



NRLN Focus



Volume 9, Issue 1

Spring 2012

NRLN's 10th Annual Leadership Conference Cuts Wide Swath Through Washington, D.C.

The retiree association leaders and NRLN Grassroots Network members who came to

Washington, D.C. for the NRLN's 10th Annual Leadership Conference on January 30 – February 2 were immersed in NRLN legislative initiatives and engaged Capitol Hill and federal agency officials in an effort to shore up retirement security.

NRLN President Bill Kadereit opened the conference at the Liaison Hotel, a few blocks from Capitol Hill, on Monday afternoon, January 30, with an overview of what would be accomplished that week.

Staff Gives 2012 Legislative Outlook

Marta Bascom, NRLN Executive Director, and Michael Calabrese, NRLN Legislative Adviser, presented their views on what to expect from Congress in 2012. They agreed that with it being a Presidential and Congressional election year that probably no major legislation would pass.

They said the NRLN would continue to work toward the enactment of legislation on retirement financial security, including pension asset protection; reform of corporate bankruptcy laws impacting retirees; changes to Pension Benefit Guaranty Corporation (PBGC) rules for more equitable pension payment calculations, and the protection of retirees in mergers, acquisitions and spin-offs. Working to help retirees by reducing the cost of prescription drugs would remain on the front burner.

While the two NRLN Washington, D.C. staff members don't expect the passage of legislation on Social Security and Medicare during an election year, they said that changes to the programs for seniors will continue to be a hot topic of discussion and the stage may be set for action when the 113th Congress convenes in January 2013.

"The NRLN expects to have a say whenever Social Security and Medicare are seriously discussed by lawmakers," Bascom said.



American Airlines Retirees Committee Board Members (l-r) Paul Mazzara, Stephen Granat and Jill Frank Smoak pause on Capitol Hill with NRLN President Bill Kadereit.

Conferees Do Brainstorming

Next, conference participants were divided into two groups for brainstorming about the NRLN's future. One group addressed what the NRLN should do to grow the number of retiree association members and individual memberships. The other group dealt with how to grow the Grassroots Network and get more members to communicate with their elected representatives. The ideas from both groups were discussed when the groups re-convened as one. Their ideas will be presented to the NRLN's Executive Committee for consideration and will be taken up by the full NRLN Board.

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Phyllis Borzi Talks About EBSA

The guest speaker for the opening afternoon was Phyllis Borzi, Assistant Secretary of Labor for the Employment Benefits Security Administration. Prior to her appointment and confirmation as an Assistant Secretary on July 10, 2009, Borzi, an attorney and a research professor in the Department of Health Policy at George Washington University Medical Center's School of Public Health and Health Services, had served as an "as needed" adviser to the NRLN on retirement benefits issues. Her resume also includes serving as pension and employee benefit counsel for the U.S. House of Representatives, Subcommittee on Labor-Management Relations of the Committee on Education and Labor from 1979 – 1995.

Borzi's one-hour presentation and Q&A addressed her agency's role in overseeing approximately 707,000 private-sector retirement plans, 2.5 million health plans, and a similar number of other welfare benefit plans that provide benefits to 140 million Americans. She said "transparency and accountability" are the watch words for the EBSA's oversight of workers' and retirees' benefits plans.

Borzi lamented that companies have little loyalty to their workers and "for retirees you are gone—you are not there." In this environment, Borzi said, the PBGC is extremely important in its role as a "backstop" for pension payments. She proceeded to present what she called "PBGC 101" explaining the two ways that the agency takes over a pension plan.



Stan Hurst (2nd from right), NRLN Regulatory Affairs Committee Chairman, joins members of Detroit Edison Alliance of Retirees (l-r) Cheryl VanVliet, Bob Tompkins, DEAR President, Charlie Mahoney and Jim Mahoney (far right).



NRLN President Bill Kadereit (left) joins California constituents (l-r) Dave Dodge and Chuck Gilbert, TelCo Board Members, and John deCastro, Alcatel-Lucent retiree and Northern California NRLN Grassroots Leader.

Pension Plan Terminations

One way is through a "*standard termination*" in which a plan has enough money to pay all benefits owed participants and beneficiaries. For each participant or beneficiary, the plan administrator either purchases an annuity from an insurance company or, if the plan permits, pays the benefit owed in another form, such as a lump sum.

