



NRLN Focus



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***The NRLN Clarion Call* ... Hold Newly Elected President and Congress Accountable for Preserving Social Security and Medicare**

By Bill Kadereit, NRLN President



During the Presidential and Congressional campaigns there was a lot of talk about who had the best plan for Social Security and Medicare. This wouldn't have been part of the political discourse if current and prior Presidents and members of Congress had done their jobs. Our elected leaders have known for 30 years that the baby boomer generation was coming and that it would bloat Social Security and Medicare payments.

We must hold our newly elected President, U.S. Representatives and Senators accountable for placing Social Security and Medicare on a sound footing that will preserve the benefits for today's beneficiaries and future retirees.

The Social Security trust funds have provided payments to more than 56 million retirees, disabled workers, spouses and children in 2012. For fiscal year 2012, Social Security spending totaled \$773 billion, nearly 5 percent of GDP. According to Social Security trustees, the system will be unable to fulfill its obligations by 2033. At that point, Social Security would collect only enough tax revenue each year to pay about 75 percent of benefits. Adding more pressure on the system, Social Security beneficiaries will grow to 91 million by 2035, according to Congressional estimates.

Medicare, which has provided health insurance to more than 50 million elderly and disabled Americans this year, is expected to start operating in the red in 2024, according to the annual assessment by the trustees charged with overseeing the program.

Don't Blame Social Security for Deficit

Politicians need to stop tying Social Security to the federal deficit, as the two are not intertwined. By law, Social Security hasn't borrowed a dime. The problem is that for over eighteen years, politicians have borrowed billions of surplus Social Security payroll tax revenue dollars and the interest earned on these surpluses for use on other federal projects. The federal government now owes over \$1.7 trillion to the Social Security Trust Fund. This \$1.7 trillion must be paid back to the Social Security trust or it can't support the program until 2033.

Many members of Congress won't admit they are probably thinking: If I have to pay \$1.7 trillion to Social Security, there will be less money for my pet projects. Elected officials who oppose allowing the payroll tax rates to be set at a level to fund the "trusts" properly are simply pushing their spending habits on other federal programs onto our laps and they know it.

The "temporary" reduction in Social Security payroll taxes is due to expire at the end of this year. It

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(Continued from page 1) ***The NRLN Clarion Call ... Medicare - Can Retirees Survive the Perfect Storm?*** appears that hardly anyone in Congress is pushing to extend it. The NRLN opposed reducing the tax two years ago because it threatened the revenue stream for funding Social Security and that it would do little to stimulate the sluggish economy. Social Security is funded by a 12.4 percent tax on wages up to \$110,100, rising to \$113,700 in 2013. Half is paid by employers and the other half is paid by workers. For 2011 and 2012, the share paid by workers was cut from 6.2 percent to 4.2 percent. The payroll tax deduction cost the system \$103 billion in 2011 and an estimated \$112 billion this year.

Sustaining Medicare Is Complex

The debate over whether the cost of Medicare is sustainable is far more complex than the debate regarding Social Security. The "X" factor in the Medicare debate is the fact that health care costs in general are rising at double the Consumer Price Index (CPI) rate changes. A simple way to look at this is to answer the question: Given that most large corporations pay employee/retiree health insurance claims with cash from operations (insurance companies are paid administrative fees to manage the process), why are these companies running from their obligations to pay the bill? Would your answer be: The cost is too high?

The combination of health care costs increasing at double the inflation rate and the addition of Baby Boomers to the Medicare roll are significant factors that are and will drive total Medicare costs up. The Baby Boomer influx should have been addressed by increasing the payroll tax after 1983. Congress failed the country by not accounting for this obvious looming problem. Baby Boomers will flow off the Medicare roll in about 25 years but, unless costs are contained, the per capita cost of American health care will continue to run out-of-control. Add to that the fact that insurance company overhead and profit of about 15% would increase this cost by about 12% OVER the real cost of Medicare (and its 3% overhead).

NRLN Advocates Funding Programs

The NRLN continues to advocate that Social Security's long-term funding gap be addressed by a modest increase--possibly between 0.5% and 1.5%--in the payroll tax and advocates an increase in the maximum taxable wage cap. A recession-driven loss of payroll and general revenue combined with out-of-control health care cost increases to Medicare and the addition Baby Boomers to the Medicare roll have combined to create a perfect storm.

Medicare payroll tax revenue supported 63% of the Medicare budget in 1990 but only 39% in 2010, the year that the most recent data is available. The percent of general revenue needed to pay for Medicare has risen from 28% in 1990 to 44% in 2010. The Medicare payroll tax on workers and employers should be increased until such time as that tax can again fund 60-65% of the Medicare budget. Cutting benefits alone will not solve the problem. In 2010, Medicare added \$90 billion to the U.S. debt. Social Security saved \$25 billion; all other expenditures added \$1.3 trillion!

