



NRLN Focus



Volume 6, Issue 2

Summer 2009

The NRLN Clarion Call...Talk to Your Lawmakers about Health Care Reform

By Bill Kadereit, NRLN President



It is important!

It is essential!

It is crucial!

It is imperative!

These are all appropriate words to describe how necessary it is for retirees to make their voices heard with members of Congress on health care reform legislation.

There is little doubt remaining that Congress is going to vote later this year on legislation that will revamp America's health care system. Political positioning has begun among U.S. Senators and Representatives. For the most part, Democrats are advocating more public involvement as a way to solve cost problems and to increase accessibility to health care for more people. Republicans mainly fear that a government health plan would exert unfair power over the private health care industry.

Powerful lobbying groups for the insurance industry, large and small businesses, organized labor and consumer advocacy groups are staking out their positions. In this climate, that is sure to grow more passionate as drafting of legislation begins, the NRLN's Grassroots Network members must become the voice for retirees in this national debate. While some individual Representatives and Senators have introduced bills and white papers on health care reform, the leaders of key committees do not expect to bring forth bills until later this summer, with major debates to begin this fall and floor votes before the end of the year.

In an effort to have the voices of retirees heard, the NRLN is launching a campaign to urge you, a Grassroots Network member, to meet with your U.S. Senators and Representatives when most of them will be back home during Congressional State / District Work Periods. The Memorial Day recess is May 25 – 29 and

the Independence Day recess is June 29 – July 5. In mid-September we are planning a "Retiree Health Care Week" in Washington, DC. We will ask constituents of key Senators and Representatives involved with health care legislation to come to Capitol Hill for meetings.

Bob Martina, NRLN Vice President – Grassroots Network, Bob Foresta, NRLN Vice President – Legislative Affairs and I urge you to immediately start calling your Senators' and Representative's offices to request a one-on-one meeting with them during the May Congressional recess. Tell the staff member you want to discuss the NRLN's position on what should be in health care reform legislation. If you cannot gain an appointment for a personal meeting, ask if the Senator or Representative will be conducting a Town Hall meeting in your area. If so, attend it, ask questions and try to talk directly with your lawmaker before or after the meeting. If Town Hall meetings aren't scheduled, ask for a meeting with the senior staff member in that office. Phone numbers for state and district offices can be found through the NRLN's Capwiz website at <http://capwiz.com/abtr/dbq/officials/>. If you do not know the names of your Senators and Representatives, do a search based on your zip code at <http://capwiz.com/abtr/dbq/officials/>.

Well in advance of Congress' Memorial Day recess, the NRLN will provide our Grassroots members with "talking points" to use in meetings with Senators and Representatives. These will be provided via an NRLN email and through the Grassroots State and District Leaders.

Here is a brief summary of the NRLN's position of health care reform.

Our first premise is that health care reform legislation should "do no harm" to the health care benefits that retirees currently have either through Medicare, employer-sponsored plans or private insurance plans. Specific consideration should be given to the plight of millions of retirees in the health care reform debate in

(Continued on page 2)



(Continued from page 1) **The NRLN Clarion Call**

Congress.

You may recall reading about my testimony last year before a U.S. House committee hearing on "Safeguarding Retirement Health Care Benefits." I introduced at that hearing and we are continuing to advocate legislation that the NRLN calls a Maintenance of Cost Payment plan. We are simply asking that the dollar cost of benefits at retirement be held as the cost baseline. If benefits are reduced or eliminated by an employer, the retiree would receive the cost of those benefits back as a cash supplement to be used to buy replacement insurance. Our proposal grants tax credits to employers who pay an MCP.

The NRLN supports inclusion of a Public Plan Option in legislation developed by Congress. The NRLN's definition of a Public Plan Option is to have private insurance companies bidding to compete with a plan offered by the government, such as the Medicare plan is today. We believe that building on Medicare as the Public Plan is the most cost efficient way to get at and manage cost savings without overturning the expectations and services offered to 44 million people already on Medicare.

The 2007 Equal Employment Opportunity Commission (EEOC) Rule made it even more inviting for employers to end health care benefits for retirees when they turn 65 and become eligible for Medicare. With the elimination of employer-sponsored health care plans most retirees lose "catastrophic coverage" which limited out-of-pocket medical expenses to a fixed amount, such as \$1,500. Given this loss, the NRLN maintains that catastrophic coverage should be added to Medicare.

Another needed change in Medicare through health care reform legislation should be the elimination of the "doughnut hole" in the Medicare Part D prescription drug plan. Also, we advocate that individuals ages 50 to 64 who often can't purchase affordable health care insurance due to their age be allowed to buy in to Medicare at a cost that does not burden the system.

