



NRLN Focus



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The NRLN Clarion Call ... New Precedent on Pensions

By Bill Kadereit, NRLN President



The most plausible area for concern that affects everyone who is receiving or is eligible to receive a single-payer defined benefit pension (you, me, school teachers, federal, state and local government employees, etc.) is the H.R. 83. This omnibus spending bill passed by Congress and signed by the President in Dec. 2014 has a provision that sets a new precedent and sets the stage for plan sponsors to gain a new way to de-risk or remove pension obligations they had promised to workers and retirees.

To date we know about:

Underfunding by financially weaker companies and / or neglect by irresponsible management leads to plans being funded below 90% and down to the red zone of 65%. (No law stops the free fall to 65%.) Underfunding leads to plan benefit accruals being frozen, conversions to cash-balance plans and has led to the current de-risking craze. If companies file for bankruptcy, underfunded plans may be terminated and turned over to the Pension Benefit Guaranty Corporation (PBGC).

De-risking and its components: 1) **Asset Based De-risking** where companies sell equities and substitute lower risk fixed income investments, 2) **Lump Sum Pension Buyout Offers** that reduce plan liabilities and 3) **Voluntary Plan Terminations** that liquidate plans and result in participants receiving an equivalent lifetime fixed annuity.

Asset Based De-risking of plans that are overfunded may work well for plan sponsors but when asset earnings are low in underfunded plans, it can spell the beginning of the end for the plan. Why? When plan investments increase in value companies are allowed to include these gains in their reported Net Income but when that is no longer possible, there is no incentive for them to carry plan liabilities that cause corporate bond ratings to fall. This affects executive bonuses and stock values negatively.

Lump Sum Pension Buyout Offers reduce plan liabilities but shift plan risks to those who take them. They must preserve and grow cash value for retirement (not spending it on non-pension goods or services) and have to manage the money until they die and for a spouse if they elect a spousal beneficiary. Lump sum buyouts can leave the plan less well funded for those who don't take the lump sum.

Annuities, usually purchased from insurance companies by plan sponsors, are secured by the assets of the annuity payer and are only secured by states in the event of default by the payer. However, states only pay a lifetime max of from \$250k - \$500k; depending upon where you live, most pay \$250k. Annuitants forego PBGC protection.

H.R. 83 contains an amendment to the Employee Retirement Income Security Act's (ERISA) multi-employer plan section that is complicated with rules and protections and established an extremely dangerous precedent:

The amendment permits in-status (retirees receiving pension benefits) **reductions in pension benefits**

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where multi-employer plans are severely underfunded and headed for termination.

The amendment has the **same effect that Reservation of Rights (ROR) clauses have on health care benefits** except that companies have to prove they can't fund multi-employer plans whereas health care plan benefits subject to ROR clauses may be indiscriminately reduced or eliminated at the sole discretion of the plan sponsor.

The H.R. 83 amendment opens the doors for lobbyists to pressure Congress to do the wrong thing down the road:

Corporate Lobbyists seek to create a weakness in the law and wedge it open with successor proposals strategically designed to poison the water and achieve their end goal.

In this case the H.R. 83 amendment applies to multi-employer plans but Congress did not include a written prohibition against considering such benefit cuts to single-employer plans now protected by ERISA. Cutting single-employer plan benefits will be the lobbyists end goal.

Most single-employer defined benefit pension plans are under pressure today (including federal, state and local government employee/retiree plans). Plan sponsors WILL bail out wherever the law permits. While de-risking is a poor substitute for faithful funding of pension plans, this latest round of de-risking whacks benefits from the hands of existing retirees and if extended to single-payer plans will lead to the ruination of ERISA.

In conclusion, for those who doubt this prognosis, do you remember the days before the ROR and how secure we may have felt about health care benefits? When we retired companies said our benefits would be there when needed. Courts have upheld company plan RORs and Congress has refused to act to protect retirees. Similar to the ROR, we may reach a point where defined benefit pension plan benefits may be indiscriminately reduced or eliminated at the sole discretion of the plan sponsor. **The NRLN will fight against this happening.**

Bad Weather Couldn't Deter Retiree Leaders from Lobbying Congress

Despite a number of retiree association and chapter leaders' flights to Washington, DC for the NRLN Annual Leadership Conference, Feb. 2 – 4, 2015 being delayed due to a snowstorm in Michigan and Ohio and fog in Arizona, they arrived in time to advocate the NRLN's retirement legislative initiatives on Capitol Hill.