Recession hammered payroll tax revenue and a "kick-the-can" disregard for the baby boomer impact created these problems, not new benefits added to Social Security or Medicare.

Once Social Security and Medicare are actuarially funded and Baby Boomers flow through the system, the NRLN advocates that payroll taxes be lowered to a level that maintains adequate funding of both programs.

With your financial support and your writing to and meeting with members of Congress, NRLN members will be a strong voice to protect the Social Security and Medicare benefits that we have contributed to through payroll taxes for during our employment years.



NRLN Board Holds Meeting In Washington, D.C.

The NRLN Board decided to hold a fall board meeting in Washington on October 2 and 3 rather than the traditional fall "Fly-In" with retiree association leaders. This was because the House and Senate would not be in session due to campaigning a month before National Election Day on November 6. Key elements of the Board meeting agenda and lobbying efforts included the following:

Tuesday, October 2, 2012

- **Bill Kadereit, NRLN President:**

- 2013 – Action Plan

- Appeal to raise association Individual Member contributions.
 - Associations must aggressively embrace grassroots efforts.
 - Aggressively lobby NRLN's Legislative Agenda.
 - Protect Medicare & Social Security.
 - Lobby for our Four-Part Income Security Platform and health care cost reduction proposals.
 - Engage other stakeholders to help preserve defined benefit pensions.
 - Sustain NRLN Board leadership passion.

- Four-Part Income Security Plan for Retirees

- Enhance and rewrite "Back Door Reversions", "PBGC Reform", "Bankruptcy Reform" and "Mergers & Acquisitions" whitepapers.
 - Michael Calabrese, NRLN Legislative Adviser, will lead "Income Security Committee" with members selected from original whitepaper committees.
 - Complete rewrites and an umbrella Income Security Platform Executive Summary by mid-November.

- **Bob Tompkins, NRLN Treasurer:**

- Financials/Budget

- 2012 budget for association dues has been achieved.
 - 2012 budget for Individual Member contribution still being worked.
 - 2012 expenditures in line with approved budget.
 - Insurance and Savings Offerings to Members
 - Continue offering Liberty Mutual casualty insurance plans.
 - Remind members about Rx Savings Card that 47 members and members of their families gained a savings of \$5,814 on the filling of 281 prescriptions April through August 2012.

- **Bob Martina, Vice President – Grassroots Network:**

- Grassroots Report

- Congressional Districts covered with leaders – 283 of 435 Districts (65.1%).
 - Congressional Districts covered improved by 2.8% thus far in 2012.
 - Congressional Districts leader list needs more frequent review by regional leaders.
 - Emphasis needed on key committee members Congressional District leader vacancies.
 - Associations need to communicate to their members the importance of responding to NRLN Action Alerts.

- **Marta Bascom, NRLN Executive Director:**

- Political Pulse and Lobbying Agenda for 2012 – 2013

- Awaiting outcome of Presidential election.
 - Will Democrats gain seats in House of Representatives?
 - Will Republicans gain seats in Senate?
 - Will "Lame Duck" (post-election) Congress take action on:
 - ...Taxes,
 - ...Sequestration, automatic budget cuts scheduled for January 2, 2012
 - ...Medicare spending



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...Social Security funding

- **Judy Stenberg, NRLN Vice President - Legislative Affairs:**

2013 Legislative Agenda Development Process

- Association Presidents will be polled for input on any new issues.
- Legislative Affairs Committee will write and propose 2013 Legislative Agenda.
- Before end of year, the NRLN Board will review and vote on adopting 2013 Legislative Agenda.

- **Michael Calabrese, NRLN Legislative Adviser:**

Updating of NRLN Income Security Whitepapers

- Updated draft of "Back Door Reversions" (Pension Asset Protection) whitepaper being reviewed by NRLN committee.
- Updated drafts of whitepapers on "PBGC Reform", "Bankruptcy Reform" and "Mergers & Acquisitions" to be completed around mid-November.



- **Art Roberts, President of EKRA-Kodak Retirees Stephen Granat, Treasurer of American Airlines Retirees Committee, and NRLN Board:**

Discussion on Kodak and American Airlines Bankruptcies

- Problems with representation on 1114 Committees to try to preserve health care and other benefits.
- Lack of process to appeal recommendations made to Bankruptcy Court Judges by U.S. Trustees.
- Concerns on whether Pension Benefits Guaranty Corporation (PBGC) will take over pension plans and if it does how it will calculate payments to retirees.

Wednesday, October 3, 2012

- **NRLN Board Members' Discussion:**

Retiree Associations' Membership Issues

- How to deal with membership attrition?
- How some retiree associations have achieved membership growth:
 - ...Fighting to preserve pensions and benefits in bankruptcy proceedings.
 - ...Association leaders conducting meetings in areas where there are high populations of their retirees.
 - ...Communicate what NRLN is doing to gain federal legislation to provide retirees' incomes security and reduce the cost of health care.