While we support a Public Plan Option as the basis for national health care, but no matter which plan may evolve, we want to see catastrophic coverage, Medicare buy-in and closing of the Medicare Part D "doughnut hole" included.

I hope you are willing to become a spokesperson for the NRLN's health care reform initiatives. Our objectives have been well researched and thought out over the past three years by our Health Care Advisory Committee, our Legislative Committee plus debated and adopted by the NRLN's Board of Directors. We are counting on you to help the NRLN set a new health care agenda with members of Congress that will benefit America's retirees.

DALRC Busy With Delta Air Lines Retirees' Issues

The Delta Air Lines Retirement Committee (DALRC) that joined the NRLN in January 2009 began forming in 2003 and became the champion for its members' earned benefits when Delta Air Lines filed bankruptcy.

"Our organization had a baptism of fire in fighting for the rights of Delta Air Lines retirees in the bankruptcy court," said Cathy Cone, DALRC Board Chairman, who lead the formation of a 1114 Committee that negotiated with Delta Air Lines to gain substantial reductions in out-of-pocket costs for health care and prescription drugs.

Delta Air Lines filed Chapter 11 bankruptcy on September 14, 2005. Between then and April 30, 2007 when Delta emerged from bankruptcy, Cathy, a retired flight attendant, and other 1114 Committee members spent countless hours working to rescue as much as possible for retirees.

(During this same period, Will Buergey, Chairman of the Delta Pilots Pension Preservation Organization was opposing the termination of the pilot's pensions during the Delta bankruptcy case. The DP3 also joined the NRLN in January 2009 and will be the subject of a future profile in FOCUS.)

Within a few days of Delta's bankruptcy filing, DALRC filed an application with the court to appoint an 1114 Committee. A month later the court granted the DALRC's application and directed the appointment of a non-pilot retiree committee be composed "primarily or exclusively" of members of the DALRC.

Cathy, who retired in her Houston home base on December 31, 2001 after more than 35 years of service, provided leadership for the creation of a Voluntary Employee Beneficiary Association (VEBA) for the retirees, spouses, dependants and surviving spouses of the Delta Family Care Retirement Plan. Today, the majority of the members of the DALRC Board serve on the DALLRC Benefit Trust Board administering its own independent health care plans for Delta retirees over age 65. The plans through major insurance companies provide cost and quality of services that are among the best in the airline industry.

"Beyond standing up for retirees' rights with Delta Air Lines and providing health care programs for our members, the DALRC emphasizes the importance of calling attention to retirement issues through the news media and communications with members of Congress," Cathy said. "Our affiliation with the NRLN enhances our

(Continued on page 3)



(Continued from page 2) **DALRC Busy...**

exposure in the news media and in Washington, DC."

Cathy has gone on national radio and TV to present the concerns of retirees regarding pension protection and rising insurance premium costs. In May 2008, a group of DALRC board members and retirees from across the nation traveled to Washington, DC for the hearings by the Senate Subcommittee on Aviation Operations, Safety and Security. The DALRC group also conducted a "blitz" of U.S. Senators and Representatives to discuss protection of pensions related to the Delta and Northwest



Cathy Cone, DALRC Board Chairman (in the foreground) leads a rally of DALRC members near the U.S. Capitol Building

Airlines
merger.

DALRC will be a key player in the NRLN's September "Fly-in" in Washington to be an advocate for retirees' health care issues with members of

Congress and Administration officials. Ken Boucher, who lives in Sarasota, FL, is a DALRC Board member and represents the DALRC on the NRLN Board.

Cathy and three other board members held a meeting with officials of the Pension Benefit Guaranty Corp. (PBGC) in Washington, DC to obtain information on the financial stability of the PBGC and determine what affect the Delta / Northwest merger would have on the combined pension liability. PBGC representatives spoke at the October 24, 2008 town hall meeting in Atlanta to provide a presentation and respond to questions about Delta pensions.

"If I had to use one word to describe the DALRC, I'd say we are vigilant," Cathy said. "We are constantly on the alert and prepared to take action against anything that could endanger the well being of our members' earned benefits."

**NRLN White Paper
Advocates Protection of Pension Assets**

The NRLN is circulating on Capitol Hill a white paper that explains its justification for advocating legislation to prevent companies from using pension assets to make severance payments during corporate restructuring.

The title of the white paper is *"Back Door Reversions: Draining*

Pension Assets for Severance and Other Corporate Purposes Threatens Retirement Security".