The other is a "*distressed termination*" in which a plan does not have enough money to pay all benefits owed participants and beneficiaries and may be terminated only if the employer and the members of the employer's "controlled group" of affiliated companies each meets one of the distress termination tests. To do so, however, the employer must prove that the controlled group is financially unable to support the plan. PBGC takes over the plan as trustee and uses its own assets and any remaining assets in the plan to make sure current

and future retirees of the plan receive their pension benefits, within the legal limits. PBGC also tries to collect plan underfunding from employers and shares a portion of its recoveries with participants and beneficiaries.

Bringing Transparency to 401K Plans

Borzi spoke in generalities about the EBSA efforts to bring more transparency to 401K plans and said the new regulations would "be out soon." The next day the EBSA issued a final rule that will provide employers sponsoring pension and 401(k) plans with information about the administrative and investment costs associated with providing such plans to their workers and retirees. Service providers must be in compliance by July 1, 2012, for new and existing contracts or arrangements between Employee Retirement Income Security Act (ERISA)-covered plans and service providers. (For more information see the DOL news release at: <http://www.dol.gov/ebsa/newsroom/2012/11-1653-NAT.html> .)

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Regulatory Affairs Committee Actions

On Tuesday, January 31, Stan Hurst, Chairman of the NRLN Regulatory Affairs Committee (RAC), an NRLN Board Member and a Board Member of the National Chrysler Retirement Organization, was first on the agenda with a presentation on actions taken by the committee which reviews proposed new rules or proposed changes to existing rules of federal agencies that will affect retirees and provides comments regarding the proposals.

The RAC sent a letter to the Department of Labor on its proposal to update the definition of "fiduciary." Hurst noted that the NRLN's position is that the rule, when revised, require that any fiduciary of a pension and benefits plan for American workers and retirees be a U.S. citizen and subject to the jurisdiction of U.S. Courts.

During the rule making process by the Department of Health and Human Services on unreasonable increases of health insurance premiums, the RAC proposed that the process also be applied to company-sponsored retiree health insurance plans. The EBSA requested comments regarding electronic publication (Internet) so satisfy the notice requirements of company benefit rules. RAC proposed that all beneficiaries be annually notified by mail that they must affirmatively opt in to receive electronic communication and that time-sensitive notifications also be sent by standard mail.

Legislative Committee's Top Initiatives

Judy Stenberg Chair of the NRLN Legislative Committee and President of the Oregon/Washington Pension Equity Council affiliated with AUSWR – CenturyLink (Qwest), presented an orientation on the NRLN's 2012 Top Legislative Initiatives. These are the issues that conference attendees would discuss during their appointments on Capitol Hill on Tuesday afternoon and on Wednesday and Thursday. A brief summary of the initiatives include:

PROTECTION AND ENHANCEMENT OF RETIREE INCOME:

- Gain legislation that stops corporations from using pension plan assets for non-pension expenses.
- Reform Pension Benefits Guaranty Corporation rules to ensure equitable calculations of benefit payments to retirees when the PBGC has to take over a pension plan.
- Reform corporate bankruptcy laws to place retirees' pensions and benefits on a list of obligations that companies can't shed in the bankruptcy process.
- Gain legislation that protects retirees' pensions when companies merge, are acquired or divisions are spun off.

PROTECTION AND ENHANCEMENT OF RETIREE HEALTH CARE:

- Gain legislation on the NRLN's Maintenance of Cost Protection (MCP) proposal that would establish a fixed monthly payment to retirees equivalent to the value of the benefits an employer provided prior to the reduction or cancellation of retirement health care, prescription drugs, life insurance, long-term care or other benefits.
- Gain legislation for the reduction of prescription drug costs through passage of legislation that: (1) Enables re-importation and importation of safe prescription drugs approved by the FDA; (2) Enables Medicare to develop formularies and take competitive bids for prescription drugs; (3) Staffs and funds the FDA to reduce generic drug approval backlogs; (4) Prevents drug companies from colluding to control pricing or subvert free markets.

PROTECTION OF SOCIAL SECURITY:

The NRLN's position is:

- Social Security is a contributory plan, an earned and paid-for benefit, not a government welfare

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National Chrysler Retirement Organization Leaders
(front row – l-r) John Glotzbach and Stan Hurst (back row l-r) Michael Cipponeri, Chris Dyrda, Deb Morrissett and Jay Kuhnle, NCRO President.



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program.

- Congress should address any long-term funding gap by focusing on modest increases in the payroll tax rate and increasing the cap on maximum wages subject to the tax.
- There is no need to reduce Social Security Cost of Living Allowances (COLAs), do means-testing or make other cuts in benefits.
- Social Security Trust assets should be insulated from access by Congress and never again be loaned out as a piggybank to cover other government spending.

