

December 31, 2009

To: NRLN Grassroots Members

From: NRLN President Bill Kadereit

Subject: NRLN's Review of 2009

I want to share with you my review of the National Retiree Legislative Network's 2009 actions on behalf of NRLN members.

Certainly, this has been an eventful year in terms of Washington, DC where the NRLN has its focus. We started the year with the first session of the 111th Congress and the inauguration of a new President. During the opening weeks of 2009, the major business of members of Congress was enactment of economic stimulus legislation. On January 21, the NRLN issued its first of 21 Action Alerts. We asked Representatives and Senators to include "protections for pensions and benefits for our country's retirees" in their stimulus legislation.

### **Health Care Reform Legislation:**

Following the passage of the economic stimulus legislation in which the NRLN advocated a one-time stimulus payment to Social Security recipients, the center of attention in Washington turned to health care reform legislation. The NRLN, with support from our Grassroots Network Members, has been actively engaged with health care reform issues. . The NRLN did not support or oppose passage of broad health care reform legislation. However, the health care reform bills presented us with a unique opportunity to communicate the importance of gaining legislative protection of health care benefits retirees had earned from their employers, the need to reduce the cost of prescription drugs and the necessity to keep Medicare strong.

Of the nearly 72,000 letters that have been emailed by Grassroots Network members to members of Congress through the NRLN's Capwiz system thus far in 2009, two-thirds were on the subjects of retirees' health care and prescription drugs. I believe that our thousands of letters contributed to the Senate dropping the idea of taxing the health care benefits that retirees receive from their former employers, except for the so-called "Cadillac" health care benefits that some workers and retirees receive. The taxing of "Cadillac" health care benefits is a provision that is still in the pending Senate bill.

In July, we researched and wrote, with support from our Washington staff, a whitepaper titled: "*Prescription Drug Costs And National Health Care - A Call For Action.*" The whitepaper sent to Congressional leaders points out the need to pass legislation to provide safe, less expensive prescription drugs to the U.S. market.

Our whitepaper told Senate and House leaders that Congress has the opportunity to bring about true health care reform, significantly reduce health care costs, and to simultaneously enable a truly competitive marketplace for prescription drugs in our country. This could be made a reality by passing legislation that: (1) Enables re-importation and importation of prescription drugs; (2) Enables Medicare to develop formularies and take competitive bids for prescription drugs sold under the Medicare D plans; (3) Staffs and funds the FDA to reduce the generic drug approval backlog and demand that all manufacturers pay fees to support generic drug testing. American retirees pay more for the same prescription drugs used by retirees in other countries. As you may recall, on November 7th the U.S. House of Representatives passed its health care reform bill (H.R. 3962) by a vote of 220 to 215. The bill included some provisions the NRLN has been lobbying for in Congress. These include:

- A Maintenance of Cost Payment (MCP)-type proposal that prohibits employers from canceling or reducing retiree health benefits. It also gives employers a financial incentive to retain and pay for health care coverage for retirees by purchasing coverage through new state-administered insurance exchanges that greatly limit the ability of insurers to charge higher premiums based on age.
- A \$10 billion reinsurance program for retirees under which former employers who continue to provide and pay for insurance coverage for pre-Medicare-eligible retirees age 55 to 65 can be reimbursed for 80 percent of the cost of claims between \$15,000 and \$90,000. This is catastrophic coverage.

- Reduces the Medicare Part D prescription drug "donut hole" by \$500 beginning in 2011, and gradually reduces the out-of-pocket amount each year after that.
- Allows the federal government to negotiate Medicare drug prices directly with companies.
- Generally lowers health insurance costs for older workers and retirees by instituting insurance regulations that guarantee coverage, prohibits exclusions for pre-existing conditions, and places a fairly strict limit on the ability of insurers to charge higher premiums based on age.

An NRLN Action Alert on November 10th asked Grassroots Network members to write to their Senators to request that the Senate health care reform bill include the House bill's provisions but with specified changes. The Senate is still in the process of debating and amending its bill. Whether the Senate passes its bill remains to be seen. If the Senate passes a bill, it would go to a conference committee where the differences between it and the House bill would be worked on. If the conference committee produces a bill, it would have to go back to the House and Senate for debate and a vote.

The NRLN will continue to work on gaining passage of the retirement health care and prescription drug issues that we will carry over from our 2009 Legislative Agenda into 2010. Last week, AARP decided to join us in supporting importation of safe prescription drugs. It is important to know that Congress does not consider these Senate or House health care reform bills to be Medicare reform bills and that the Administration has vowed to take on the lowering of Medicare and Social Security benefit costs later. We will not give up on any of these issues important to our members

### **Pension Protection Legislation:**

At the NRLN's Annual Leadership Conference in January, the NRLN Board approved a proposal to solicit voluntary contributions from NRLN Retiree Associations that would go into a special fund to be used to hire the expertise required to research and write whitepapers that would serve as the foundation for educating members of Congress on the legislation needed to protect retirees' interests. The fundraising objective was achieved and the first whitepaper produced in May addressed the need for legislation to prevent corporations from using pension plan assets to pay for corporate restructuring lump sum severances or buyouts. The NRLN's Washington team was able to get this provision included in a pension protection bill that is in draft form in the House.

