

January 5, 2011

To: All NRLN Grassroots Network Members
From: NRLN President Bill Kadereit
Subject: NRLN's 2010 Actions and 2011 Outlook

It is appropriate at the beginning of this new year to reflect on a few of the NRLN's major actions in 2010 and comment on what is ahead of us in advocating our top legislative initiatives with the new 112th Congress in 2011. But first I want to thank you, our Grassroots Network Members, for your support both in response to our Action Alerts and your Individual Membership contributions. During the past year, we issued 19 Action Alerts that resulted in 96,454 emails sent to our federal lawmakers. Your 2010 personal contributions amounted to 70 percent of the NRLN's annual budget.

Pension Asset Protection

A great deal of the NRLN's efforts in 2010—including thousands of emails and phone calls to members of Congress from NRLN Grassroots Network members—were directed to gaining legislation to prevent companies from using pension plan assets for non-pension expenses. We came very close to having the NRLN's Pension Asset Protection (PAP) language retained in H.R.4213. Unfortunately, the House Ways and Means Committee's staff did not keep our PAP language in the bill and passed it on May 28th.

Part of the problem of keeping PAP in the bill was that the bill, in addition to containing pension plan funding relief for companies, included urgent measures such as prohibiting cuts in Medicare payments for doctors; federal COBRA premium subsidies for Americans who had lost their jobs, plus various tax provisions. This complexity distracted attention from our PAP proposal.

Although a prime opportunity for PAP was missed, leaders of the NRLN and GM, Chrysler and Detroit Edison met in early June with Michigan Representative Sander Levin, at the time Chairman of the House Ways & Means Committee, to provide him with an understanding of why we are passionate about PAP. Since that time, Representative Levin has been supportive of the NRLN working with the Ways & Means Committee staff to explore the potential for PAP in a stand-alone bill or as a provision in some other bill.

Our experience with PAP in 2010 with Congressman Levin reinforces the importance of personal local contact with members of Congress by Grassroots Network members and Retiree Associations. We will continue to pursue in 2011 passage of a bill that carries our PAP proposal. We must prevail. You are a vital part of the process.

Health Care Legislation

President Barack Obama signed the Patient Protection and Affordable Care Act (PPACA) into law on March 23, 2010. The NRLN neither supported nor opposed health care reform legislation. Based on emails received, many NRLN members supported health care reform and many opposed the legislation. The NRLN supported provisions in the bill that assisted retirees and opposed the provisions that would be harmful to retirees.

Within a few weeks following the enactment of the PPACA, articles reported on a number of members of Congress expressing shock that many companies made regulatory filings stating that the health care bill would cost their firms multi-millions of dollars. NRLN Grassroots Network members responded to our Action Alert and sent emails to Representatives and Senators urging them to:

1. Repeal the misguided provision that denies employers the tax deduction for federal subsidies for Medicare Part D prescription drug plans;
2. Enact the NRLN's Maintenance of Cost Payment (MCP) proposal. The MCP would establish a fixed monthly payment to retirees equivalent to the value an employer provided prior to the reduction or cancellation of retirement health care, prescription drugs, life insurance, long-term care or other benefits. Companies would be entitled to tax credits as an offset to MCP payments.

In late September, the NRLN discovered that seven benefits/protections in the PPACA were excluded from company-sponsored, retiree-only group plans. These include:

- Prohibition of preexisting condition exclusion or other discrimination based on health status.
- Prohibition on excessive waiting periods.
- No lifetime or annual limits.
- Prohibition on rescissions - can't drop coverage for high claims or health conditions.
- Extension of dependent coverage until age 26.
- Development and utilization of uniform explanation of coverage documents and standardized definitions.
- Bringing down cost of health care coverage (for insured coverage).