- **Guest Speaker - Michael Kreps, Democratic Senior Counsel for the Senate Committee on Health, Education, Labor and Pensions**

The Retirement Crisis and Iowa Senator Tom Harkin's Plan to Solve It



Michael Kreps (in suit at head of table), Democratic Senior Counsel for the Senate Committee on Health, Education, Labor and Pensions, discusses with the NRLN Board Senator Tom Harkin's proposal for a new type of retirement plan for future retirees

- New type of privately-run retirement plan needed since many employers are eliminating the traditional Defined Benefit pension plans that provide lifetime payments.
- Senator Harkin's concept for Universal Secure and Adaptable (USA) Retirement Funds that include many of the advantages of traditional Defined Benefit pension plans.
- Senator Harkin's idea is for pooled, professional management, with portability (workers can take the pension plan with them if they change jobs).
- Both employers and employees contribute a percentage

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toward employee retirement annuity accounts.

- 75 million American workers without a pension or a 401(k) would be able to utilize existing payroll withholding systems to make automatic contributions toward their retirement.
- USA Retirement Funds would involve little, if any, additional administrative burden, and employers would receive a federal credit to help off-set the cost.
- USA Retirement Funds would make it simple for employers to offer a benefit without having to take on all of the risk and administrative burden.

- **Capitol Hill meeting with John Mautz, Legislative Director for Representative Howard Coble (NC-6) who is Chairman of the Subcommittee on Courts, Commercial and Administrative Law**

Discuss NRLN's Position on Need for Bankruptcy Law Reforms

- Opening comments presented by Bill Kadereit and Marta Bascom on why NRLN believes reforms are needed to protect retirees in corporate bankruptcies.
- Art Roberts and Stephen Granat gave first-hand examples of problems there retiree associations have been experiencing in gaining representation on 1114 Committee and no appeal process for decisions made by U.S. Trustee to Bankruptcy Court Judge.



John Mautz (center in white shirt & tie), Legislative Director for Representative Howard Coble (NC-6) who is Chairman of the Subcommittee on Courts, Commercial and Administrative Law, discusses Kodak's bankruptcy issues with Art Roberts (2nd from right), President of EKRA – Kodak Retirees, and NRLN Board Members

- Mr. Mautz suggestions:
 - ...Consider supporting H.R. 2533, the Chapter 11 Bankruptcy Venue Reform Act. It would amend the federal judicial code to require chapter 11 (reorganization) bankruptcy cases filed by corporations to be commenced in the bankruptcy court for the district in which the corporation's principal place of business is located. This would short circuit the practice companies filing for bankruptcy in the southern district of New York or Delaware district where there is a track record of decisions favorable to corporations.
 - ...Seek out a member of Congress willing to introduce a bill with the bankruptcy reform provisions sought by the NRLN. Identify a Representative or Senator who is prepared to be an advocate for the legislation, by gaining cosponsors and having a determination to get it passed by committee to which the bill is assigned.
- The NRLN's Washington staff will explore Mr. Mautz's suggestions.

- **NRLN Board Members:**

Meetings with Congressional Staffs

- Appointments with the staff members of their Representatives and Senators to promote the NRLN's Legislative Agenda.

- **Bill Kadereit, Marta Bascom and Ed Beltram, NRLN Vice President – Communications:**

Meetings with Three Advocacy Organizations

- Spent Wednesday afternoon and most of Thursday, October 4, meeting with three national advocacy organizations with headquarters in Washington D.C.
- Meetings explored the potential of partnering on various retiree income and health care issues in the future.
- All three expressed an interest in working with the NRLN where there is a mutual interest.



A View From Washington

By Marta Bascom, NRLN Executive Director

Our Job as Supervisors



America has finally reached consensus on one crucial point: the end of the 2012 election cycle is a good thing. It is a necessary evil where we theoretically find out what the candidates are all about, either about their policies, their character or both. It's a painful process but once it's over we can turn our attention to the important things in our lives with some sense of renewal. Renewal may seem like a strange word choice when the same candidate returns to the White House as President of the United States, the Republicans remain in control of the House and Democrats remain in control of the Senate. Nonetheless, it is a new term and it should remind us that we as an electorate need to put our priorities in order just as policy-makers do theirs.

The NRLN is continually reviewing the priorities of our member retirees who have a great deal at stake on Capitol Hill. Our priorities remain firm. We are urging Congress to protect Medicare and Social Security, to stand up for retirees as consumers who are increasingly victimized by predatory corporate practices, take companies to task for breaking their promise of retiree health care benefits and making the case to Congress that bankruptcy reform is imperative to protecting the financial security of retirees. It's a tall order and Congress is a stubborn employee, but our employees they are and we must be a diligent supervisor.