In a different bill that is expected to be introduced soon in the House is a provision that addresses another NRLN pension protection objective. I've sent a letter endorsing the proposed bill that would prevent the use of retirees' qualified pension plan funds to enhance deferred, non-qualified supplemental compensation. The NRLN's other major pension fund protection objective is to prevent pension plans from being sold by plan sponsors or the Pension Benefits Guarantee Corporation (PBGC) to third party financial firms or other institutions. We believe that NRLN letters on this issue contributed to an IRS ruling that appears to block any such maneuvers if a financial firm cannot prove they have an employer/employee relationship with plan participants.

The bottom line is that the NRLN believes pension plan assets must be protected. By doing so, it increases the potential for the generation of surplus assets that can be used to offset corporate health care costs for retirees and/or be available for pension Cost of Living Adjustments (COLAs).

### **Bankruptcy Law and PBGC Rules Reforms:**

With the addition of retiree associations from Delta Air Lines, Chrysler and General Motors, the NRLN has become more aware of the necessity for legislation to reform bankruptcy laws and PBGC rules. In February, I sent letters to President Obama and the Senate Judiciary committee members to advocate the need for legislation to reform bankruptcy laws to better protect retirees' pensions and benefits in bankruptcy court proceedings. My letters were followed up with an NRLN Action Alert that saw Grassroots Network members email nearly 7,000 letters to Washington on this issue.

In May, the NRLN formed a task force of retiree association leaders from the airline, auto and telecommunications industries to address needed changes in bankruptcy laws and rules applied by the PBGC

when it takes over a defined benefits pension plan. The work of the task force members, plus volunteer hours from a bankruptcy attorney, resulted in two outstanding whitepapers that make the case for legislation sorely needed to protect retirees in bankruptcy cases and when the PBGC takes over a pension plan. These whitepapers have been put in the hands of the Commerce Committee and numerous members of Congress and we will continue to lobby for these issues on Capitol Hill.

The NRLN is seeking legislation that will provide fairness and equity for retirees who are hostages in bankruptcy court and are currently subject to suffering permanent losses that they will most likely never recover. Therefore, the NRLN's position is that retiree pensions and benefits should be put on the list of obligations that companies cannot shed. Retirees from Alcatel-Lucent, Chrysler, General Motors, Delta Air Lines and other financially stressed companies or retirees from those firms subject to acquisition by foreign companies may be suddenly affected by the inadequate protection provided by current laws.

Another issue that reared its head during task force conference calls was the issue of corporations who shift U.S. company assets to foreign countries as a result of merger and acquisition activities. When these assets escape U.S. control they no longer are available to be liquidated in order to fund pension and benefit plan liabilities. Current ERISA law and PBGC rules are unclear about a foreign company's liability to protect retiree pensions. The NRLN intends to delve deeper into this issue in 2010 and will make proposals to Congress.

### **Face-to-Face With Representatives and Senators:**

From the time when the NRLN began its Annual Meeting in Washington, one of the primary objectives was that conferees would engage in face-to-face meetings with their Representatives and Senators or staff members in their Capitol Hill offices. This was the case once again January 13 - 15 when most conferees, following a day and a half of NRLN business and guest speakers, headed for Capitol Hill armed with the NRLN's 2009 Legislative Agenda. January certainly isn't the prime time to travel to Washington, but it does provide NRLN and retiree association leaders the opportunity to meet with members of Congress right after Congress convenes in the new year. (Washington hotel room rates are also considerably cheaper in January.)

Knowing that Congress would spend much of the year dealing with health care reform legislation, the NRLN made a concerted effort to encourage Grassroots Network members to meet with Representatives and Senators when they were back home during the Congressional recesses for Memorial Day, Independence Day and the month-long summer break in August. We provided to Grassroots Network members emails with the NRLN's talking points on our key health care and other legislative issues to use in their face-to-face meetings that many individuals scheduled.

In May, eight NRLN leaders began participating in conference calls to make plans to take the face-to-face meetings concept a step further. The outcome of those planning conference calls was the September 15th – 17th Drive-In/Fly-In Conference in Washington. This first-of-its-type gathering for the NRLN attracted 66 motivated individuals from 19 states and 10 retiree associations. The first day was devoted to preparing the conferees for their meetings with members of Congress. Briefings on NRLN legislative issues were provided by NRLN leaders. Conferees received folders with information on the needed legislation to protect retirees' pensions and benefits. The folders were presented to members of Congress and their staffs during the next two days of meetings.

