



NRLN Focus

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NRLN
NATIONAL RETIREE LEGISLATIVE NETWORK, INC.

Winter 2007

A VIEW FROM WASHINGTON

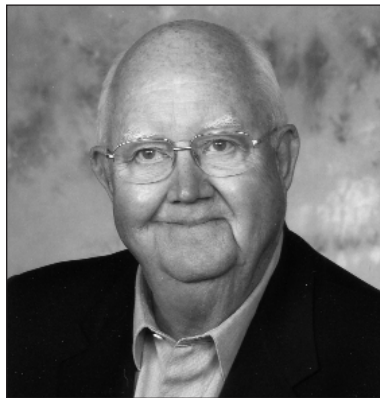
OUR SEVENTH ANNUAL Leadership Conference and Board meeting in Washington, D.C., produced a new NRLN legislative agenda for 2007, as well as an informative dialogue with senior staff members of the relevant congressional committees that deal with health care and pension issues.

Our 2007 legislative agenda is a dynamic document and, depending on circumstances, will change from time to time. However, you will always find a current version on our Web site at www.NRLN.org. Following are highlights of the key issues we'll be addressing during the 110th Congress.

Health care legislation

Overall, the NRLN Board is committed to supporting new health care legislation that offers:

- Coverage for all, including catastrophic coverage, improved coverage for those now on Medicare, sufficient doctor/service



A. J. (Jim) Norby

payments and a Maintenance of Cost Payment (MCP) provision ensuring retention of existing coverage for millions of retirees covered by corporate plans.

- Effective cost management disciplines.

- Improved national system planning and information technology mechanisms, which are addressed in S.1418 (Sen. Mike Enzi, R-Wyo.) and H.R. 4157 (Rep. Nancy Johnson, R-Conn.).

- Equitable financing.

- Simplified administration.

New legislation must protect the health care benefits of retirees already covered by corporate plans and must not allow corporations to abandon their plans or dump an inferior National Plan into the laps of retirees, forcing them to buy back previously earned coverage.

The NRLN supports a path to universal coverage that protects both retiree health care and the competitive strength of American corporations. Here's our proposal in a nutshell:

- Corporations would pay a retiree health care MCP equal to the cost of an individual's health care benefits at the time of retirement or at a subsequent time when reduction or cancellation of coverage or subsidies occur, whichever is higher.

- Retirees eligible for Medicare, or, if a National Health Care Plan is established, would be entitled to a reduced corporate MCP sufficient to purchase
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"...the next several months will be critical as NRLN volunteers and staff members push our legislative health care reform agenda."



FOCUS ON PRESCRIPTION DRUGS

The NRLN supports several proposed bills that involve the revision of Medicare Part D and the acceleration of generic drug approval and advancement to market, including:

– H.R. 4 (Rep. John Dingell, D-Mich.), “*Medicare Prescription Drug Price Negotiations Act of 2007*,” which passed the House and is waiting for S. 250 (Sens. Ron Wyden, D-Ore. and Olympia Snowe, R-Maine). Other worthwhile legislation dealing with price negotiations are S.137 (Sen. Benjamin L. Cardin, D-Md.), the “*Preserving Medicare for All Act*,” and S.345 (Sen. Dick Durbin, D-Ill.), “*Medicare Prescription Drug Savings Act*.”

– S. 242 (Sens. Durbin and Snowe), the “*Pharmaceutical Market Access and Drug Safety Act of 2007*,” which was reintroduced in the Senate, as well as in the House as H.R. 380 (Reps. Jo Ann Emerson, R-Mo. and Rahm Emanuel, D-Ill.).

– H.R. 4685 (Rep. Dingell), “*Medicare Prescription Drug Emergency Guarantee Act of 2006*,” which prevents in-year interruption of coverage and formulary changes.

– S. 2300 (Sen. Debbie Stabenow, D-Mich.) and H.R. 6022 (Rep. Henry Waxman, D-Calif.), which are companion bills that require the resolution of Food and Drug Administration petitions that challenge the approval of generic drugs.

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

supplemental insurance. The amount of supplemental insurance would enable retirees to maintain parity with their coverage in effect at the time of retirement or at the time their company coverage is cancelled or reduced, whichever is higher. Retirees would use MCPs to purchase supplemental insurance from employers or third party providers.

– Employers would be entitled to an annual tax credit equal to the amount expended for retiree MCPs.

New legislation

In 2007, the NRLN is supporting several specific congressional bills (see “*Focus on Prescription Drugs*”), as well as calling for new legislation that would:

– Increase the Part D subsidy to be paid to employers who offer better coverage than that provided in Medicare Part D, and who agree to maintain their current plans.

– Fund FDA staffing and the systems needed to clear the generic drug approval backlog and require elimination of manufacturer “user fees.”

– Ban litigation or other practices that require or encourage brand manufacturers to pay generic manufacturers to pull generic brands from the market.

– Enable health care premiums (including Medicare premiums) to be tax deductible, similar to the way health insurance premiums for workers and self-employed individuals are deductible.