These provisions were effective on September 23, 2010 and must be available in all 2011 group health care plans, **except** for company-sponsored, retiree-only plans. Some companies have voluntarily provided some or all of the benefits/protections while many firms have not. To rectify the carve-out of retirees, the NRLN has added to its 2011 Legislative Agenda an objective to advocate that provisions in statutes such as in Sec. 720 of ERISA that allow denial of protections otherwise enacted by Congress must be stricken from such statutes. Denying enacted benefit coverage to retirees simply because retirees are members of retiree only plans, where such protections are otherwise afforded to younger active employees or retirees, is discriminatory, unjust and bad policy.

In addition, to become more vigilant of the rulemaking process by federal agencies after legislation has been enacted, the NRLN Board created the position of Vice President – Regulatory Affairs and elected Stan Hurst, a retired Chrysler corporate attorney, to the position.

There has been a great deal of news coverage on Republicans in the House saying they plan to have a vote on the repeal of PPACA. Regardless of what happens with PPACA, the NRLN will continue to lobby in 2011 for its top health care legislative initiatives briefly described in the "whitepaper" section below.

Protecting Social Security and Medicare

Last January when Congress was deliberating a bill to form a commission to review all aspects the federal budget, NRLN Grassroots Network members responded to our Action Alert and sent letters to members of Congress to insist that any deliberations on changes to Social Security and Medicare be conducted in the open so America's Social Security and Medicare recipients will know whether their benefits are being protected.

The eventual outcome in early December was that 11 of the 18 members voted for the commission's report, short of the 14 votes needed for adoption under the terms established for The National Commission on Fiscal Responsibility and Reform. Although the commission's report fell short of the necessary votes, it is possible—even probable—that we will see some of its recommendations surface in 2011 in Congress, and in President Obama's State of the Union message and the Administration's next budget proposals.

The Commission's proposals on Social Security and Medicare included:

- A gradual increase in the Social Security retirement age to 68 by 2050 and 69 by 2075. Increase the early retirement age from 62 to 64 along the same timetable.
- Apply a less generous Social Security cost-of-living adjustment.
- Raise Social Security payroll taxes for the affluent and reduce their future benefits.
- Create a Medicare program that is sustainable with reforms to physician payments, cost-sharing, malpractice law, prescription drug costs, government-subsidized medical education, and institute additional long-term measures to bring down Medicare spending growth.

The NRLN—supported by you--will be the voice for retirees when the debate on Social Security and Medicare takes place in Congress. The NRLN's position is that Social Security and Medicare must be financially secure to continue the current benefits available to present recipients and to fund commensurate benefits for future

recipients. Members of Congress have an obligation to clean up the funding mess on Social Security and Medicare they created and retirees, who are not to blame, should not be harmed in the process.

NRLN Whitepapers Support Advocacy

During 2010, the NRLN continued to add professionally researched and written whitepapers to build compelling cases for why legislation is needed to provide for greater retirement security. The new whitepapers support the NRLN's advocacy for:

- Pension Benefit Guaranty Corporation rule changes to benefit retirees whose pension plans are taken over by the PBGC.
- Addressing the access and affordability of health care coverage for retirees ages 55 to 64 by allowing them to buy into Medicare at a cost that does not burden the Medicare system. A larger health care pool with younger retirees would actually drive down the per capita cost.
- Extending protection against catastrophic medical costs to the Medicare population by setting a reasonable maximum limit on out-of-pocket costs.

Whitepapers developed in 2009 continue to be used to convince members of Congress they should support legislation to:

- Prevent companies from using pension fund dollars for non-pension expenses, such as severance payments and retirement incentives. Pension plan trusts must have an opportunity to generate surplus assets that can be used to offset corporate health care costs for retirees or be available for pension Cost of Living Adjustments (COLA's).
- Enact the NRLN's Maintenance of Cost Protection (MCP) proposal that would establish a fixed monthly payment to retirees equivalent to the value an employer provided prior to the reduction or cancellation of retirement benefits. Companies would be entitled to tax credits as an offset to MCP payments.
- Reform corporate bankruptcy laws to gain fairer treatment of retirees in bankruptcy court proceedings.
- Reduce the cost of prescription drugs by: (1) Enabling re-importation and importation of safe prescription drugs approved by the FDA; (2) Enabling Medicare to develop formularies and take competitive bids for prescription drugs; (3) Funding and staffing the FDA adequately to reduce the generic drug approval backlog; (4) Preventing drug companies from colluding to control pricing or subvert free market practices.