A number of leaders of the National Chrysler Retirement Organization and the General Motors Retirees Chapter missed the Monday afternoon, Feb. 2, NRLN business meeting but participated in meetings with Representatives, Senators and their staff members on cold and windy (but no snow) Tuesday and Wednesday along with leaders of the NRLN, Engineering Retirees Society (Boeing), Detroit Edison Alliance of Retirees, Lucent Retirees Organization, Telco Retirees, Utah Chapter, Washington State Chapter.



Congresswoman Debbie Dingell (MI-12), 4th from the left, meets with Michigan retirees representing National Chrysler Retirement Organization, Detroit Edison Alliance of Retirees and General Motors Retirees Chapter

Presentation on NRLN Business

NRLN President Bill Kadereit opened the Monday afternoon business session at the Washington Court Hotel. He reported on the activities of the Legislative Affairs Committee (LAC), Legislative Action Planning Committee (LAPC) and Grassroots Committee (GC). The LAC reviews all bills introduced in Congress, identifies those related to retiree issues and makes recommendations to the LAPC on bills to support, oppose or monitor. The LAPC determines which bills merit an NRLN Action Alert, a Letter from the NRLN President, lobbying initiatives by the NRLN's Washington, DC staff and/or grassroots advocates' phone

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calls / visits to local Congressional offices, letters-to-the-editor, Twitter messages and Facebook postings.

Kadereit provided details about the NRLN's formation of the American Retirees Education Foundation. He explained that the AREF is a 501(c)(3) educational foundation and is able to accept tax-deductible contributions and bequests from individuals and can apply to receive research grants from public and private foundations. The NRLN Board authorized the creation of the AREF to expand the research and educational reach of the NRLN. Kadereit said the AREF's Board was pleased with the success of its initial mail appeal in Dec. 2014.

Kadereit noted that in mid Sept. 2014, the NRLN held a kickoff breakfast in the Detroit area for the General Motors Retirees Chapter (GMRC). The Chapter replaces the General Motors Retirees Association whose board decided to dissolve the GMRA's non-profit charter. A chapter with a small group of leaders does not need to apply for IRS recognition, uses the NRLN's accounting system and database and communicates with its grassroots advocates with the NRLN's email and U.S. Mail systems. The GMRC's fall mail appeal has provided it with an operating budget.

The last slide in Kadereit's slide presentation was titled, 2015 – The Beginning of a New Battle, referring to the fact that the Senate has joined the House with a Republican majority. Kadereit said the NRLN must advocate its Legislative Agenda by stepping up grassroots action, increasing grassroots memberships and working on long-term financial viability.

Comments by NRLN Staff Members

Michael Calabrese, NRLN Legislative Adviser, who wrote the articles of incorporation for the American Retirees Education Foundation, provided additional details on how the AREF was organized. Marta Bascom, NRLN Executive Director, provided comments on the composition of the new 114th Congress with its Republican majority. She handed out lists with the names of members of the House Ways and Means Committee and the Senate Finance Committee's Subcommittees on Social Security, Pensions and Family Policy plus the Subcommittee on Health Care. She explained that the members of these committees will have jurisdiction over important retirement issues.

Guest Speaker on Medicare Spending

The guest speaker on Monday afternoon was Brian Biles, a professor in the Department of Health Policy at George Washington University in Washington, DC. He discussed his research into the growth in Medicare spending that has led some in Congress to promote converting Medicare to a "premium support" system. Under "premium support" Medicare would provide a "defined contribution" to each Medicare beneficiary to purchase either a Medicare Advantage-type private health plan or the traditional Medicare public plan.

Professor Biles and his graduate assistants have compared the average costs per beneficiary of providing Medicare benefits at the county level across the nation for traditional Medicare and four types of Medicare Advantage plans. Their studies found that the relative costs of Medicare Advantage and traditional Medicare varied greatly by Medicare Advantage plan type and by geographic location.

The costs of health maintenance-type plans averaged 7% less than those of traditional Medicare, but the costs of the more loosely structured preferred provider organization and private fee-for-service plans averaged 12% to 18% more than those of traditional Medicare. The studies concluded that enactment of a Medicare "premium support" proposal could trigger cost increases for beneficiaries participating in Medicare Advantage as well as those in traditional Medicare.

