



NRLN Focus

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NRLN
NATIONAL RETIREE LEGISLATIVE NETWORK, INC.

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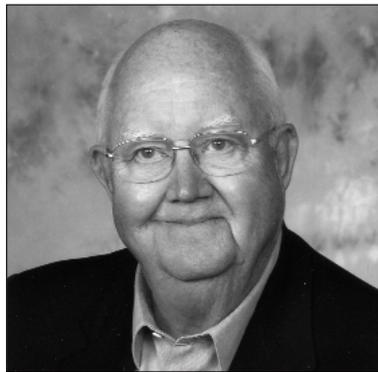
A VIEW FROM WASHINGTON

ON THE VERY LAST VOTE before adjourning for its summer vacation, Congress finally passed The Pension Reform Bill (S183/HR2830). The Senate vote was the last piece of business before the summer break, as was the House version one week before. Both votes were conducted late at night. (Why am I suspect of this “very last thing” to do before leaving town?)

The final vote on this bill in the Senate was 93 to 5, while House members voted 279 to 131.

Passage of the pension bill in both houses of Congress represents a major accomplishment for the NRLN and our Grass Roots Network members. You are to be commended for your determined effort to convince your senators and representatives of the necessity in passing legislation to tighten corporate pension funding rules and close the loopholes that have enabled companies to accumulate huge pension liabilities.

Over the past 19 months NRLN officers, staff, and Grass Roots Network members have met with, called on and e-mailed 39,335 letters to elected representatives through our Capwiz



A. J. (Jim) Norby

Web site. These face-to-face meetings, e-mails, letters and countless phone calls to Capital Hill offices of senators and representatives and their staff members paid off.

Thank you!

In the legislative give and take process, I don't believe everyone ever gets everything they want in a bill, but the NRLN saw a good number of its key issues included in the approved pension reform package.

First, the NRLN has always supported the basic thrust of the bill which substantially tightens pension plan funding requirements and greatly reduces the risk of plans defaulting to the Pension Benefit Guaranty Corporation (PBGC). Calculations of plan liabilities, asset values and the level at which plans must be funded have all become far safer for retirees. Within seven years, *(continued on page 2)*

DISAPPOINTING NEWS

As we go to press we learn that an Illinois Federal Court has reversed an earlier decision and declared that IBM has not violated age discrimination rules in the cash balance conversion process. It ruled that such action is “age neutral.”

Our initial reaction is one of disappointment. We have not yet had a chance to read the whole ruling, but the good news appears to be that the ruling will not affect other cases now in the legal process, nor will it change the pension reform bill just passed.

The issue is complex and after further study we will get back to you.



A View from Washington *(continued from page 1)*

most companies will have to fund 100 percent of their plan liabilities, instead of their current 90 percent.

“A clear win”

Secondly, the NRLN campaigned to reduce the five-year asset smoothing rule that involved the amount of time companies have to replenish their pension plans after the assets in those plans plummeted due to a stock market crash. Under the old law, companies were allowed a five-year smoothing period which shielded them from this obligation. As a result, NRLN member associations reported that companies overstated pension assets in their plans from 2000 to 2005. Under the new law, companies have to add assets back after two years, instead of five years. A clear win for retirees.

Third, the business community, with the support of House Majority Leader Rep. John Boehner of Ohio, tried unsuccessfully to retroactively legalize cash balance conversions and the benefit “wearaway” it often inflicts on older workers. This would have negated lawsuits by retirees in several NRLN associations. The NRLN played a key role in beating back any retroactive legislation and preserving the Senate protections against “wearaway” for future cash balance conversions.

FOURTH, CORPORATE LOBBYISTS attempted to greatly reduce the level at which a pension fund “surplus” can be transferred to offset corporate operating expenses for retiree health care benefits (so-called Section 420 transfers). The NRLN repeatedly had urged senators and

representatives not to lower the transfer threshold to 115 percent in the original bill passed by the House in December 2005. While we would have preferred not to change the 125 percent that is in the current law, we consider the final provision of 120 percent to be a victory for retirees. Since the calculation of pension liability is much more conservative under the new law, this may actually be a HIGHER threshold than under the current law.

