan Muffley Act of 2022, passed the House on July 27, 2022. The Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimated that H.R. 6929 would have resulted in an increase in spending of \$912 million in FY2023-FY2032. The bill did not receive a vote in the Senate.

In the floor debate on H.R. 6929, proponents argued that the bill would fix a "longstanding error" for "unique group of retirees who had their pensions unfairly and disproportionately cut" and that it was "the Federal Government who has the responsibility to fix the mess that itself created." Opponents of the bill said it was "another bailout of failing pension plans" that "set a damning precedent" and that it was an "irresponsible giveaway" that would "force taxpayers to shoulder a cost of \$800 million over the next decade and \$1.3 billion in all to bail out underfunded, privately run pension plans."

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