PROTECTION OF MEDICARE:

The NRLN's position for preserving federal budget dollars for Medicare is to:

- Eliminate waste, cut back federal budgets for projects, non-strategic grants and planned budget expenditures and stop authoring wasteful preferential bills and amendments.
- Attack Medicare fraud and include prison time for defrauding the Medicare system.
- Pass legislation for Medicare prescription drugs that would compel safe importation, competitive bidding, funding to accelerate generic drug sales and eliminate non-competitive practices in the prescription drug industry.
- Set fair and equitable rate formulae for determining physician fees and make adjustments up or down annually.
- Examine costly referrals and redundant visit practices and disallow them.
- Increase the Medicare tax on workers and employers until such time as payroll taxes can again fund 60-65% of the Medicare budget.

Medicare & Health Security Proposal

The guest speaker for the Tuesday morning session was Elizabeth Jurinka, Legislative Assistant for Senator Ron Wyden (D-WA). She specializes in health care issues on the Senator's staff. Her presentation and Q&A was on the proposal announced on December 15, 2011 by Senator Wyden and Representative Paul Ryan (R-WI). The title of the proposal is *"Guaranteed Choices to Strengthen Medicare and Health Security for All: Bipartisan Options for the Future."* The lawmakers claim their plan would strengthen traditional Medicare and allow the private sector to compete with Medicare for health care insurance choices. Ms. Jurinka emphasized that the proposal is a starting point for discussion among stakeholders, which is the reason she made her presentation to the NRLN, and that legislation would not be drafted until 2013.

Jurinka explained that the intent of the proposal is to strengthen traditional Medicare by permanently maintaining it as a guaranteed and viable option for all of America's retirees. At the same time the plan would expand choice for seniors by allowing the private sector to compete with Medicare in an effort to offer seniors better-quality and more-affordable health care choices.

Catastrophic Coverage in Wyden-Ryan Plan

For the first time, if the Wyden-Ryan plan is enacted, seniors will be protected from catastrophic health care costs with a new limit on out-of-pocket costs for all seniors. Catastrophic coverage for Medicare participants has been one of the NRLN's Legislative Agenda issues.



Marta Bascom (far right), NRLN Executive Director, makes a point to Michelle Varnhagen (center), Democratic Council to the House Committee on Education and the Workforce, about the need to protect the pensions and benefits of American Airlines and Kodak retirees whose companies have filed bankruptcy. Board Members for AMRRC are on the left and EKRA on the right.

If the competition by private plans with Medicare does not stem the rising tide of Medicare spending, beginning in 2023 there will be a cap on cost growth of one percent over Gross Domestic Product (GDP), plus inflation. Any increase over the cap would be reflected in reduced support for the sectors most

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responsible for cost growth, including providers, drug companies, and means-tested premiums.



Art Roberts (right), EKRA – Kodak Retirees Board Member, makes a point on the need to protect pensions in Kodak's bankruptcy to Michael Kreps, Democratic Senior Counsel for the Senate Committee on Health, Education, Labor and Pensions. EKRA President Bob Volpe is to the right of Kreps.

Kodak & American Airlines Bankruptcy Issues

When most conference attendees headed for their appointments on Capitol Hill on Tuesday afternoon, Bill Kadereit, NRLN President, Marta Bascom, Executive Director, and Ed Beltram, Vice President, Communications, accompanied leaders of EKRA-Kodak Retirees and the American Airlines Retirees Committee (AMRRC) to NRLN arranged meetings with the Pension Benefits Guaranty Corporation and the staffs of Senate and House Committees to discuss the need to protect retirees in their companies' Chapter 11 bankruptcy proceedings.

Separate meetings were held for Bob Volpe, EKRA President, and Art Roberts, EKRA Board Member, and AMRRC Board Members Paul Mazzara, President, Stephen Granat, Treasurer, and Jill Frank Smoak. The two groups each had more than a one hour dialogue with the PBGC officer in charge of insurance programs, the PBGC pension actuary and the PBGC's chief counsel.

The Kodak and American Airlines retiree association leaders also attended NRLN arranged meetings with:

- Senior Democratic Counsel for the House Education and Workforce Committee;
- Senior staff members—both Republican and Democratic—on the House Judiciary Committee;
- Senior Republican Counsel to the Senate Committee on Health, Education, Labor and Pensions;
- Staff Director for the Subcommittee on Administrative Oversight and the Courts, under the Senate Judiciary Committee;
- Senior Counsel to the Democratic Staff of the Senate Committee on Health, Education, Labor and Pensions.