– Enable tax-free and penalty-free withdrawals from 401ks,

individual retirement accounts (IRAs), simplified employee pensions (SEPs) and other qualified retirement accounts for the exclusive purpose of paying retiree health care premiums.

Pension legislation

Although most of our legislative emphasis this year will be on health care issues, we’re not forgetting about pensions. Specifically, we urge creation, sponsorship and passage of a bill that limits the ability of a company to tap pension assets to pay for what properly should be considered restructuring expenses. Such legislation would establish the same 120 percent of the current liability cushion of protection already enacted by Congress for transfers to 401 (h) accounts for payment of
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A View from Washington
(continued from page 2)

corporate health expenses.

Without effective legal restraints, companies regularly draw down pension plan assets toward the 100 percent funding level to pay for early retirement incentive programs, including severance pay and layoff bonuses. Such bonuses are typically granted to 10 percent or fewer of the total plan participants in the form of incentives for early retirement in exchange for a waiver of rights by older workers. These waivers limit the company's age discrimination liability and dilute defined benefit pension plan assets.

The Internal Revenue Service and courts have allowed companies to hide behind current pension law to use defined benefit assets to pay such bonuses and, to date, Congress has allowed this practice to continue. The NRLN believes that such bonuses should properly be treated as a corporate expense, payable out of the corporation's assets, not as a

pension benefit paid out of defined benefit plan assets.

Long-time ERISA and tax lawyers, and Congressional staff, have resisted legal changes in this area, arguing that plan sponsors have always been allowed to treat such expenses as pension benefit payments. This sacred-cow type thinking is not in keeping with the intent of ERISA, the 2006 Pension Protection Act or the vested rights of defined benefit pension plan participants.

Insightful meeting

Throughout 2007, NRLN volunteers and our professional staff on Capitol Hill will be working aggressively to educate new and existing congressional members and their staffs of needed reforms to protect medical and pension benefits for millions of retired Americans. We cannot become complacent in the face of corporate special interests that are working overtime to water down and weaken health care and pension legislation favoring retirees and their dependents.

At our Leadership Conference, we hosted two panel discussions with senior staff members representing key congressional committees that deal with health care and pension issues. And make no mistake about the fact that these staff members are responsible for much of the behind-the-scenes groundwork that goes into drafting new legislation. Maintaining a dialogue with these key staff members is essential to achieving our 2007 legislative agenda.

Space does not permit a detailed report of these panel discussions, but rest assured they were spirited and sometimes contentious, but in the end, very important. These discussions are another way in which we get our message before key staff members who can directly impact new legislation that has an effect on millions of retirees and their families.

Associate members attend-
(continued on page 5)

“...This sacred-cow type thinking is not in keeping with the intent of ERISA...”

MEMBERSHIP/DONATION

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

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NRLN WELCOMES CHUCK GILBERT AS NEW BOARD MEMBER

Chuck Gilbert, who is vice president of TelCo Retirees Association, Inc., brings a wealth of experience to his position as the newest member of the NRLN Board of Directors. Formed in January, 2004, TelCo Retirees Association, Inc. draws its 2,100 members from the former Pacific Bell/Nevada Bell companies (SEC).

Gilbert's background includes 29 years of experience in the telecommunications industry as an employee of Pacific Bell Company and AT&T. After he retired from that career, he became president of a health care company and currently owns two businesses in San Diego, California.

Gilbert decided to become involved with TelCo Retirees and NRLN based on the reality of what is happening to retiree pensions and health care benefits.

"There are a lot of people out there who are hanging on for dear life," Gilbert acknowledged. "That's what drives me to get involved. I only have so much time and I want to spend it doing something I think is important on a volunteer basis. And this is it."

A serious concern

Through his involvement with TelCo and NRLN, Gilbert is exercising his knowledge and skills in legislative and corporate affairs to help others. "The more I looked at what is happening with pensions and health care,

"There are a lot of people out there who are hanging on for dear life," Gilbert acknowledged. "That's what drives me to get involved..."

the more I realized this is a very serious area of concern to a large number of people."

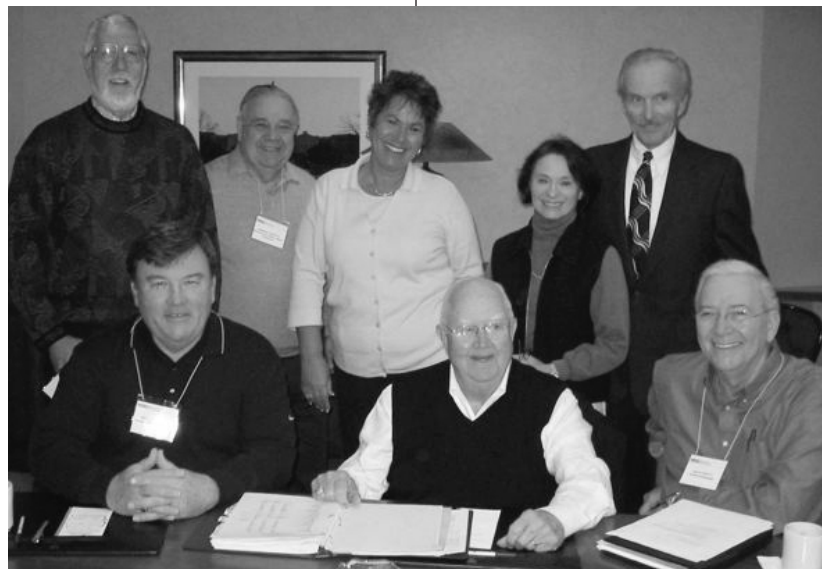
Gilbert cited the NRLN's active membership and their grassroots approach to influenc-

