



NATIONAL RETIREE LEGISLATIVE NETWORK, INC.

601 Pennsylvania Avenue, N.W.
Suite 900, South Building
Washington, D.C. 20004-2601
Tel: 202-220-3172
Fax: 202-639-8238
Toll-Free: 1-866-360-7197
Email: nrlnmessage@msn.com
Website: <http://www.NRLN.org>

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***NRLN is a coalition of 24
associations advocating the rights
of 2.1 million American retirees
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March 24, 2009

President Barack Obama
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Obama:

How does your Administration justify making a quarter of a million salaried retirees the "throwaways" of America's automotive industry? In the deliberations and negotiations that have taken place executives of General Motors, Chrysler and troubled parts suppliers have had a voice. The United Auto Workers Union has represented its workers and retirees. Bond holders and shareowners have gained the attention of the White House. Neither Treasury Secretary Timothy Geithner, Larry Summers, National Economic Council Director, nor Steven Rattner, the lead adviser on your Automotive Task Force has paid any attention to what has been happening to the salaried retirees.

Ask these members of your team if they are aware that on March 11, 2009 a bankruptcy court judge upheld his February 24, 2009 decision that Delphi Corporation, an automotive systems spinoff from GM, has the right to end health and life insurance benefits for 15,000 salaried Delphi retirees and their spouses on April 1, 2009.

While your team members have been focusing on the restructuring efforts of Chrysler and GM, are they aware of the damage that has been inflicted on salaried retirees and their spouses from these two companies? For example, Chrysler has been at the forefront in the automotive industry in breaking promises to its salaried retirees. On December 31, 2006, Chrysler ended its company-sponsored health care benefits for its Medicare-eligible salaried retirees and spouses. It replaced this substantial benefit with a "Health Care Retirement Account" of \$1,750 for a single retiree and \$3,500 for a couple—a proverbial drop in the bucket for what quality health care coverage actually costs. On June 1, 2008, Chrysler eliminated its company-sponsored group life insurance for its salaried retirees.

On January 1, 2009, Medicare-eligible GM salaried retirees and surviving spouses lost their GM-sponsored medical, dental, vision, hearing aid, prescription drug, extended care and catastrophic coverage. In lieu of the GM-sponsored health care, salaried retirees and surviving spouses received a pension increase of \$300 which doesn't nearly replace the eliminated benefits. Recently, GM disclosed that on Jan. 1, 2010, it will end health care coverage to retired salaried workers who are pre-65 and eligible for Medicare because they are disabled. They will get only a \$260 per month medical expense credit. GM is in the process of reducing basic life insurance for salaried retirees by 50% with the first 25% cut to take place May 1, 2009.

While the funding levels of most defined benefit pension plans dropped in 2008, the Pension Benefit Guaranty Corporation has been particularly concerned about the funding of the automotive industry's Big Three pension plans. The PBGC sent urgent Letters of Inquiry in November to GM, Chrysler and Ford. The PBGC demanded details about the auto makers' plans to tap their remaining island of solvency – their pension funds – to cover the cost of billions of dollars in severance and early retirement buyout payments. Unofficial March reports have the funding levels for Big 3 salaried plans at well under 90% and Delphi's salaried plan below 60%.

GM has so far received \$13.4 billion in federal loans, and has requested up to \$16.6 billion in additional funds. Chrysler, which has gotten \$4 billion in loans, is asking for another \$5 billion. Mr. Rattner has stated that GM and Chrysler LLC may need “considerably” more than the \$21.6 billion in additional aid they requested. Automotive industry suppliers have petitioned for up to \$25.5 billion in federal aid. Just last week, Secretary Geithner announced a \$5 billion fund to guarantee payments to troubled parts suppliers for products shipped to ailing car companies.

I believe that you want your Administration to stand for fairness and compassion. There is nothing fair or compassionate about salaried retirees bearing significantly more of a corporation's restructuring burden than retired union workers who have their retirement benefits spelled out in a binding labor agreement. Federal officials must recognize that salaried workers earn less money than most in “management” and in many cases UAW workers, yet they were the professional workhorses that never flew in a corporate jet. Mr. President, these accountants, engineers and other professionals are the people you told Jay Leno the world we needs more of. Show these people and their children you mean what you say. Why would a child follow a parent's career choice when they see them suffer in retirement? Why neglect them and allow them to be mistreated in this process of restructure? Every dollar they get will be spent, not stashed away.