The in depth document is being presented to Congressional staff members and to groups that the NRLN is recruiting as allies to support the proposed legislation. The white paper was

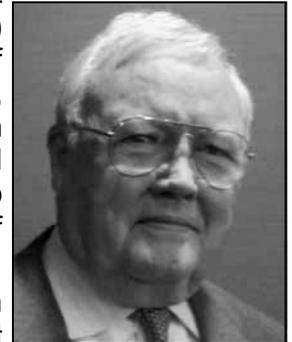


Michael Calabrese

written by Michael Calabrese, the NRLN's legal counsel based in Washington, with support from Frank Minter, Chairman of the NRLN's Pension Advisory Committee (NPAC), Marta Bascom, NRLN Executive Director, and Bill Kadereit, NRLN President.

"Many companies are circumventing the Congressional policy against reverting pension assets for corporate purposes by the widespread use of what are called 'back door reversions' for layoff benefits," Calabrese said.

"Although the Employee Retirement Income Security Act (ERISA) explicitly prohibits the use of pension assets for such payments, companies can amend a pension plan at any time to offer enhanced early retirement benefits and lump sum severance payments as part of corporate restructuring."



Frank Minter

Minter pointed out that the Pension Protection Act (PPA) of 2006 that the NRLN supported tightened up a company's ability to use pension assets in this manner. The PPA requires pension plan sponsors to pre-fund a plan amendment that increases benefit liabilities to the extent the plan's funding level would fall below 80 percent.

"This still can place pension plans at risk," Minter said. "As was shown by the 2008 stock market meltdown, a plan that is only 80 percent funded when market conditions are good can easily end up below 60 percent funded when there is a significant downturn in the market. The pension plan can go into default requiring the Pension Benefit Guaranty Corp. (PBGC) to take over the plan if the plan sponsor declares bankruptcy or defaults on the plan."

A plan defaulted to the PBGC pays only about 80 percent of promised benefits, on average, since guaranteed benefit levels are capped and reduced for early retirees.

The NRLN's position is that any significant reduction of a pension plan below full funding causes all plan participants to feel insecure. It also reduces the ability of the plan to build a surplus that could be used to grant cost-of-living increases to long-time retirees whose fixed monthly benefits erode with inflation. Surplus assets could also be used to offset the cost of



(Continued from page 3) **NRLN White Paper...**

retiree health care benefits through IRS authorized transfers.

Calabrese notes in the white paper that Lucent Technologies, United Airlines, AT&T, Verizon, Qwest, Federal Express, Delta Air Lines, General Motors and Delphi are among the companies that have tapped pension assets to pay billions of dollars in corporate restructuring costs. Some of these companies drained pension assets for severance payments as they spiraled downward toward bankruptcy and an eventual takeover of the pension plans by the PBGC.

"In the current crisis, General Motors used pension assets to pay for \$3 billion in lump sum severance payments during 2008," Calabrese said. "GM ended up with such a dangerous degree of under-funding that in early 2009 the Treasury Department restricted the practice as a condition of the federal bailout loan package."

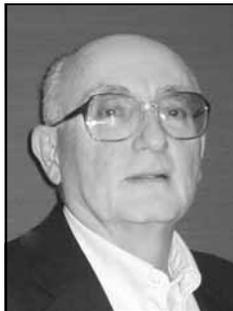
Kadereit and Bascom held a series of meetings on Capitol Hill in late March to present the white paper and a request for the introduction of a bill. They pointed out that the most effective way for Congress to protect pension plan participants from underfunding due to severance, layoff and other benefit increases is simply to increase the target funding level from 80 percent, currently under the PPA, to 120 percent. They report that some Congressional staff members were receptive to this approach to make pension plans more secure.

"The bottom line is that severance or other benefit increases to selected individuals that are not funded should be paid out of the company's operating expenses, not from the pension trust," Minter said.

The NRLN's proposed legislation exempts collectively bargained agreements between plan sponsors and union representatives from the more restrictive funding level.

Ray Sternot Applies His Planning Skills To Help Retirees

Ray Sternot, the Legislative Affairs Director for the Association of Ameritech/SBC Retirees (AASBCR), serves on the NRLN Board of Directors as the Vice President for the Great Lakes Region. He retired from Ameritech/SBC (now part of AT&T) in November 2000 with 32½ years of service. At the time of his retirement, he was Associate Director – Product Integration.



Ray Sternot

Sternot, who makes his home in Painesville, OH, became an AASBCR member in 2004 and joined the AASBCR Board of Directors in 2005. His passion is to energize both AASBCR and NRLN members to address retiree issues on pensions and health care benefits.