And finally, pension plan disclosures to participants are improved, though not as much as we had hoped. For example, each year plans must affirmatively disclose their funding levels and make extra disclosures if they are under 100 percent. These reports must be published in the form of statements to retirees within 120 days from the end of the plan year. Today, we get nothing for 10 months – too late for taking action. Detailed filings must also be made available electronically under the new law. These new disclosure requirements represent good progress and a precedent we can build upon.

WHILE WE APPLAUD many provisions in the 903-page bill, the legislation raises some concerns. The cash balance provisions, for example, are very broad and could present detrimental consequences to older workers as their defined benefit plans are converted to cash balance plans. These “transition rules” could have been much improved and better defined. In our view, the reason for the uncertainty about the transition rules and its effects on older workers is due to the reconciliation conference taking place behind closed doors. This resulted in many conferees who in our judgment were entitled to be

at the table being pushed aside. The process was subverted, and while the report carries with it some positive provisions, others could have been made much stronger.

Had it not been for the constant pressure exerted by the NRLN and its Grass Roots Network members, I’m convinced the legislation would have been much less favorable to workers and retirees. (See NRLN Datelines on Page 3). In fact, the bill probably would not have been passed at all. This is an election year, and our senators and congressmen recognized the power of retirees at the ballot box. As I have shared with a number of congressional members, as retirees we may be older, but most of us still know how to drive, and we know our way to the polling places.

AT THIS WRITING, President Bush is expected to sign the Bill into law. Our attention and resources now turn toward the passage of health care reforms, which are discussed in the article starting on Page 4.

As noted in the interview with NRLN Executive Director Marta Aguirre Bascom that starts on Page 5, the ability of our Grass Roots network to deliver thousands of letters and e-mails to congressional members within a 24-hour period has become an extremely effective strategy. As we move forward with our health care initiatives in the months ahead, we need your help to make our Grass Roots voice even louder. Please go to our Web site (www.NRLN.org) and enroll in our Grass Roots Network.

Meanwhile, good luck and God speed.



NRLN Datelines

July 10, 2006 - NRLN issues a news release critical of corporations that award their executives lucrative pension plans at the same time they are reducing, freezing or gutting worker and retiree pension and health care benefits.

June 23, 2006 - NRLN issues a news release criticizing benefit cutbacks announced by Daimler Chrysler for its retired employees over the age of 65.

May 19, 2006 - NRLN President A.J. "Jim" Norby sends a letter to members of the U.S. Senate and House conference committee on pension reform and their staffs restating the organization's concerns over specific provisions of proposed legislation.

April 11, 2006 - NRLN issues a news release announcing a grass roots campaign to urge individual workers and retirees to personally meet with their congressional representatives while they're back home on behalf of pension reform.

April 4, 2006 - NRLN President A.J. "Jim" Norby issues a Cap Wiz alert requesting members to urge U.S. Senate and House members from their states to reject specific provisions of the pension reform legislation before it is voted out of the conference committee.

April 4, 2006 - NRLN President A.J. "Jim" Norby sent a letter to Sen. Frank Lautenberg requesting that he reconsider his position on 420.

March 24, 2006 - NRLN issues a news release urging the U.S. Senate and House conference committee on pension reform to reject a provision to modify Section 420 of the Internal Revenue Code related to surplus pension assets.

March 20, 2006 - NRLN President A.J. "Jim" Norby issues a Cap Wiz alert requesting New Jersey residents to contact Sen. Frank Lautenberg and urge him to reconsider his support of a pension reform measure to modify Section 420 of the Internal Revenue Code to lower the transfer threshold of a pension plan surplus from 125 percent to 115 percent.

March 15, 2006 - NRLN President A.J. "Jim" Norby sends a letter to President George W. Bush applauding his comments to the National Newspapers Association (NNA) where he called on American businesses to live up to their pension promises to workers and retirees.

March 14, 2006 - NRLN issues a news release urging the U.S. Senate and House conference committee to revise proposed pension reform legislation.

MEMBERSHIP/DONATION

The NRLN is a nonprofit, tax-exempt organization. Contributions are not tax deductible.