ing lawmakers on Capitol Hill as the foundation for achieving future legislative success. "So far, they really have had an impact," he noted.

According to Gilbert, the TelCo Board is now in the process of enrolling its membership into NRLN's Capwiz database, which enables participants to e-mail, write or phone elected officials from their home districts. Through their participation in the NRLN grassroots organization, TelCo Retirees can become advocates for legislative issues affecting them and their families.

"Having done a considerable amount of this sort of thing, if you get it organized right, you have a powerful tool for getting the attention of elected officials so they will review your issues," Gilbert said.

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NRLN 2007 Board of Directors. Seated (L-R): Bill Kadereit, Jim Norby, Dick Ciocca. Standing (L-R): John Leasher, Bob Foresta, JoAnn Alix-Gagain, Jane Banfield and new board member Chuck Gilbert.



NRLN Datelines

January 23, 2007 – NRLN Board of Directors annual meeting in Washington, D.C. debates and approves the network’s legislation agenda for 2007 and elects new board member.

January 22, 2007 – NRLN Leadership Conference in Washington, D.C., featured two panels discussing pension issues health care matters. Discussing pension issues were Jim Paretti (Congressman McKeon, R-CA), ranking Republican on the House Committee on Education and the Workforce; Michele Varnhagen, Chief of Staff for the House Committee on Education and the Workforce; and Judy Miller, Chief of Staff on the Senate Committee on Finance. Health care panel members included Dr. Wendell Primus, Policy Advisor to House Speaker Nancy Pelosi (D-Calif.); Ben Klein, Legislative Assistant to Senator Byron Dorgan (D-ND); and Bill Pewen, Legislative Aide to Senator Olympia Snowe (R-ME). It’s noteworthy that we make every effort to get bi-partisan representation on these panels; but, just like the last election, we had one or more additional Democrats.

October 30, 2006 – NRLN issues news release calling on Congress to intervene on behalf of U S West retirees facing cuts in their health care and life insurance benefits.

September 15, 2006 – NRLN news release calls on retirees to hold Congressional candidates accountable for where they stand on key issues affecting today’s retirees.

August 11, 2006 – NRLN issues news release applauding passage of the Pension Protection Act of 2006 by Congress.

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| <p><i>A View from Washington</i> <i>(continued from page 3)</i></p> <p>ing also heard from Ralph Maly, vice president of the Communications Workers of America, who shared his perspective about how corporations are viewing health care benefits for retirees. He cited one example involving Lucent, which receives \$100 million a year in prescription drug rebates related to Medicare Part D and Federal supplements. According to Maly, Lucent does not apply any of these rebates to retiree health care benefits. He reported that Lucent has not paid</p> | <p>a nickel for health care purposes to represented retirees since it was spun off from AT&T in 1996. The funds used are those transferred from AT&T and from retiree pension income.</p> <p>Shocking indeed, and that’s just one example of what’s going on all over America. Examples like this are why the next several months will be critical as NRLN volunteers and staff members push our legislative health care reform agenda, while monitoring new bills that contain provisions that are injurious to retirees and their families.</p> | <p>Our panel discussion, as well as one-on-one meetings with congressional staff members representing newly elected members of Congress and key legislative committees, has left me convinced that meaningful health care reform is achievable in 2007. The challenges are considerable, but with your support we will succeed in making our message heard on behalf of retirees and their families across America.</p> <p>Meanwhile, good luck and God speed.</p> |
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The challenges are considerable, but with your support we will succeed in making our message heard on behalf of retirees and their families across America.



NRLN Welcomes Chuck Gilbert (continued from page 4)

The retiree network

The broad-based membership of the NRLN is a key to its future growth, Gilbert shared. "The NRLN doesn't just represent the Bell system or telecommunications retirees," he explained. "It's much broader than that. The NRLN has members who are retired from IBM, Caterpillar, GMC, Ford, along with members at large. It's

members are retirees – period."

Both NRLN and TelCo Retirees Association are united in their efforts to preserve pension and health care benefits for millions of older Americans. "It behooves somebody to stand up and take these issues forward, otherwise, it will all dry up and a lot of people are going to be hurt unnecessarily," Gilbert added. "That's what drives me."

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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, and health and pension programs and will improve the adequacy of benefits provided by such programs. Also, we are committed to watching for and stopping legislation that threatens retiree health and pension programs.

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