With all of the billions of dollars potentially in play with the automotive companies, your team that is overseeing the industry should work with the companies to find ways to reduce the burden that has been placed on salaried retirees and their spouses as the result of the eliminations, or severe reductions, in health care benefits. For example, in the case of Delphi salaried retirees, the elimination of their health care benefits will place a severe financial hardship on many of them. Your team that is overseeing the automotive industry should work with Delphi to restore the salaried retirees' benefits through special funding. Delphi has quoted its liability for salaried retirees' benefits as \$70 million per year and \$1.7 billion in the long term. Why not offset some of the salaried retirees' pain with available restructure funds?

Delphi salaried retiree health care coverage will be gone April 1, and their pension plan is funded below 60% and is sure to be terminated by the bankruptcy court. Retirees will suffer permanent losses and will never recover but lenders, creditors, vendors, shareholders and bondholders, the managers who knew and accepted risks for reward will be subsidized and will survive, as will Delphi. Mr. President, you said bankruptcy law will be reformed to redress retiree inequities, now is the time to take your first step in that effort.

By working with the automotive industry companies to make good on their promises to salaried retirees, your administration would be sending a strong signal that what companies call “legacy” costs must be fairly dealt with by corporate executives.

Mr. President, an objective of your Administration should be to achieve predictability and stability of pension income and health care costs for retirees. If workers can plan for and enter retirement in a predictable and stable environment, most will be able to deal with the minor economic bumps in the road. In the short term, the federal government's help is needed to get companies like GM, Chrysler and Delphi plus others to live up to their obligations to salaried retirees. In the long term, legislation is needed to provide greater security for pension assets, protection of health care benefits and reform corporate bankruptcy laws to better protect retirees' and workers' interests.

Since it is highly unlikely that companies will consistently guarantee the pensions and benefits that they promise to recruit and retain employees, strong federal government enforcement measures need to be put in place to hold employers accountable. To make this happen, additional pension reform will be necessary. I recognize this is essentially the role of the Employee Retirement Income Security Act laws. But ERISA needs to be further strengthened. The National Retiree Legislative Network has proposed legislation to stop companies from using pension assets to pay for company restructuring expenses such as lump sum layoff payments. Those assets should remain in pension trusts to protect pensions and possibly fund Cost of Living Allowances (COLA) and retirees' health care benefits.

What has happened to Delphi, GM and Chrysler salaried retirees can, and has, happened to a number of the more than 2 million retirees from 87 companies affiliated with the NRLN. Because age 65 and older Medicare-eligible salaried retirees have been an easy target for the elimination of health care benefits—especially since the publishing of the EEOC rule—I urge you to support adding catastrophic coverage to Medicare. Elimination of the “doughnut hole” gap in Medicare Part D coverage would also be very beneficial to Medicare recipients. In addition, if retirees age 50-64 could buy into Medicare at an affordable cost that would not burden the system, they would be joining one of the world's largest health insurance pools. Everybody wins!

I recognize that Secretary Geithner, Director Summers and Mr. Rattner and his fellow Task Force members are under tremendous pressure from members of Congress and America's taxpayers to see that the restructuring of our nation's automotive industry is done correctly for long-term viability. On behalf of the salaried retirees who played an important part in making Americas' automakers the one-time world leaders, I implore you and your team to remember them. Don't allow them to become a "throwaway" generation of retirees. I hope you will ask your Auto Industry Task Force to hold a meeting with leaders of the Chrysler, Delphi, Ford and GM Retiree Associations. Please ask a member of your team to call the NRLN's Washington, DC office at 202-220-3172 and we will be pleased to coordinate arrangements for a meeting.

Sincerely,

A handwritten signature in black ink that reads "Bill Kadereit". The signature is written in a cursive, slightly slanted style.

President, National Retiree Legislative Network

Copy to:

Timothy Geithner, Secretary of the Treasury

Larry Summers, National Economic Council Director

Steven Rattner, Lead Adviser - Automotive Task Force