Click here (<http://www.nrln.org/pvtflyin.html>) to read the NRLN's whitepapers on the NRLN website. Work is currently underway on a whitepaper to advocate protection of American retirees in mergers and acquisitions by specifying a foreign owner's obligations to abide by the USA's Employee Retirement Income Security Act (ERISA). This whitepaper will also advocate that the PBGC be able to access foreign assets to satisfy pension funding deficits.

Advocacy on Capitol Hill

The NRLN's top legislative initiatives were communicated to Representatives and Senators and their staff members on a day-to-day basis in 2010 by the NRLN's Washington, DC staff. During the January 2010 NRLN Leadership Conference and the September Fly-In, NRLN Retiree Association leaders and members carried the NRLN's messages to Capitol Hill offices and presented packets containing descriptions of key initiatives and executive summaries from the whitepapers.

The January and September trips to Washington, DC were also used to meet with the staff members of key committees, including the House Ways and Means Committee (to advocate PAP), the House Labor and Education Committee (to advocate PAP & PBGC reforms) and the House and Senate Judiciary Subcommittees on Administrative Oversight and the Courts (to advocate corporate bankruptcy law reforms).

In a few days, we'll be back on Capitol Hill on January 19th as part of the 2011 Leadership Conference January 17th – 19th.

Back Home Meetings Important

While meetings on Capitol Hill are important and emails and phone calls are vital on specific issues, face-to-face meetings "back home" with Representatives and Senators and local staff members are critical to building a working relationship and communicating the need for legislation to protect pensions, benefits, Social Security and Medicare. I want to request that you make a commitment to visit with your elected representatives in their state offices and at town hall meetings to communicate the NRLN's top initiatives. **Click here** (<http://www.nrln.org/documents/NRLN%20Legislative%20Top%202011%20Initiatives%20Summary%2012-14-10.pdf>) to read and print out the NRLN 2011 Top Initiatives Summary. To read and print out the entire 2011 Legislative Agenda **Click here** (<http://www.nrln.org/documents/NRLN%20Legislative%20Agenda%202011%20Final%2012-14-10.pdf>) An alternative way to access these documents and the whitepapers is to go to www.nrln.org and click on the Legislative Agenda link and make your selection from the drop down window.

Financial Support Needed

If you made a financial contribution to the NRLN in 2010 to be an Individual Member, I want to thank you for your support. A "Thank You" card will be sent to you soon to express the NRLN's appreciation to our 2010 contributors. In February, we will send our annual appeal letter to past contributors. The NRLN would welcome **now** your Individual Membership 2011 contribution of \$25, \$50, \$75 or more. Any amount you can contribute will be appreciated. You may make your check or money order payable to **NRLN, Inc.** and mail it along with the Membership Contribution form below. Or, you may make your contribution online with your credit card through PayPal on the NRLN website at <http://www.nrln.org> by clicking on the "Memberships" icon at the top of the home page and selecting the "Support the NRLN" link.

With your commitment to send emails, make phone calls and meet with your members of Congress and provide the NRLN with your financial support, we can have a strong voice with our lawmakers and motivate them to do the right things to protect what you have justly earned through decades of your labor. Lobbying can be a slow and sometimes painful process, but with your help we will continue to make progress.

Bill Kadereit, President, National Retiree Legislative Network

NRLN MEMBERSHIP CONTRIBUTION

January 2011 Email

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

Name: _____ Age: __under 55; __ 55-64; __ 65 or over

Address: _____ City: _____ State: __ Zip: _____ Zip + 4: _____

Phone: _____ Email Address (if available): _____

I get my retirement benefits from _____ (name of company)

Mail this form with your check or money order (no cash please) for \$25, \$50, \$75 or more (any amount will be appreciated) payable to: NRLN, Inc., P.O. Box 18757, Washington, D.C. 20036-8757