Congress Likes the Status Quo

Congress loves a lazy electorate, the sort of constituents who don't question their actions or inaction; they like the status quo and take comfort in pointing fingers at the other party for their failures. Frankly, we make it too easy for them to coast to the end of each session of Congress without making the hard choices. They seem to find it easy to make the few decisions they come to on the backs of retirees, but it doesn't have to be that way if we start to pay attention.

We've all been reading about how the nation is approaching the "fiscal cliff" because automatic budget cuts across the board will kick in if Congress and the Administration don't agree on a budget by the end of the year. A great many costly budget items are on the table, including Medicare and Social Security, placed there by both Republicans and Democrats. These are being weighed against the cost of our defense program, the implementation of the health care reform law and the cost of every other government program Congress creates and supervises.

They Are Our Public Servants

Keep in mind that Members of Congress are public servants, and we are the public. They supervise these programs, but we need to supervise them. This requires playing an active role in telling Members what they are doing right, what they are doing wrong, what must change, and what must remain. As their boss, the conversation must be ongoing. Sending your member one letter and not responding to theirs if it is unsatisfactory doesn't constitute a conversation. There has to be an actual relationship in order to make Members feel accountable to you, and that takes work on both sides.

So, here's the deal. As an active electorate (read supervisor), we have to review our priorities and tell our Members of Congress what we want and don't want. They will likely respond. We have to read the response, and keep the conversation going if they need redirection. Email, letters, visits to their district offices, visits to their Washington, D.C. office – these are all useful tools for supervising our public servants. We're approaching a fiscal cliff, so now's the time to tell them that we don't want to fall off but won't tolerate cuts to Medicare and Social Security. Saving the rest of the population by throwing retirees



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off the cliff is unacceptable. Many programs can be cut or shrunk that aren't as important to our economy as preserving the financial security of our nation's retirees.

Remember, it's a conversation between an employee and his or her supervisor. Your employee is spending your money. If you don't monitor these expenditures, you have no one to blame but yourself.

NRLN's Washington, D.C. Conference Set for February

The National Retiree Legislative Network's 2013 Leadership Conference will be held during the first week of February at the Liaison Hotel, 415 New Jersey Avenue N.W. in Washington, D.C.

The NRLN's conference will begin on Monday afternoon, February 4, with presentations on NRLN issues. On Tuesday, February 5, the conference will continue during the morning and in the afternoon participants will communicate to the new Congress the NRLN's retirement income security and health care cost reduction legislative agenda plus the need to protect Social Security and Medicare. On Wednesday, February 6, lobbying on Capitol Hill will continue all day and some attendees will elect to stay over to meet scheduled appointments on Thursday, February 7.

Presidents of retiree associations affiliated with the NRLN have been asked to solicit as many of their Grassroots State and Congressional District leaders as possible to attend the conference. Any Individual Member of the NRLN is welcome to attend. The NRLN has provided a registration webpage at <http://www.nrln.org/flyin.html> for individuals who are planning to attend the conference.

The Liaison Hotel is providing a room reservation website at: <https://gc.synxis.com/rez.aspx?Hotel=19828&Chain=5158&group=RLN213> Or you may call toll free 1-866-233-4642. Please ensure to reference the **National Retiree Legislative Network** group when making reservations or provide the following **Reservation ID: RLN213**. The room rate per night is \$259.00 plus taxes and fees. Guests will need to confirm the arrival date and have credit card available to confirm reservation.

Health Savings Rx CardSM Provides Savings

Since the NRLN Agency began offering on April 23, 2012 the free **Health Savings Rx CardSM**, 48 NRLN members and family members have filled 351 prescriptions and achieved a savings on \$7,336. The available results through September 2012 show the average saved per discounted prescription was 34 percent off the retail price.

While savings with the **Health Savings Rx CardSM** is not available on all prescription drugs at the 62,000 participating pharmacies, the results show that the savings can be significant on many medicines.

Individuals enrolled in a Medicare Part D plan may find the **Health Savings Rx CardSM** useful for prescriptions that are excluded by Medicare Part D. Medicare participants not enrolled in a Medicare Part D plan, can simply present their **Health Savings Rx Card** to possibly gain savings on brand name and generic prescriptions.

To sign up for a **Health Savings Rx CardSM** go to <https://members.completehealthlink.com/NRLN/welcome/default.aspx>. Or, go to the NRLN website at <http://www.nrln.org>, click on the "Insurance" tab near the top of the home page and select the "Health Savings Rx Card" option.

The NRLN Agency does not receive any compensation for offering the **Health Savings Rx CardSM**. Using the card is entirely up to you.

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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Mail this form with your check or money order (no cash please) for \$25, \$50, \$75 or more (any amount is appreciated) **payable to: NRLN, Inc., PO Box 18757, Washington, DC, 20036-8757**

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