



NRLN Focus

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The NRLN Clarion Call ... American Retirees' Dreams Are at Risk

By Bill Kadereit, NRLN President



The health care industry is one America's last overprotected industries. It has been protected from efficient competition, from would-be U.S. competitors, global competition and from having to bid competitively for Medicare business. Ironically, some who protect the rising cost of this industry have been the loudest to holler about rising benefit costs.

One of these days Congress and whichever party controls it, and/or the Administration in power, will wake up to the fact that there will not be job growth of any meaningful amount if we continue on the same path we are on now. Globalization and technological advances will continue to be an incentive for exportation of our U.S. differential advantages and gut available jobs, but more importantly they will continue to dilute relative pay levels, and thus the purchasing power, of all Americans. This jobs scenario certainly leaves little room for American retirees over age 55 to find an employer ready and willing to hire them.

These causal events are real but most politicians are either blind, naive or are guilty of wishful thinking. They are politicians, not problem solvers and that is VERY bad! Just look at how they ignore health care costs. Pushing the cost of health care to the backs of corporations, the consuming public or NEW government programs are not solutions; they are merely political expediciencies. Until root-cause solutions for the high cost of health care products and services and high overhead and profit margins in the health care daisy chain are implemented, we will continue to suffer the pain of decreasing purchasing power. The fear of not being re-elected paralyzes effective action by our elected officials. This cost scenario certainly leaves retirees over

age 55 with the prospect of ongoing rapidly rising health care costs and thus certain attrition of their fixed income.

The unemployment issue and economic woes will unseat presidents and members of Congress in future election years if true root-cause solutions are not implemented. We may be in for very tough times. Soon there will be outrage over immigration because lower paid jobs will be in high demand by more Americans looking to survive. The American dream is at risk in what has become a service-based economy. We can't serve fast food, sell from home-based computers, work at Wal-Mart and cut grass and expect not to see denigration of our economic middle class base! This service-based economy scenario certainly leaves retirees over age 55 with the prospect of competing for opportunities that will demand new skills that they will not possess.

Very soon we will learn how many thousands of this year's college graduates cannot find jobs and if they do, pay will not match expectations except in the highest skilled professional universes.

Little things mean a lot. Today I received my annual local newspaper bill. Last year the bill was \$360, this year it is \$408. Many subscribers are unable to see \$48 a year in extra value when more pressing needs are on the table. They are dropping the newspaper for TV and the internet, so I have to pay for the abandoned overhead. The point is, services are a lot easier to drop than houses, cars, food, education etc. A service economy is destined to be highly volatile and susceptible to alternative choices and instant sacrifice. If middle-class real income declines far enough, annual purchases of cars, houses and education will be threatened permanently.

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Many of both political persuasions in Congress, conservative and liberal writers of articles and books, talk show personalities and other would-be advisers to the American public lash out at Social Security and Medicare as expanding benefit burdens and they confuse retirees with the notion that these two programs accelerate benefit expansion. A simple evaluation of the facts reveals that there is very little truth in that rhetoric.

The Social Security Act of 1935 gave birth to Social Security and its income benefits and the Act was amended in 1965 to add Medicare benefits. However, the last amendment to the Act that actually increased the Social Security retirement benefit (other than inflation adjustments) was passed in 1961.

Since 1965, there have been two amendments to the Act that have increased the schedule of Medicare benefits. In 2003, Medicare D or prescription drug benefits were added; however, the amendment included subsidies to be paid to insurance companies for offering Medicare Advantage plans. These subsidies are paid from the Medicare trust and amount to \$150 billion over ten years from 2010 to 2020. The 2010 Affordable Health Care Act added preventative health care screening but also reduces other costs and significantly reduces the 2003 Medicare Modernization Act subsidies over time. The other features of the 2010 Act are purported to save money, according to the Congressional Budget Office (CBO), but some question the savings. The jury is out. The NRLN did not endorse the Act but did endorse provisions in it that help retirees.

The real elephant in the room is that Social Security and Medicare beneficiaries will double to over 80 million over the next 10-15 years, starting in 2010, and the truth is that current and past Administrations and Congresses have known it was coming for 30 years and have done nothing to effectively prepare for it. Politicizing the problem is counterproductive and scary!

Trying to tell 40 million (soon to be 80 million) retirees over age 65 who paid into Social Security and Medicare for 30 or more working years that these two programs caused the dilemma we are in is very tricky stuff for a politician seeking votes. How can you claim that under age 55 is the right age threshold to set for the phasing out of benefits for a productive employee who paid into both programs for 25 years prior to reaching age 55, and

not expect a negative reaction? Can Congress expect to fix the economy by slashing these programs without fixing the jobs, health care cost, retiree employment and service-based economy issues first? Unless they solve these real root-cause problems, they will be making a fatal mistake.