The NRLN is opposed to changing Medicare to a "premium support" plan. The NRLN's position is that a "voucher" plan would make Medicare so expensive that millions of seniors would likely be forced to switch to less beneficial private plans.

RxRights Leader Speaks on Prescription Drugs

Chairman of RxRights, Lee Graczyk, shared his views on prescription drug importation from Canada and



Brian Biles, a professor at George Washington University, talks about his study of the cost variations between traditional Medicare and Medicare Advantage.



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the need for legislation that would authorize Medicare competitive bidding on prescription drugs. Lee joined NRLN participants in meetings with Senators John McCain (AZ) and Amy Klobuchar (MN) who recently introduced S.122 calling for importation from Canada. NRLN supported that introduction and is actively encouraging introduction of a House companion bill and bills calling for competitive bidding.

Presentation Focus on Grassroots

The last presentation Monday afternoon was by Bob Martina, NRLN Vice President – Grassroots, who is also the Legislative Affairs Director for the Lucent Retirees Organization. Martina reported on the status of NRLN grassroots activities. He said 100% of the states in the USA have one or more Congressional District Leaders. Of the 435 Congressional Districts 76% have one or more Congressional District Leaders. Martina pointed out that there are 14 regional vice presidents representing from two to six states. There are a total of 556 State and Congressional District Leaders.

Martina explained the NRLN Congressional “Report Card” that he worked to develop with the NRLN’s provider of its grassroots database, email service and Congressional information. The “Report Card” shows which Representatives and Senators in each state supported bills the NRLN advocated or opposed.

The “Report Card” data from the recently concluded 113th Congress has been preserved on the NRLN website at <http://www.nrln.org/reportcard.html> . (Or go to www.nrln.org, click on “Grassroots” and select “Congressional Report Cards”.) In the lower right corner of the webpage select your state. Click on the “Download Report Card” link to download an EXCEL worksheet.

Also on the webpage, there are instructions on how to download a “Report Card” on the new 114th Congress. The bills thus far that the NRLN is advocating are available on a 114th Congress “Report Card” to download.

Most of the conference attendees brought with them to Washington the 113th and 114th “Report Cards” for the state(s) they represent and presented them in their meetings on Capitol Hill to show whether a Representative or Senator was supporting bills the NRLN advocates or opposes.

Advocating Retirement Issues

Judy Stenberg, NRLN Vice President – Pacific Region and Chair of the Legislative Affairs Committee, made a presentation on the documents contained in the folders that attendees would take to their Capitol Hill appointments.

On Tuesday and Wednesday, Feb. 3 and 4 conference attendees had 47 meetings on Capitol Hill with Representatives, Senators or members of their staffs. The issues discussed in the meetings and a folder with the NRLN’s positions and requests for enacted legislation included:

Protection of Retirees in Pension Plan De-risking when a plan sponsor offers a lump sum pension buyout or converts its pension plan to an annuity from an insurance company.

Reduce the Cost of Prescription Drugs through legislation that (1) Enables importation of safe prescription drugs. Pass the **Safe and Affordable Drugs from Canada Act (S. 122)**. Need companion bill introduced in the House; (2) Enables Medicare to take competitive bids for prescription drugs. Pass **Medicare Prescription Drug Price Negotiation Act (S. 31)**. Need companion bill introduced in the House; (3) Prevents drug companies from colluding [pay-for-delay] to keep cheaper generic drug off the market.

Protect Medicare Beneficiaries with Pre-existing Medical Conditions. Americans age 65 and older on



Kerry Allen (center) staff member for Minnesota Senator Amy Klobuchar listens to NRLN President Bill Kadereit discuss the NRLN’s support for the importation of prescription drugs from Canada. Senator Klobuchar is a cosponsor of S. 122 the Safe and Affordable Drugs from Canada Act. At left are Marta Bascom, NRLN Executive Director and Lee Graczyk, Chairman of RxRights.



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Medicare need legislation to free them from being held hostage to higher costs for their Medicare supplement (Medigap) plan or their Medicare Advantage plan due to a pre-existing medical condition. The Affordable Care Act prevents health care insurance companies from denying coverage to Americans under age 65 due to a pre-existing medical condition but ignores those over the age of 65.

Limit Out-of-Pocket Costs for Medicare Beneficiaries. The Affordable Care Act also imposes out-of-pocket cost limits for Americans under 65 but not for those over 65. A bill needs to be passed to eliminate the pre-existing conditions barrier and to limit out-of-pocket expenses for Medicare beneficiaries over age 65.