"Policy issues on Medicare, Medicaid and ERISA pension laws can only be address by Congress," Sternot said. "We must educate our legislators so they understand that good intentions sometimes cause bad laws with negative consequences for retirees."

"Often members of Congress only hear the side of an issue from lobbyists who make campaign contributions. The NRLN doesn't make political contributions so we must work hard to inform lawmakers about the needs of America's retirees and tell them how a potential law change will affect retirees."

Sternot laments how times have changed over the past three decades in the way many big business view their retirees.

"As a worker in the Bell System, service and loyalty were part of the culture," Sternot noted. "Retirees weren't looked at as a legacy cost but as a valuable asset and many were stockholders in the company."

"Today, most retirees have come to recognize that big business can't, or won't look after retirees unless prodded by government rules and regulations. However, too often government is reluctant to provide the rules and regulations to protect retirees because of pressure from industry lobbyists."

Sternot said that someone has to lookout for retirees' interests and that is why he is involved with the AASBCR and the NRLN.

"Too many retirees and their surviving spouses aren't in a position to do much to help themselves," he said. Some are struggling with declining health, dwindling assets, and just trying to make ends meets. Others don't see the need to be involved with political issues until something catastrophic happens such as a bankruptcy and movement of pension assets to the PBGC [Pension Benefit Guaranty Corp.]. By then it can be too late."

Sternot said he had visions of retiring and playing a lot of golf but the skills he developed as Network Planning Engineer and Technical Manager continue to be in demand by the

(Continued on page 5)



(Continued from page 4) **Ray Stenot Applies ...**

AASBCR and the NRLN.

"I can't escape my predisposition to look ahead—anticipate the future—and develop action plans to address change, he said. "As I see pension plans drying up and retirees being stripped of their health care benefits in the face of rising costs, retirees have no choice but to be proactive in an effort to gain legislation to protect their retirement security.

"That is why I'm working hard to help AASBCR and the NRLN gain equal footing with the Washington's big business lobbyists. They are regularly arguing for legislation that will cast retirees aside rather than assist them. Retirees aren't seeking bailouts like the banks and Wall Street firms. We just want to keep what we've earned through decades of service and loyalty to our former employers."

A View From Washington

By Marta Bascom, NRLN Executive Director



The great preoccupation in Washington, D.C. this year – apart from the economy and the state of the U.S. auto industry – is health care. Everywhere, from offices in the White House down to that of the most junior member of Congress, analysts and politicians

are mulling over the universe of options for reforming the nation's health care system.

The task is daunting when measuring up the needs of a diverse population against the cost of delivering a health care system to a multitude of Americans with differing economic realities. The conversations are endless. But what does everyone mean when they say they want "universal health care" or a "national health care system?" Reaching a point of commonality for all the terms is the first challenge.

For example, the NRLN believes that their should be a Public Plan Option for health care coverage to compete with private insurers, just as it offers in the form of Medicare. The NRLN clarifies its vision of such a public option as not including government-owned hospitals or clinics, government control over doctors, nor government rationing of health care. The details are very important and each interpretation should be clear.

We began to stake out the NRLN's position on national health care in March and numerous contacts on Capitol Hill are planned. In addition, I am working with the planning group for the NRLN May, July and September grassroots lobbying that will take place in your home states and in Washington.

The second challenge is to whittle down every "wish list" item to an achievable and affordable goal. Everybody agrees that there should be health care coverage for every American. The sticking point is what should be the threshold for adequate coverage. From the NRLN's perspective, health care options need to address the specific needs of older workers and retirees. That means that health care reform should include a catastrophic component with an out-of-pocket cap. This would protect retirees from economic distress or bankruptcy to due catastrophic illness expenses. Not everyone will agree with this perspective, but that is why grassroots efforts on Capitol Hill are so important in influencing policy.

The third challenge is bringing all the stakeholders, or interested parties, to the table. This is an effort the White House has been particularly engaged in since the beginning of the year, bringing many private sector companies together to negotiate on the components of health care reform. Public interest organizations have also been meeting with members on Capitol Hill to share their priorities. At some point all of these groups have to come together and make concessions, that is, if there is to be a vote on health care reform this year.

That brings us to, perhaps, the biggest challenge, which is bringing all of these negotiations to a reasonable conclusion within the timeframe Congress and the White House have set for health care. They claim that health care reform will pass by the end of this year. This is a very ambitious schedule. The House and the Senate each have to vote on their own versions of a bill, form a conference to reconcile the differences between the two bills, then have the final product voted on again before it goes to the President for his signature. Ambitious, indeed. This will require many, many conversations between now and then. Health care, it seems, will remain the "talk of the town."



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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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