After examining the severity of our budget deficit issue, Social Security and Medicare and the impact of all government spending, one wonders where politicians will get the strength to restructure their thinking about how we manage middle class job and technology exportation and other trade factors, our tax policies, how and when we subsidize businesses and foreign countries, manage our borders and prioritize the use of tax revenue. These are multi-interdependent and can't be addressed as serial and independent issues.

Your NRLN board and association presidents have implemented a plan to lobby for retirees through an objective set of proposals. We can't possibly solve the systemic issues above nor can we change the political ideologies that are polarizing the process in place. We can and will focus on our agenda; we can ask you to write your elected officials, and we are and will continue to be persistent. For an update on our most recent efforts please read NRLN Executive Director, Marta Bascom's column in this issue of FOCUS.

The NRLN will publish a comprehensive review of the history of Social Security and Medicare and what the facts are. Look for it to appear in messages to Grassroots Network members on the NRLN website at <http://www.nrln.org>, and in your fall issue of FOCUS.

Washington, DC Fly-In Will Be September 19th and 20th



The National Retiree Legislative Network will hold its third Washington, DC Fly-In on September 19 and 20, 2011 for retirees to take NRLN legislative issues to Representatives and Senators and members of their staffs.

Among the issues to be communicated on Capitol Hill are:

- Preservation of Social Security and Medicare;
- Protection of employer-sponsored pensions and benefits;
- Protection of retirees in corporate bankruptcies;
- Protection of retirees in mergers and acquisitions;

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- Fair treatment of retirees when pension plans are taken over by the Pension Benefit Guaranty Corporation, and
- Rein in the ever-increasing cost of prescription drugs.

A number of leaders of retiree associations will again participate in the Fly-In," said Bill Kadereit, NRLN President. "NRLN Grassroots Network members are also encouraged to attend and meet with their elected representatives."

Register for the Fly-In on the NRLN website at <http://www.nrln.org/flyin.html>.

The NRLN has negotiated a per night room rate of \$219 plus tax with the Hyatt Hotel, 1325 Wilson Boulevard in Arlington, VA. This room rate is at least \$140 per night less than hotels near Capitol Hill. The Hyatt Arlington is a very short taxi ride from Reagan National Airport. The Metro tram that runs to Capitol Hill is directly adjacent to the Hyatt Arlington.

The Hyatt has created an NRLN webpage for room reservations at: https://resweb.passkey.com/Resweb.do?mode=welcome_ei_new&eventID=3416271. Or, room reservations may be made by calling toll free at: 888-421-1442. If you call, refer to "National Retiree" or "NRLN."

The schedule for the Fly-In includes:

- Monday, September 19 –
2:00 p.m. Orientation for Capitol Hill Visits
5:30 – 8:30 p.m. Hospitality and Dinner
- Tuesday, September 20 –
7:00 – 9:00 a.m. Continental Breakfast
Full Day of Meetings on Capitol Hill
- Wednesday, September 21 –
Additional Day of Meetings on Capitol Hill for Those Who Elect to Stay Over

Questions about the Fly-In may be emailed to nrlnmessage@msn.com or call toll free 866-360-7197

Regulatory Affairs Committee Taking Action to Protect Retirees' Interests

There is an idiom "the devil is in the details."

The NRLN Regulatory Affairs Committee (RAC), formed in November 2010, is looking for the details in the rulemaking process of federal government agencies that would have a negative impact on retirees. The RAC uses the public comment procedure in an effort to prevent retirees' retirement security from being hurt.

When Congress passes legislation and it is

signed into law by the President, it is the Executive Branch agencies that often have the responsibility to create more detailed regulations through rulemaking.

RAC members constantly read the Federal Register, a daily publication that is the official journal of the federal government and contains public notices from federal agencies. Committee members also monitor a number of websites, such as <http://www.healthcare.gov>; American Benefits Council at <http://www.appwp.org>; <http://www.thehill.com> which provides extensive coverage of Congress; and <http://www.eric.org>, the website for The ERISA Industry Committee (ERIC), a Washington, DC-based organization committed exclusively to the employee benefits interests of America's major employers.

Once a proposed rule is published in the Federal Register, a public comment period begins. The period usually ranges from 30 to 180 days depending on the complexity of the proposed rule. RAC members analyze the proposed rule. If committee members determine the NRLN should take a position on the rule, research is done and a response to the federal agency is drafted. NRLN President Bill Kadereit does a final review of the response before it is filed.