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HEALTH CARE INITIATIVES ARE PRIORITY IN NRLN'S 2007 LEGISLATIVE AGENDA

On June 28 and 29, the NRLN Board of Directors met in Chicago and elected two new directors – Hazel Floyd of the Association of U S WEST/Qwest Retirees and Jack Land of the TelCo Retirees (CA/NV). The main topic of discussion was our legislative agenda for the remainder of this year and an initial look at 2007.

Details of the 2007 agenda are still being hammered out by the NRLN's Legislative Committee and Washington staff, but generally it focuses on the following health care issues.

Health Care

The NRLN's commitment to health care benefits and affordability issues, which have been the focus of several initiatives over the past two years, will be expanded in 2007 to address several proposals to help retirees pay for escalating health care. Issues that we support include:

- The Pharmaceutical Market Access and Drug Safety Act which would permit U.S. consumers to buy safe prescription drugs from Canada and other countries. That bill was introduced by Sen. Byron Dorgan (D-N.D.) with bipartisan support from several senators including Olympia Snowe (R-Maine), Chuck Grassley (R-Iowa), John McCain (R-Ariz.), Edward Kennedy (D-Mass.) and others.

- Competitive bidding for prescription drugs (Medicare Part D).

- Acceleration of generic drug approvals.

Affordable health care remains a cornerstone of the NRLN mission today and for the foreseeable future.

- House of Representatives legislation (HR4685) that prevents interruption of coverage by private plans during the plan year and establishes an appeal process.

- House and Senate legislation that suspends late filing fees for Medicare Part D.

- Legislation that would permit corporations to accumulate advance funding reserves for retiree medical benefits.

The NRLN also remains committed to passage of the Emergency Retiree Health Benefits Protection Act (HR 1322) in the U.S. House of Representatives. Under this bill, employers would be prohibited from making post-retirement cancellations or reductions of health benefits that retirees were promised. The original bill may need to be restructured in order to garner bipartisan support.

New initiatives

Our 2007 legislative agenda also calls for legislation that creates:

- A Retiree Health Care Lifetime Cost Benefit. This Employee Retirement Income Security Act (ERISA) legislation would require a maintenance-of-cost payment to retired employees effective with the first day of retirement. It would establish a lifetime monthly per capita health care payment as a fixed income benefit.

- Medi-cap premiums that are fully tax deductible, similar to the way health insurance premiums or self-employed premiums are deductible. This proposed legislation would set aside the 7-1/2 percent Adjustable Gross Income (AGI) for health care premiums and out-of-pocket costs not covered by individually purchased plans.

- Tax-free and penalty-free transfers of 401K, individual retirement accounts (IRAs), simplified employee pension (SEP) plans and other individual account balances (matched or unmatched) to Health Savings Accounts (HSAs). These transfers could also be made to help pay for health care premiums and health care costs not covered by health care insurance.

While these legislative plans for 2007 are a work in progress, the breadth of these initiatives should affirm the unwavering dedication of the NRLN and its officers to achieving meaningful pension protection and health care security for retirees. Affordable health care remains a cornerstone of the NRLN mission today and for the foreseeable future.



Q&A WITH NRLN EXECUTIVE DIRECTOR MARTA AGUIRRE BASCOM

SINCE BECOMING NRLN Executive Director in July 2004, Marta Aguirre Bascom has become a familiar presence on Capitol Hill where she has been an effective proponent for issues that directly affect the retirement security of millions of Americans.

Prior to joining the NRLN, Marta served as Director of Federal Relations in the Washington, D.C. office of AirTouch Communications, a San Francisco-based company which offered domestic and international wireless communications services. From 1995 to 1999, her responsibilities involved legislative and international affairs advocacy before Members of Congress and officials in the Executive Branch on issues affecting the cellular, paging, PCS and satellite communications industries.

Marta came to AirTouch from COMSAT Corporation where she was Manager of Government Affairs from 1993 to 1995. Prior to joining AirTouch, she served as Legislative Assistant to Senator John McCain of Arizona from 1990 to 1993 where she focused on issues before the Commerce and Judiciary Committees.

She received her B.A. from Cornell University and her J.D. from Georgetown University Law Center.

In the following Q&A, Marta shares her unique perspective and insight on several timely topics.

What is the current mood in the House and Senate toward retiree issues?