Correct Payout of Premiums Discrepancy. Under current law, Medigap policies payout only 65% of premiums paid in as benefits. Other plans must pay out as much as 85%. Legislation is needed that would compel Medigap insurers to payout 85% and to pass these savings on to Medicare and plan participants.

Eliminate Medicare's 3-Day "Inpatient" Rule. Legislation is necessary to end Medicare's regulation that requires a 3-day stay in a hospital as an "inpatient" (not "observation") to qualify for coverage of skilled nursing facility payments.

Lump Sum Offers Discussed with EBSA

On Wednesday, Feb 3, a meeting requested by Joe Dombrowski, President of the Lucent Retirees Organization (LRO) was held with 11 staff members of the Department of Labor's Employee Benefits Security Administration (EBSA). The EBSA's role in the federal government is to assure the security of the retirement, health and other workplace related benefits for Americans and their families.

Two other LRO leaders attended the meeting as well as two leaders from the National Chrysler Retirement Organization (NCRO), the President of the NRLN General Motors Chapter (GMRC), the NRLN President and three NRLN staff members.



The Lucent Retirees Organization requested a meeting with staff members of the Employee Benefits Security Administration to press for disclosures on Alcatel-Lucent's plan to offer retirees a lump sum pension buyout. Also attending the meeting were leaders of the NRLN, General Motors Retirees Chapter and National Chrysler Retirement Organization.

The purpose of the meeting was to discuss pension plan de-risking and in particular Alcatel-Lucent's announced intension to offer lump sum pension buyouts in 2015. Dombrowski and LRO Directors Al Duscher and Bob Martina led the discussion by expressing their concerns regarding the lack of specific disclosure requirements to fully explain the considerations for accepting or rejecting a lump sum offer and the resulting consequences that need to be considered.

NCRO & GMRC Leaders Comment

NCRO President Jay Kuhnle and Director Deb Morrisett expressed concern about the need for more disclosure with lump sum buyout offers, even though Chrysler has not announced any intension to de-risk its pension plans. GMRC President Larry Hice added to the discussion by relating experiences from GM's lump sum offer and involuntary pension plan termination resulting in GM's purchase of a Prudential Insurance Company annuity for pension plan beneficiaries.

EBSA Not Anxious to Take Action

It became obvious that EBSA had no specific disclosure guidelines to offer and that the EBSA was not anxious to take action. Rather staff members made suggestions about what might be done by the LRO and other NRLN associations and chapters to inform their members when a lump sum buyout was offered. During these discussions, NRLN President Bill Kadereit mentioned the NRLN had produced a two-page summary of information provided to General Motors retirees when they received a lump sum buyout offer in 2012. Kadereit raised the question if the document might be enhanced to better inform retirees who receive a lump sum buyout offer. The NRLN's information sheet has been shared with the EBSA.



A View From Washington

By Marta Bascom, NRLN Executive Director

The Republicans Control Congress, a Democrat in the White House: What Happens Now?

Prior to last November's election, the Republicans controlled the House of Representatives while the Democrats controlled the Senate and the White House. Republicans now control both the House and the Senate. President Obama remains in the White House for his last two years in office.

How Will Social Security and Medicare Fare?

The media have made much of the fact that fiscal conservatives had the majority in the legislative branch. For retirees and future retirees, the concern is how Social Security and Medicare will fare in the hands of policymakers intent on drastically cutting benefits. There's good reason to assume that cuts and profound modifications are coming. Republican leaders have been working on legislative proposals which would increase the age for Social Security eligibility and effectively make health care more expensive for retirees either by gutting the Medicare system through illusory competition schematics or means testing.

Optimists are betting that the 2016 elections will protect retirees somewhat because Republicans are hoping to maintain their majority in Congress and win the White House. That's tough to do if your message is that seniors' financial security isn't important to you as a party. Picture the opposition's ad featuring retirees at the kitchen table, counting dollar bills, trying to decide if they spend their limited money on food or medicine. If the ad is successful, you're not on the road to the White House; instead, you're licking your wounds and carefully studying Plan B.

Who Can Retirees Count On?

Nevertheless, Americans can't count on political expediency to keep fiscal conservatives from putting Social Security and Medicare on the chopping block. There are many in Congress who would stand on their principles and continue the effort. They remain tenacious.