"RAC members come from diverse backgrounds and bring different, positive perspectives to our research and writing," said **Stan Hurst**, RAC Chairman and member of the NRLN's Executive Committee. During his career with Chrysler, Hurst served as a corporate attorney and later as director of the sales division. He lives in Michigan.

Other RAC members include:

Ray Sternot is an NRLN board member and Vice President—Legislative and Regulatory Affairs for the AT&T Ameritech/SBC Retirees. Sternot, who lives in Ohio, was Associate Director – Product Integration when he retired from Ameritech/SBC (now part of AT&T).

Ray Sturdy is a board member of the Detroit Edison Association of Retirees. Sturdy, who lives in Michigan, is a retired Detroit Edison



Stan Hurst,
RAC Chairman



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regulatory affairs executive.

Herb Zydney is a former board member of the Lucent Retirees Organization. Zidney, who splits his time between living in New York City and Florida, is a retired Bell Labs director.

NRLN Washington, DC team members **Marta Bascom**, NRLN Executive Director, and **Michael Calabrese**, NRLN Legislative Adviser, serve as advisers to the RAC. Both are attorneys.

During the RAC's relatively short existence it has made three filings with federal agencies and Bascom has testified on behalf of the RAC at a rulemaking hearing. The filings and hearing testimony include:

Definition of Fiduciary - Feb. 1, 2011:

Provided comments on the Department of Labor's (DOL) proposed rule to update the definition of the term "fiduciary." The RAC recommended that DOL should revise and add to the proposed regulation a requirement that fiduciaries must be subject to the jurisdiction of U.S. courts. This would provide pension plan beneficiaries a potential legal remedy with respect to the enforcement of judgments for potential breaches of fiduciary duty.

Unreasonable Health Insurance Increases - Feb. 23, 2011:

The RAC filed comments urging the Department of Health and Human Services (HHS) to extend its annual review of unreasonable increases in health insurance premiums under the health care reform law to retirees in company-sponsored large group plans. RAC emphasized that HHS should address those situations where all or a substantial share of premium rate increases are being passed along to individual retirees. HHS did acknowledge the RAC's comments on page 13 of its final report on the rule: "Comment: *One commenter recommended that retiree-only plans be included within the scope of the final rule when current or former employees pay for substantial portions of the premium increases.* Response: *While it is possible that some State filing laws may apply to such coverage, we have not required that health insurance coverage provided to retiree-only plans be subject to this rule. We note that many retiree-only plans are self-funded and*

thus would not constitute health insurance coverage subject to section 2794 of the PHS Act."

The RAC is preparing a rebuttal challenging the HHS assertion that because retiree plans are self-funded such plans do not constitute health insurance coverage, which the RAC asserts is an unreasonable assumption.

Electronic Disclosures - June 10, 2011:

The RAC informed the Employee Benefits Security Administration (EBSA) that the NRLN's position is that the current regulations for information on retiree benefits should not be changed. Making benefit plan information only available via the Internet would have a disproportionately adverse impact on retirees. Access and use of the Internet declines dramatically over age 65, making retirees perhaps the worst group to force to rely on online-only communication of benefit information. Only 58% of the people between the ages of 65 and 73 go online. A mere 30% of individuals over the age of 74 go online for any purpose. Beneficiaries who are unable to receive electronic communications regarding changes in their plans or time-sensitive mandatory selections would be at risk of having their benefits substantially diminished or entirely lost without their knowledge. The RAC recommended that all beneficiaries be annually notified by mail that they are required to specifically select the electronic notification option, or "opt-in," and that time-sensitive notifications also be sent by standard U.S. mail for those who have opted to receive electronic communications.

Testimony to EBSA/DOL Panel - March 2, 2011:

Bascom testified before a panel of EBSA/DOL officials that there is a need to better protect Americans' pension plans by requiring that pension plan fiduciaries for foreign-owned companies and subsidiaries in the USA be subject to the jurisdiction of U.S. courts. She noted that it is important to limit the ability of fiduciaries of U.S. corporate pension plans to avert responsibility by moving corporate assets offshore.

The RAC's filings and the testimony presented by Bascom are available in the Regulatory Affairs link on the NRLN website's home page at <http://www.nrln.org>.



Bill Gabbard Elected to NRLN Board



Bill Gabbard, President of JDRO – A Family of John Deere Retirees, has been elected to a two-year term on the NRLN Board of Directors effective June 1, 2011.