From both a policy and a political perspective, members of Congress are very, very concerned. In terms of policy, they're very concerned because there's going to be a growing number of retirees now that the baby boomers are starting to retire. And there is a genuine concern about how much this is going to cost us in a deficit situation in terms of the U.S. government. From a political perspective they are extremely concerned because it's an election year and we have a very dissatisfied constituency. You've seen in the press all these accounts of people who are trying to fill out their Medicare prescription forms and it's very complex. And many retirees and older workers believe it was very poorly managed and members of Congress are hearing their dissatisfaction. Whether that concern translates into proactive measures it's hard to tell.

How can the NRLN compete against corporate interests?

We can do it through NRLN's grass roots effort. If there's anything that members of Congress listen to it's when they get a flood of letters or e-mail from people who live in their state or in their home district. Every letter represents a voter, so they have to respond, especially in an election year. Our strength is that we have a very educated, activist membership. And that makes all of the difference when you're lobbying.

What is the key to effective communications?

Some of our members visit with either members of Congress or their staffs in their district offices and that makes a big difference. We also use the Cap Wiz system, which has been very, very effective. In terms of what type of communication works best, it may be different from legislator to legislator. But by using a combination of visits to district offices and correspondence by either mail or e-mail, we've been able to get our message across and it's been very effective.

How do you keep track of retiree issues?

It's a challenge because you have more than 400 members of Congress on the House side and 100 senators on the Senate side and they're introducing bills all the time that affect retirees. We can keep track of everything electronically, which is one of the tools we use, but we are now in a position where people on The Hill know the NRLN and want to hear where we stand on issues. So the policymakers call us to ask what we think because they have a bill and they want to find out our response to it.

What is it like dealing with members of Congress?

One thing the NRLN is very aware of is that a member of Congress who may not be with you on one issue could very well be your champion on another (continued on page 6)



Q&A With Marta Aguirre Bascom (continued from page 5)

issue. And the players change all the time in terms of who is with us and who is not. Not everybody is going to agree on everything and it depends on the issues as to who is your champion and who is your nemesis.

What is the secret to working with congressional staff members?

When you're dealing with staff members on Capitol Hill you're dealing with a lot of young people who aren't always aware of what retirees and older workers actually confront on a monthly basis when they're facing bills and mounting costs. So a lot of what we do is an education process – educating people who may not have an awareness of what daily life is for a retiree in this country.

What are some future issues facing the NRLN?

Health care issues are going to be extremely important to the NRLN. And pension issues aren't going to go away because you have the Pension Benefits Guaranty Corporation (PBGC) that's running into a deficit. You're always going to have corporations running back to Congress trying to get things through that aren't in the best interest of older workers or retirees. In some ways the issues that we address today are going to be the same issues that we address tomorrow and the next year and the next. But, because of the complexity of the issues, not everything is addressed every single time. So that's going to continue to be the focus of the NRLN.

National Retiree Legislative Network, Inc.

We seek to secure federal legislation that will guarantee the fair and equitable treatment of retirees in private and public sectors, health and pension programs, and will improve the adequacy of benefits provided by such programs. Also, we are committed to watch for and stop legislation that threatens retiree health and pension programs.

President

A. J. (Jim) Norby - anorbz@aol.com

Vice President/Legislative Affairs

Bill Kadereit - bkad@sbcglobal.net

Vice President/Secretary Treasurer

John Leasher - JohnWLeasher@cs.com

Board Members

JoAnn Alix-Gagain - jagagain@snet.net

Joseph R. (Dick) Ciocca - JRCDick@hotmail.com

Robert Foresta - DEARalliance@comcast.net

Hazel Floyd - hafloyd1@msn.com

Walter Justice - stjamesvt@charter.net

Jack Land - kiwis@san.it.com

NRLN Headquarters

601 Pennsylvania Avenue, N.W.

Suite 900, South Building

Washington, D.C. 20004-2601

Tel: 202-220-3172 Fax: 202-639-8238

www.NRLN.org

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Address Service Requested

National Retiree Legislative Network, Inc.
601 Pennsylvania Avenue, N.W.
Suite 900, South Building
Washington, D.C. 20004-2601

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