

January 9, 2010

To: NRLN Grassroots Network Members

From: NRLN President Bill Kadereit

Subject: NRLN Action Alert: Congress Must Address Retirees' Needs In 2010

Leaders of Retiree Associations affiliated with the National Retiree Legislative Network will join NRLN leaders in Washington, DC January 11-13 for the NRLN's Annual Leadership Conference. Following the NRLN Board of Directors meeting on the first afternoon and a day of NRLN business and dialogues with government officials on the second day, conferees will head to Capitol Hill on Wednesday, January 13 to discuss the NRLN's 2010 legislative initiatives with their Representatives and Senators and/or members of their staffs.

We need all NRLN Grassroots Network members to be part of our lobbying efforts. The next best thing to talking with your members of Congress is sending them a letter to inform them of your expectations. The NRLN has written a sample letter for you to email to your elected representatives to communicate the key issues we want addressed during the second session of the 111th Congress. The letter is longer than what we normally ask you to email to lawmakers because it touches on the issues that our conferees will carry in folders with more details to leave with the members of Congress and/or staff members.

Many Representatives and Senators will be dealing with differences in the House and Senate health care reform bills while we are in Washington, DC. The NRLN has not endorsed either the House bill or the Senate bill. Our efforts are focused on supporting provisions in the bills that will help retirees and opposing those that will harm retirees. At the beginning of the NRLN's sample letter are issues that we once again need you to address with your members of Congress because these issues will have an extremely big impact on retirees lives and the future of all health care.

Please go to <http://capwiz.com/abtr/home/> to access the NRLN Action Alert. Look for the Action Alert headline: CONGRESS MUST ADDRESS RETIREES' NEEDS IN 2010. Click on the "Take Action" button. On the next screen, type in your zip code and click "GO" to identify your elected representatives and access the sample letter. Be sure to personalize the letter with your own comments. If you have a problem accessing the Action Alert with the above link, go to www.nrln.org and click on the "Take Action Now" headline at the top of the NRLN website's home page.

I urge you to join those of us who will be on Capitol Hill communicating the need for legislation to protect retirees by emailing your letter as your participation in our two-pronged initiative to gain the attention of Representatives and Senators at the beginning of the new session of Congress.

Bill Kadereit
President, National Retiree Legislative Network

Sample Letter:

Dear Member of Congress:

As the second session of the 111th Congress gets underway, I want to encourage you to make 2010 the year that legislation is enacted to help millions of America's retirees. The pensions and health care benefits that retirees have earned continue to be under attack and our only hope to prevent further erosion or elimination of what we've earned is our elected representatives.

I recognize there is still work to be done on the House and Senate health care reform bills. As a member of the National Retiree Legislative Network, I support the NRLN's position that health care reform should do no harm to America's retirees. Some provisions in the health care bills would actually help retirees. The following provisions could be made even better for retirees with the changes advocated by the NRLN:

- Section 110 of H.R. 3962 starts out in the right direction by prohibiting post-retirement reductions of retiree health benefits. Unfortunately, language was needlessly included stating: "...unless such reduction is also made with respect to active participants." This would give employers a way to reduce retirees' health care benefits by also reducing the benefits of active employees, or by reducing existing retiree benefits to a lower level that matched benefits of active employees. The "unless..." language should be removed.
- It is good that Section 111 of H.R. 3962 would establish a "reinsurance program" to provide reimbursement to employers for much of the cost of catastrophic claims to retirees age 55 or older. The shortcoming is that Medicare-eligible individuals are excluded. The "reinsurance program" should include Medicare-eligible retirees.
- The House bill allows the federal government to negotiate Medicare drug prices directly with companies. This is a positive step toward bringing down the cost of prescription drugs for seniors and should be included in the final bill.
- Section 213 of H.R. 3962 limits health care insurance age rating to a ratio of 2 to 1 while the Senate bill has a 3 to 1. The 2 to 1 ratio should be adopted for the final bill.
- The House and Senate bills contain a provision to begin taxing employers for the federal subsidies they receive in return for maintaining retiree prescription drug plans rather than dumping their Medicare-eligible retirees into the government's Part D drug plan. These provisions are misguided. The law passed when Congress created Medicare Part D in 2003 should be allowed to stand.
- The House and Senate bills include a positive provision to begin closing the "doughnut hole" in the Medicare Part D Prescription Drug Plan. I believe the NRLN is correct in advocating the closing of this coverage gap more rapidly.

Once health care reform legislation is completed, there are other retiree issues that merit Congress' attention. The NRLN has identified the following key initiatives important to retirees that I urge you to support for legislation.