Gabbard, who lives in Silvis, IL, retired from John Deere on December 31, 2001 with 43 years of service. At the time of his retirement he was the Manager of Industrial Relations for the John Deere Parts Distribution Center in Milan, IL.

NRLN President Bill Kadereit said Gabbard has been a diligent supporter of the NRLN and is interested in helping the NRLN grow and be successful with legislative and regulatory efforts.

"I am looking forward to collaborating with NRLN Board Members who are devoted to the interests of their association's members and share the perspective that legislation must be enacted to protect retirement security," Gabbard said. "I am enthusiastic about serving on the NRLN Board because it is an opportunity to be involved in efforts to see that America's retirees are treated equitably through legislation and regulatory rules."

A View From Washington

By Marta Bascom, NRLN Executive Director

Keeping Retirees' Financial Concerns Before Congress

So far, 2011 has been one of the busiest Congressional sessions for the NRLN as the country's economic downturn is reaching historic proportions and Congress is pondering dramatic cuts in the federal budget which would have a tremendous impact on the nation's seniors. The NRLN has been furiously working every facet of government between both Congress and the regulatory agencies to ensure that seniors face no further harm and, indeed, get relief from the hardships they face in the health care and pension arenas. The alarm we have been ringing here in Washington, D.C. is that yes, the budget crisis must be addressed, but not at the expense of America's retirees. This would be patently unjust; and while it may seem expedient for the purpose of reigning in soaring deficits, it is more like "penny wise, pound foolish."

The NRLN has been meeting with both Republican and Democratic members of the House Committee on Ways and Means and the Committee on Education and Labor which have jurisdiction over pension and health care issues to make sure they are thinking in terms of how their decisions affect



retirees. The same is the case with the Senate Committee on Health, Education, Labor and Pensions, as well as the Senate Finance Committee. The NRLN is urging them to pass legislation to protect pension assets, and to look at accounting assumptions by the Pension Benefits Guaranty Corporation (PBGC) which ultimately result in much lower pension payouts should the pension plan be taken over by the PBGC.

The NRLN has also been involved in consumer pension advocacy at the Employment Benefits Security Administration (EBSA) at the Department of Labor. EBSA, the regulatory agency charged with establishing rules governing private pension plans, has been asking for input on technical issues such as the definition of the fiduciary for pension plan administrators and the effect of using electronic methods for disseminating information to pension plan participants. In both cases, we have lobbied on behalf of retirees to protect their interests. In the area of plan fiduciaries, the NRLN has urged EBSA (and Congress) to consider requiring fiduciaries to be U.S. citizens within the reach of U.S. courts in order to ensure that there are legal remedies available in case of a breach of fiduciary duty. In the case of electronic media usage, the NRLN is advocating against the sole use of electronic media to communicate with plan participants, as it would isolate many retirees who do not have access to, or feel comfortable with, the internet for these purposes.

Lowering the high cost of health care for seniors is also a major thrust of the NRLN's legislative agenda. The NRLN has been lobbying Congress to move on lowering the cost of prescription drugs in two specific ways: first, by enacting legislation to allow the safe importation of prescription drugs from FDA-approved sources into the U.S., just the way many states currently allow, and second, by adequately funding the FDA Office of Generic Drugs to allow the agency to get through the backlog of generic drug applications and get them to market faster. Both are safe, free-market solutions that would bring real change to consumers' ability to afford prescription drugs. Seniors know that these are necessary expenditures, not luxuries, and through the NRLN's lobbying efforts, they are making their demands clear to Congress.

We are also meeting with members of the House and Senate Judiciary Committees to advocate for the inclusion of retirees as secured creditors when their former employer files for bankruptcy. It is only fair that retirees who are not represented by labor unions have a seat at the table and be able to fight for their earned benefits, as do union-represented employees and retirees.

These are only the more recent issues the NRLN has been tackling on behalf of its members and all retirees, and only half the story the story of what the NRLN has been doing for the last six months as it only addresses the work in Washington, D.C. Indeed, the life-blood of this pro-retiree movement lies

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(Continued from page 5) **A View From Washington** with its grassroots members who have been meeting with their members of Congress and their staff in their district and state offices, and who have been coming out to our nation's capitol to join us in our efforts here. Our grassroots organization has also been hard at work sending messages via Capwiz and

writing their own personal messages to members of Congress. This work is vital and the NRLN needs your continued efforts and commitment. Keep in mind that the voice of the voter matters, and we need every single retiree to weigh in with their elected officials. NRLN members do very important work and the need to protect America's retirees has never been greater.

NRLN MEMBERSHIP CONTRIBUTION **FOCUS**

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

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