Democratic and Republican staff members for the Senate Finance Committee engage in a dialogue on NRLN legislative initiatives with leaders of the NRLN, AUSWR (CenturyLink), Lucent Retirees Organization and Detroit Edison Alliance of Retirees.

EKRA leaders also met with staff members for New York Senator Charles Schumer, a member of the Senate Finance and Judiciary Committees and New York Representatives Tom Reed, Kathy Hochul, and Louise Slaughter. AMRRC leaders met with a staff member for Texas Senator John Cronyn, also a member of the key Senate Committees—Finance and Judiciary.

Senate Finance Committee Staffers Listen

Delbert Polad, the Legislative Director for AUSWR CenturyLink (Qwest) group for Utah, Idaho and Montana, arranged a late Wednesday afternoon meeting with the senior staff members—both Republican and Democratic—for the Senate Finance Committee. Attendees at the meeting included leaders of AUSWR CenturyLink (Qwest), Detroit Edison Alliance of Retirees, Lucent Retirees Organization and the NRLN.

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A prime area of discussion with the six Senate Finance Committee staff members was the high cost of prescription drugs and the NRLN's proposals for importation of safe, lower cost medicines and the need for Medicare to have competitive bidding to reduce the cost of prescription drugs.

Walking the Halls of Congress

In addition to the retiree associations note in the paragraphs above, the conference and Capitol Hill meetings included representatives from AT&T Ameritech/SBC Retirees; AUSWR-NWB-Qwest; AUSWR – Telephone Retirees Association of Arizona; Delta Pilots – DP3; Engineering Retirees Society (Boeing); General Motors Retirees



AMRRC Board Member Jill Frank Smoak makes a point on the need to protect the pensions of American Airlines retirees to Craig Kalkut (right), Staff Director, for the Senate Judiciary Committee's Subcommittee of Administrative Oversight and the Courts. Listening is Will Buergey, Chairman of the Delta Pilots – DP3 retirees association.



AMRRC Chairman (center) speaks about protecting American Airlines retirees' pensions to Michael Kreps (right), Senior Counsel, Democratic Staff, Senate Committee on Health, Education, Labor and Pensions. Listening (to Mazzara's right) are AMRRC Board Members Stephen Granat and Jill Frank Smoak and (to Mazzara's left) is Mary Ann Neuman, Chair of NWB-US West-Qwest (now CenturyLink)

Association; Lucent Retirees Organization, National Chrysler Retirement Organization, and TelCo Retirees Association.

All together, meetings on Capitol Hill were held with congressional committee staff and legal counsel and the lawmakers/staff members from the states of Arizona, California, Georgia, Louisiana, Michigan, Montana, New York, Ohio, Oregon, Pennsylvania, Utah and Washington State.

Congressmen Question PBGC Director

The NRLN staff and representatives of the Detroit Edison Alliance of Retirees and the Lucent Retirees Organization attended a

Thursday morning hearing by a subcommittee of the House Education and Workforce Committee. The Director of the PBGC was questioned on the financial status of his agency. He said the PBGC had a record \$26 billion deficit in fiscal year 2011, ended Sept. 30, up 13%, or \$3 billion, over the previous year. He noted that if the PBGC has to take over the American Airlines pension plan the agency's deficit would increase to approximately \$35 billion. He explained that his staff would do everything in its power to avoid having to take over one or more of AMR's four pension plans and noted the PBGC had filed liens against AMR assets outside of the bankruptcy in case the value of those assets were needed to help fund the AMR's pension plans.



Conference attendees representing AMRRC, DEAR, NCRO and NRLN talk about needed bankruptcy and PBGC reforms with Democratic and Republican staff members for the House Judiciary Committee.



The NRLN Clarion Call ... The Proper Funding of Social Security

By Bill Kadereit, NRLN President



According to a Gallup Poll released in early February, 86% of Americans disapprove of the way Congress does its job. Democrats and Republicans both shared the blame.

In my view, the high disapproval rating is understandable. Congress was essentially in gridlock in 2011. For example, the Congressional Joint Select Committee on Deficit Reduction, the so called "Super Committee," failed to reach agreement in November on a plan to reduce the federal deficit. In 2011, Congress had its least productive year on legislation since the Congressional Record began keeping records in 1947 on bills enacted.