PROTECT PENSIONS: Corporations are allowed to take pension assets from defined pension plan trusts to pay for lump sum severance payments and early retirement incentives instead of using corporate funds. This must be stopped so that pension plan trusts can 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). Pension funds should not be used to pay for executive management non-qualified pensions or other deferred compensation. Congress should protect pension plans from being at risk through the transfer from plan sponsors or the PBGC to third party financial or other institutions.

PROTECTING PENSIONS IN MERGERS & ACQUISITIONS: U.S. corporations serve as plan sponsors of defined benefit pension plans and are obligated to comply with the Employee Retirement Income Security Act (ERISA) fiduciary responsibilities to maintain and fund such plans for the benefit of U.S. plan participants. However, it is unclear as to what a parent foreign owner's obligations are to fund and abide by ERISA should the U.S. subsidiary be spun off or dissolved. These obligations are even less clear where foreign corporations that own U.S. subsidiaries are also acquired by a third party, foreign-owned corporation. Congress needs to examine these issues and pass laws that will protect America's retirees.

RETIREES NEED PROTECTION IN CORPORATE BANKRUPTCIES: When corporations enter bankruptcy there are no clear cut rules that assure retirees equal treatment with that afforded to "secured creditors." Retirees—especially those who are not represented by a union—often lose their pension, health care, and other benefits and unlike secured creditors, rarely have the ability to recover their losses. Bankruptcy law reforms need to place retirees' pensions and benefits on a list of obligations that companies cannot shed.

PBGC RULES MUST TREAT RETIREES FAIRLY: The Pension Benefits Guaranty Corporation uses a complicated set of rules to determine the level of benefits to be provided to plan participants in terminated pension plans. Regulations are needed to ensure that calculations of benefit payments are not detrimental to plan beneficiaries. The PBGC should be barred from entering into an agreement with plan administrators that permanently diminishes the rights of retirees.

RETIREES' NEED EMPLOYER-SPONSORED HEALTH CARE BENEFITS PROTECTED: The ongoing cancellation or reduction of employer-sponsored retiree health care benefits has had a devastating impact on the lives and financial security of millions of America's retirees. The NRLN advocates a Maintenance of Contribution Payment (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 such as health care, prescription drugs, life insurance, long-term care and other benefits. Companies would be entitled to tax credits as an offset against MCP payments.

HEALTH CARE ACCESS FOR OLDER AMERICANS: Millions of older Americans have lost their health care coverage because they have been laid off, forced into early retirement, or because their employer has canceled coverage. Millions more between the ages of 55 and 64 are denied coverage, or lack affordable coverage. An immediate and practical solution to address this access and affordability crisis is to allow adults age 55 to 64 to buy Medicare coverage at a cost that does not burden the Medicare system. Access could be limited to individuals without access to an employer-sponsored or other group health plan that is actuarially equivalent or superior to Medicare.

MEDICARE RECIPIENTS NEED OUT-OF-POCKET LIMITS: Health reform bills passed by the House and Senate prohibit all insurance plans from establishing any lifetime or unreasonable annual limit on the dollar value of benefits. Unfortunately, the protection against ruinous health costs that Congress proposes to guarantee as a right to all Americans under the age of 65, Congress is denying to Medicare recipients. Congress should extend protection against catastrophic medical costs to the Medicare population by setting a reasonable limit on out-of-costs.

REDUCING THE COST OF PRESCRIPTION DRUGS: American retirees pay more for the same prescription drugs used by retirees in other countries. Congress has the power to significantly reduce the cost of prescription drugs for Americans by passing legislation that: (1) Enables re-importation and importation of safe prescription drugs from FDA-approved countries; (2) Enables Medicare to develop formularies and take competitive bids for prescription drugs sold under the Medicare D plans; (3) Staffs and funds the FDA to reduce the generic drug approval backlog and demand that all manufacturers pay fees to support generic drug testing. (4) Prevents drug companies from colluding to control pricing or subvert free market practices by paying off generic drug manufacturers for withholding the introduction of lower priced generic drugs.

PROTECT MEDICARE: There has been disagreement among members of Congress whether the House and Senate health care reform bills will harm Medicare benefits. The elimination of waste in the Medicare system is a good thing, but Congress must guard against reduction in Medicare expenditures negatively impacting the care that retirees receive from doctors, hospitals and other health care services.

PROTECT SOCIAL SECURITY: President Obama and some Congressional leaders have stated that Social Security will be addressed in 2010. In simple terms, I urge you to take action to make Social Security financially sound so that benefits will continue untouched for current retirees and future generations of retirees.

Thank you for taking the time to read this letter. Please make 2010 the year that the needs of retirees are addressed by Congress.

Sincerely,