

National Retiree Legislative Network
Washington D.C. Fly – In Legislative Agenda Priorities
September 15–17, 2009

PENSION ASSET PROTECTION, BANKRUPTCY and PBGC RULES REFORM

Protection of Defined Pension Plan Assets: – The NRLN’s proposed refinements to the **Pension Protection Act of 2006** are vital to the continued protection of plan assets and PBGC viability, and to the generation of surplus assets that can be used to offset corporate healthcare costs or be available for Cost of Living Adjustments (COLA’s). Pension plan assets must:

- Not be used to pay for corporate restructuring lump sum severance allowances or buyouts.
- Not be used to pay for executive management non-qualified pensions or other deferred compensation.
- Not be at risk to be sold by plan sponsors or the PBGC to third party financial or other institutions.

Pension Funding Rules - Increase the maximum asset funding contribution level from 100% to 120% so companies can over-fund plans when cash flow permits.

Bankruptcy Reform –

- Require that companies must provide retirees with an updated list of all retirees and that it must be updated throughout Chapter 11 proceedings.
- Mandate Section 1114 Committees within 60 days of Chapter 11 filing date.
- Permanently increase the Health Coverage Tax Credit (HCTC) payment from 65% to 80% (post stimulus).
- Disallow company Reservation Of Rights (ROR) clauses as reason for denying retiree’s rights to a Section 1114 Committee.
- Require pension plan sponsors to fund underfunded plans after passage of 365 days from date of filing for Chapter 11 protection.

PBGC Rules Reform –

- Proposed Bill - The Pension Benefit Guarantee Corporation shall use the Defined Benefit Plan income and pension benefit limitations defined in IRS codes 401(a) and 415(b) in effect on the date of the plan termination when calculating the pension benefits payable under Priority Category Three (PC3). In addition, the retiree’s actual age and length of service at retirement will be used when calculating benefits protected under Priority Category PC3. These changes shall be retroactive and apply to all defined benefit plans terminated after Sept 11, 2001.
- PBGC termination valuation – PBGC rules used to determine the termination values of plans and all other PBGC rules and guidelines should be fully disclosed and made a part of the Pension Protection Act (PPA) of 2006.

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HEALTHCARE INCLUDING PRESCRIPTION DRUGS

- **The House TriCommittee bill H.R. 3200 incorporates MCP concepts:**
H.R. 3200, Section 165 – Prohibition Against Post-Retirement Reductions of Retiree Health Benefits - **bars the reduction of retiree benefits post-retirement** and prohibits reservation of rights clauses as a plan sponsor defense, “unless such reduction is also made with respect to active participants”. The NRLN opposes the quoted exception and also requests a revision such that Section 165 protection becomes effective 12-31-2008.

H.R. 3200, Section 164 – Reinsurance Program for Retirees - creates a temporary reinsurance program for retirees age 55 or older but not Medicare eligible. **Companies would be reimbursed for the cost of benefits paid to retirees or eligible dependents** and for plan deductibles, co-payments and co-insurance. Plans would be reimbursed for 80% of the claim cost that exceeds \$15,000 but is less than \$90,000. The NRLN supports this incentive only if Section 164 is amended to include Medicare eligible retirees.

- Pass legislation that enables **importation** of prescription drugs, **competitive bidding** of Medicare-D prescription drugs; funding the FDA to **reduce generic drug backlogs**; stopping brand drug makers from **paying generic drug manufacturers** to withhold generic drugs off the market.

Use savings from the four initiatives above to pay for the **elimination of the "doughnut hole"** in the Medicare Part D prescription drug plan and to pay for a Medicare catastrophic benefit and a large amount if national healthcare.

- When an employer eliminates its healthcare plan, retirees usually lose "catastrophic coverage" which limits out-of-pocket medical expenses to a fixed amount, such as \$1,500. Given this loss, the NRLN believes that **catastrophic coverage** should be added to Medicare.
- It is difficult for many men and women age 50 to 64 who have been laid off or retired early—either forced or voluntary—to purchase affordable healthcare insurance because of their age. They should be allowed to **buy into Medicare at a cost** that does not burden the system.

Healthcare Taxation:

- Don't tax employer benefits or premiums and leave the AGI threshold 7.5%.

Go to www.nrln.org and click on the link to read the NRLN's complete Legislative Agenda. To read the NRLN testimony by Bill Kadereit on healthcare for retirees before the House Education & Labor Committee in September 2008, go to <http://www.nrln.org/NRLN%202008%20Action%20%20Accomplishments%20Handouts.pdf>