



AT&T Ameritech /SBC Retirees – We are AASBCR®

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Legislative Ledger

March 17, 2010

The NRLN Annual Board & Leadership Conference

The NRLN held its Annual Board & Organizational Leadership Conference in Washington, DC, January 11-14, 2010. AASBCR® was represented by Ray Sternot, Vice President of Legislation. Conferees met with Senate and House Committee staffs as well as members of the Pension Benefit Guarantee Corporation (PBGC) to discuss topics of interest to retirees, ranging from the Healthcare Bill to the PBGC's method of evaluating retiree pension funds that are taken over and dispersed by the PGGC when a company goes bankrupt. Conferees were able to meet with Senators and Representatives and expand on the NRLN messages on healthcare, pension protection, and other issues important to the [NRLN Legislative Agenda](#).

Healthcare being the major topic, the consensus of most participants was that a Healthcare Bill would be passed. Indications on Capital Hill were that the final bill might look very much like the Senate version. However, there is great uncertainty about what a final bill might look like or if a Healthcare bill will even pass. If a bill does pass, it is hoped that the proposed Cadillac tax on Healthcare benefits would be eliminated or the dollar values raised sufficiently (higher ceilings) so as not to impact plans of most employer sponsored retiree plan benefits. In addition, it is hoped that the final bill would not have a tax on employer sponsored prescription drug subsidies that employees currently get.

NRLN Members also heard a presentation from representatives of the PBGC about how pension plans were valued. Concerns centered on the evaluation of the plan (assets and funding) if it was terminated involuntarily by a company and control or disbursement of the pension assets pushed to the PBGC. While currently AT&T doesn't seem to have an issue with funding pension plans, and to our knowledge, is not planning a bankruptcy filing, some NRLN member organizations' former employers, such as Delta, Chrysler and GM have seen such issues with their company plans.



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PBGC representatives explained that as far as putting a value on assets, the information that companies are required to provide by law to the government on the FORM 5500 about the pension plan health and funding levels, use funding assumptions that are different than what the PBGC would use to establish retiree pensions, should a plan actually fail and be taken over. The reason is that Companies report a plan's health assuming it will be around using different assumptions and expected rates of return over a longer period of time, while the PBGC uses the valuation of assets at the moment the plan is terminated. They are also obligated to use somewhat different assumptions about asset growth and risk levels (lower). Showing both valuation methods in order to point out the differences to plan participants would not be permitted unless Congress changed the reporting rules under ERISA .

Plan valuation becomes extremely important because it affects what retirees would get in the form of a PBGC pension if a plan was voluntarily terminated or a company went bankrupt. There have already been funding issues that the PBGC has had with Delphi, USAir, Delta Airlines and potentially with Chrysler and GM should those companies not survive. The point is that if companies don't fund pensions then the Government, under the control of the already under funded PBGC, will have to fund pensions for retirees. The result would be that retirees would receive less than they anticipated and were promised. This would also impact Congress' willingness to support government projects such as Medicare and other plans that benefit retirees.

One of the underlying messages at the conference was that given the economy, the globalization of companies, the increased takeover of US companies by foreign firms and the lack of adequate protective legislation on the books, or a Congress not thinking ahead about coping with these changes in the marketplace, it is becoming clearer that retirees will have to continue to take a more active role in protecting themselves and influencing legislative outcomes that do not hurt retirees and will actually work to preserve retiree pension and healthcare benefits on a proactive basis.