Many lawmakers and political elitists would have you believe that Social Security benefits need to be trimmed because they negatively impact the federal deficit. Members of Congress and others need to stop tying Social Security to the deficit, as it simply is not accurate. Social Security hasn't borrowed a dime. For over eighteen (18) years, billions of surplus Social Security payroll tax revenue dollars and the interest earned on these surpluses has been spent on other federal projects. The federal government now owes over \$1.7 trillion to the Social Security Trust Fund. Many members of Congress are thinking: *If I have to pay \$1.7 trillion to Social Security, there will be less money for my pet projects.*

In this environment on Capitol Hill, it is no surprise that Representatives and Senators continue to shy away from taking action to properly fund Social Security for current and future retirees. It is true that baby boomers will swell the ranks of those on Social Security and that future payments will exceed revenue. Nonetheless, Congress has known baby boomers were coming for over 30 years. The 1983 change in the Social Security eligibility age, now affecting retirees, was the last time Congress acted responsibly on this issue. Congress has been more concerned about partisan politics and taking the low road toward accountability. They had an obligation to fund the Social Security Trust but chose to avoid small changes to the tax rate so their parties could shine and they could be reelected.

The NRLN continues to advocate that Congress should address Social Security's long-term funding gap by a modest increase--possibly between 0.5% and 1.5%--in the payroll tax and increase the maximum taxable wage cap until the Social Security Trust is again adequately funded. Once the Trust is actuarially funded, we advocate the tax be lowered to a level that maintains a funded level.

Astoundingly, Congress and President Obama have been going in the opposite direction. The extension of the payroll tax cut for all of 2012 continues the 2% reduction in the FICA tax that workers and employers pay to fund Social Security. As a result, Funding for Social Security will be reduced by approximately \$119 billion in 2012 on top of the \$105 billion in reduced funding in 2011.

If the Congress and President in power ever find the courage to restore proper funding for Social Security, Trust Fund assets should be insulated from access by Congress and

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never again be loaned out as a piggybank to cover other government spending. This is not just a Social Security issue, several other federal trusts are managed in the same way, all tax and interest revenue goes into one big federal pot, bills are paid from it and T-bills are issued to each Trust to acknowledge government deficit liabilities. It's the old "rob Peter to pay Paul" routine. It is time for a change.

The NRLN's position is that Social Security is a generational compact. Today's retirees helped to pay for their parents. Our children, as workers, help pay for us just as their children will for them. Social Security is not a welfare or entitlement program and the assets belong to the beneficiaries.

In my next Clarion Call article, I will address how Medicare has become a different (from Social Security) but similar and even more threatening issue.

A View From Washington

By Marta Bascom, NRLN Executive Director

Which Members of Congress Are Protecting Retirees?



Who in Congress is looking out for retirees? There was a time when one could make that determination by looking at a member's voting record and seeing where they stand on maintaining Social Security and Medicare, and reading their statements about protecting seniors' financial security. Well, times have changed, and the lines have become quite blurry. Congress has blown the federal budget so far out of proportion in the last four decades on so many programs – including corporate bail-outs – that even those members who used to reliably stand to protect retirees are now scurrying behind the budget deficit reports

looking to cut vital programs that will hurt America's seniors.

Nobody can realistically argue that the deficit needs to be addressed quickly. What is astounding, however, is that, in shameful acts of desperation, policymakers of every ideological stripe are looking to cut costs on the backs of retirees. The NRLN has learned over the last year that many members are willing to risk retirees' votes in November in order to keep their other constituents and campaign contributors happy. Perhaps they don't believe retirees vote or do their homework on the record of a long-time member of Congress, but they are acting like retirees don't matter. Retirees now must prove them wrong.

America's seniors must keep reminding their members of Congress who got them there in the first place. Let them know you are watching and, most importantly, questioning what they are doing and not doing. Always remember that action and inaction speaks louder than words. Keep writing and meeting with them to tell them that your financial security is not open to cuts in order to keep others with a greater ability to earn income quiet. You've earned your Social Security and Medicare checks; the NRLN wants to remind you that we all need to remind Congress that you intend to keep them, now and in November.

National Retiree Legislative Network, Inc.

The NRLN is the only nationwide organization solely dedicated to representing the interests of retirees and future retirees. Our mission is to secure federal legislation to protect retirees' employer-sponsored pensions and benefits plus keep Social Security and Medicare strong.

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