



Delphi warning on benefits tells employees to get ready for the worst

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Stuart Bauer | The Flint Journal

Former Delphi employees Cindi Holmes of Shiawassee Township near Bancroft and her husband, Rod Holmes, say they will face health insurance bills of \$666 per month each if Delphi cancels their health care benefits on April 1.

FLINT, Michigan — How sure is Delphi Corp. that a judge will allow it to cancel health care and life insurance benefits for salaried retirees?

The company that's been operating under Chapter 11 bankruptcy protection is telling those employees to get ready for the worst even before a Feb. 24 hearing on its request. Flint Journal extras Losing coverage Here's some of what Delphi Corp. told salaried retirees in a Feb. 5 letter:

- The company will no longer provide contributions toward health care coverages.
- Retirees may continue current coverage by paying the full cost.
- Retiree health reimbursement accounts will be discontinued, and the company will no longer provide a special Medicare benefit.
- Basic life insurance coverage will be terminated.

Former employees like Cindi Holmes, whose husband retired from Delphi Flint East, started receiving letters from the company late last week, warning that they will be stripped of benefits effective April 1.

Devastating news to be sure, and to add insult to injury, Holmes said Delphi didn't seem to acknowledge the possibility that the company's motion might not be granted by the New York state bankruptcy judge.

"This is really gonna hurt us bad," said Holmes, 57, of Bancroft, who is too young to begin collecting health benefits from Medicare and at least for now plans to go without coverage and hope for the best until she turns 65.

"I'll just have to hope I don't get sick," she said.

Keeping health coverage similar to what Delphi retirees currently get would cost she and her husband, Rod, who retired on disability, more than \$1,000 a month.

Delphi's request seeks to cut benefits to a total of 15,000 salaried retirees, saving the Troy-based company about \$70 million annually and reducing its balance sheet liabilities by \$1.1 billion, the company said.

The Flint Journal could not reach a Delphi spokesman for comment Monday or Tuesday.

Delphi's Feb. 5 letter to employees says, in part, "We regret that these changes are necessary, please understand that recommended changes are only implemented after careful consideration of market conditions, affordability and the impact on employees with the intent of maintaining a viable global business now and in the future."

Denny Cavanaugh of Swartz Creek, another Flint Delphi retiree, said he's weighing his options for health coverage, including tapping into insurance tied to his past service in the National Guard.

Cavanaugh has another year to wait before he can collect Medicare benefits, and the estimated \$900 to continue his coverage "puts our budget in limbo."

He already pays about \$200 monthly for the health maintenance organization policy that covers him through Delphi.

"We're not as bad off as some other folks," Cavanaugh said. "For somebody under 65 who doesn't have money in a retirement fund, there's going to be a big shock to deal with."

Like many, Cavanaugh, who retired after 32 years from Delphi in 2002, had been at the Flint complex since General Motors operated as its parent company. GM remains Delphi's largest customer and former hourly Delphi employees in Flint were again made

GM employees on Jan. 1 as a provision of the national UAW contract with the automaker.

Before that switch, Delphi had about 570 hourly and salaried workers remaining in Flint.

Cavanaugh said the notice in advance of the bankruptcy court's ruling on Delphi's motion at least gives retirees the chance to start looking at what options they do have.

He hopes by making the move, Delphi will remain in business, and employee pensions will be preserved.

Van Conway, president of CM&D, a Detroit area turnaround management firm, said the motion to take away health benefits from salaried retirees is increasingly common for companies in bankruptcy as employees have retired earlier than they once did and typically live longer than they did in the recent past.

"People used to work to (age) 65 and died at 66," Conway said. "Now people retire (earlier) and live longer."

"I assume (Delphi's) position is: If we don't do this, we're going to go out of business."

Conway said the bankruptcy judge will have to agree with the company that the benefits are too burdensome for it continue to operate.

Retirees would most likely face an "uphill fight" in court, he said.

Conway has nearly 30 years of experience dealing with Michigan's automotive suppliers, helping them stay afloat or assisting them through Chapter 11.

"We are seeing things we haven't seen in prior recessions and corporate bankruptcies," he said. "We have a national economy that is way worse than anyone has seen in a very long time."

Holmes said she expected the health benefits that came with her husband's job would be a promise kept but sometimes expects the worst now.

"If God forbid something happens ... to the widow's pension, I wouldn't have enough to bury (my husband)," she said. "It amazes me that they are able to do this."

Delphi said in the filing that its plan to emerge from bankruptcy protection had been based on assumptions of industrywide light vehicle production of 14.2 million units in 2009 and up to 16.3 million units in 2011.

The forecast also included expectations that GM would build at least 3.15 million light vehicles in 2009 and up to 3.61 million in 2011.

Instead, the overall industry took a turn for the worse in the fourth-quarter of 2008 and the U.S. based automakers now say that the best the industry will be able to do this year will be about 12 million to 12.5 million units, Delphi said in its filing.

Delphi has been operating under Chapter 11 protection since October 2005.

Information from the Associated Press is included in this report
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