Nor can Americans count on Democrats to guard over retirees' financial security either. Bad things have happened to retirees when Democrats were in control, too. Retirees should remember that under Senate and White House Democratic control, America's highway maintenance has been funded through maneuvers affecting the health of their pension funds, not just once but twice. Many Democrats in Congress made statements about how unfortunate this was, of course, but the deals were cut and the bills passed.

The Government Must Be Watched

So, what's retirees' take-away from the fact that Congressional power has changed hands? Retirees and all Americans have to watch the U.S. government because the government isn't watching over you. It doesn't really matter which party is in control; citizens have to step up their game and that game is hardball.

NRLN Board of Director Elections

The NRLN Board of Directors re-elected four members during its January 21, 2015 conference call. The re-elected Board member to a two-year term are Martha Deahl, Chuck Gilbert, Mike Stohlmeyer and Bob Tompkins. The new terms for the Board members were effective January 1, 2015.

Ending their service on the NRLN Board were Will Buergey, President, Delta Air Lines Pilots (DP-3); Stan Hurst, Director, National Chrysler Retirement Organization (NCRO); Ralph Maley, retired Vice President for Telecommunications and Technologies - Communications Workers of America (CWA), and Paul Mazzara, President, American Airlines Retirees Committee (AMRRC). The NRLN thanks them for their years of service on the NRLN Board.



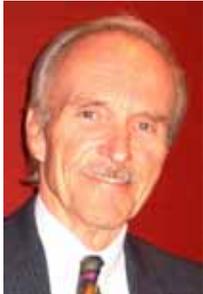
Martha Deahl, who lives in Phoenix, AZ is President of the NRLN Arizona Chapter and NRLN Vice President – Desert Southwest Region. She represents all NRLN Chapters on the Board. She retired from US West (now CenturyLink) in 1998 after 25 years of service. She moved through the organization holding many positions while being instrumental in the

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development and deployment of emerging technology and products internally and with customers. Martha played a key role in the creation of the Agent Channel within US West. She held many management positions causing her to work throughout the company's 14 states region while managing Arizona and New Mexico.



Chuck Gilbert, President of the TelCo Retirees Association composed of Pacific Bell/Nevada Bell retirees, was re-elected to the Board. During his 29-years of service to AT&T, AT&T Long Lines and Pacific Bell, his tours of duty included training, accounting, marketing and PacBell's General Representative to the California Public Utilities Commission. Gilbert, who lives in southern California, has been an entrepreneur as President of Diversified Legal Services/ CopyPro, Inc.; President of IHC Integrative Health Care, Inc.; owner of Assured Medical Staffing, Inc.; owner of The Abbey Home Décor; Partner in Gilbert Properties, and Partner in IPC, Inc. Investments. At age 82, Chuck is still bicycle racing on the road and track. He is working out to be prepared to set a record for

his age group a Moriarty, New Mexico in September this year. He is also racing in state and national competitions. Gilbert said he is married to Angela Monteleon Gilbert. She is the 40-year owner of Montwood Kennels, breeder of national champion Doberman Pinschers and is currently touring shows with Cowgirl, Cowboy and Stetson.



Mike Stohlmeyer joined the NRLN Board in 2014, to serve out the last year of Bill Gabbard's two-year term and has been elected to a new two-year term. He is a member of the Executive Committee of JDRO – A Family of John Deere Retirees. He holds degrees in Business Administration and Economics from the University of Wisconsin-Platteville. He went to work for John Deere in Dubuque, IA in 1960. He spent most of his

41-year career with John Deere working in the Labor Relations field. He served as Management Co-Chair of the Dubuque Labor Management Council and Management Co-Chair of the Iowa State Labor Management Committee. He also served as Board Member and officer on the Mid-America Labor Management Committee and as a Board Member on the National Labor Management Committee. He retired from Deere & Company in 2001 as Senior Division Manager, Labor Relations. He and his wife, Betty, reside in East Moline, IL.



Bob Tompkins was re-elected to the Board as NRLN Vice President – Secretary/Treasurer. He serves as Vice President – Secretary/Treasurer of the American Retirees Education Foundation (AREF) formed by the NRLN. He is President of the Detroit Edison Alliance of Retirees. A Michigan resident, he worked for Detroit Edison (DTE) for over 25 years in various leadership roles that included administration, purchasing, information services and support to engineering. Tompkins

has also owned a tax preparation firm for the last 36 years.

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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