On the third day, 24 Grassroots Network members participated in a meeting with PBGC officials. We candidly aired our concerns about several PBGC rules and administrative procedures. I believe we made some headway in getting the officials to give serious consideration to making a number of the changes we identified as being unfair to retirees when their pension plan is taken over by the PBGC.

### **NRLN Growth During 2009:**

The NRLN has grown in a number of ways in 2009. Three strong existing retiree associations joined the NRLN during the year. They are the Delta Air Line Pilots (DP3); the Delta Air Lines Retirement Committee, and the Delta Disabled Pilots and Survivors Association. The NRLN worked with a group of General Motors retirees to form the General Motors Retirees Association—completing the Big 3 of the automotive industry along with the

Chrysler and Ford retiree associations who were already affiliated with the NRLN. The newly formed EKRA, an association of Kodak retirees, also recognized NRLN's benefits and joined the NRLN.

During the year, the NRLN's Grassroots Network database grew by 33%. The number of messages, including 21 Action Alerts, sent to Grassroots Network members increased by 37%. The number of emails delivered to Grassroots Network members grew by 38%. And, most importantly, the number of letters emailed to members of Congress through the NRLN's Capwiz system increased by 52%.

### **NRLN Agency Adds Health Care Insurance Offerings:**

The NRLN leaders who constitute the NRLN Agency Board, Dick Ciocca, President; Bob Tompkins, Licensed Agent; members Bob Foresta, Chuck Gilbert, and myself put forth considerable effort this year in working with Daniel Lindblad, the NRLN Agency's partner, to add health care plan offerings to the existing life insurance and casualty insurance offerings. Health care insurance plans for pre-65 and Medicare-eligible retirees and family members were developed because more than 80% of the individuals participating in the NRLN's survey last spring said the NRLN should make them aware of health care insurance plans that could supplement or replace their former employer's plans. At this point, we have not yet received information from Mutual of Omaha, Medco, Assurant, Humana and Aflac on the number who have enrolled in the 2010 plans offered through [www.nrlnhealth.com](http://www.nrlnhealth.com).

Because NRLN Agency LLC is set up as an insurance agency, we can receive revenues directly paid from the insurance companies in the states we hold insurance licenses. These revenues are a small amount of the selling agent's normal commission and thus pricing of the plans is not affected. All funds received by the Agency, beyond its minimal expenses, are passed along to the NRLN to support our mission to gain legislation beneficial to retirees. We do not intend to expand offerings beyond the subjects of income security and health care service and the NRLN does not plan its budget with dependence on this revenue.

### **The Challenges Ahead:**

We can be certain that there will continue to be challenges ahead in 2010 for the NRLN as we work to protect retirees' pensions and benefits and keep Social Security and Medicare strong. If a health care reform bill is enacted, we will determine where it is helpful to retirees and where we could be harmed. We will go to work to fix any harmful aspects through new legislation. And where the elements of our health care legislative agenda have not been included, we will continue to be an advocate for them. The high cost of prescription drugs has hardly been addressed in the present House and Senate health care reform bills, so we will lobby for legislation to bring more competition to America's pharmaceutical industry.

President Obama has stated he wants to address Medicare and Social Security reform once Congress finishes with health care reform. If this happens, the NRLN will be engaged. We already know we will urge legislation to amend the tax codes to eliminate federal and state taxes on all Social Security income and/or allow a tax credit for taxes withheld.

If the NRLN's pension protection issues noted in the two bills in the pension protection section above are not passed prior to the end of the year, they will be at the top of our list to be re-introduced and passed in the next session of Congress. Getting bills introduced and enacted to provide fairer treatment for retirees by bankruptcy laws and PBGC rules will be top priority initiatives.

These are just the main issues that we currently see as part of the 2010 Washington landscape. More issues are bound to arise—ones we will support and ones we will oppose.

Please be patient. Even though members of Congress can move at a snail's pace if issues are not politically favorable and even though companies hire thousands of lobbyists and pour hundreds of millions into legislators' campaign buckets, we are telling a convincing story and we are making good headway. Your Capwiz letters, meetings with elected officials at home and joint lobbying effort on the Hill are making a difference. We don't buy lunch or dinner or make campaign contributions, yet with your support, we are respected.

You can be assured that your company retiree association leaders, the NRLN board and our Washington staff work hard as a team because they believe that what they are doing is the right thing to do. They spend many hours of their retirement years trying to make a difference for your benefit. Please be thankful and patient.

In closing, I want to thank you for the support you have provided in 2009 as an advocate with your elected representatives for the NRLN's messages. To those of you who made a financial contribution to become an NRLN Individual Member, I want to express my deepest gratitude. Active individual advocacy and financial support will be essential to the NRLN's success again in 2010. I have appreciated the opportunity to serve as the NRLN President during the past two years and I'm looking forward to continuing to work with you to make a positive difference in the lives of retirees.

Bill Kadereit  
President, National Retiree Legislative Network