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Protecting the Health and Security of Retirees: GMRA's Priorities for Retiree Benefits in the New General Motors

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As those familiar with the General Motors bankruptcy proceedings already know, General Motors and the U.S. Treasury Department have proposed that certain healthcare, life insurance, and other benefits for non-UAW retirees will be reduced by two-thirds after the creation of a "new" GM. These drastic reductions, if adopted as currently proposed, would have harmful consequences for many retirees and their families.

Because the General Motors Retirees Association (GMRA) recognizes that all groups must sacrifice in the process of restructuring General Motors, GMRA has been forced to make difficult decisions about those areas in which improvements should and must be made in the benefits proposed by GM for non-UAW retirees. The non-UAW retiree benefit cuts described by GM at www.gm.com/restructuring and endorsed by the U.S. Treasury Department would be devastating for tens of thousands of retirees, and these benefit cuts cannot be permitted to stand in their present form. However, retirees must be and are realistic about what resources are available to the new GM after bankruptcy.

In light of these difficult realities, and remembering that benefits already have been cut 28 times for GM salaried retirees since 1993, GMRA is seeking the following changes to the Treasury-endorsed reductions in non-UAW retiree benefits:

- GM has proposed that life insurance benefits for retirees be reduced immediately following bankruptcy to \$10,000, an amount that will barely cover funeral expenses and is potentially devastating to the plans families already have made to meet their financial obligations. GMRA believes the life insurance benefit for the non-UAW retirees should be reduced to no less than \$25,000 and guaranteed at this amount by the new GM through 2019. This reduction would still capture very significant savings for the reorganized corporation. A \$25,000 life insurance benefit still represents a severe sacrifice by GM retirees.
- For qualifying retirees, GM thus far has published no estimates for premiums, co-payments, and deductibles for its proposed retiree healthcare benefits following bankruptcy. GMRA believes that premiums, co-payments, and deductibles for non-UAW retirees should increase no more than 6.5% from the last plan year of the "old" GM to the first plan year for the

“new” GM following bankruptcy, with increases of no more than 5% per year in premiums, co-payments, and deductibles for retirees through 2013. The new GM owes it to all retirees to allow them to plan for the future where their healthcare benefits are concerned, especially at a time when benefits are being dramatically reduced. The new GM could comply with the GMRA proposal without in any way giving up its rights to modify benefit plans.

- In federal bankruptcy proceedings, GM’s attorneys maintained that GM had been consulting with salaried and other retirees prior to making changes in retiree benefits.¹ GMRA and its representatives have no knowledge of such substantive consultations in the past. Beginning immediately, GMRA asks the new GM to pledge that every GM retiree organization with at least 1,000 dues-paying members will be fully involved in consultations over retiree pension and benefits changes, with such consultations always to take place prior to benefit changes of any sort. (GMRA, of course, is much larger than this minimum membership threshold, but such consultation should include all large GM retiree organizations.) Further, GMRA asks that such consultations always take place at least 30 days prior to the announcement of retiree pension and/or benefit changes or to the effective date of such changes, whichever comes first.

The GMRA leadership team recognizes that some retirees will disagree with these recommendations, though the recommendations listed here respond directly to the feedback received from GMRA members. Losing dental care, vision care, and custodial care is deeply upsetting to GM retirees, and rightly so. Like all GM retirees, the members of the GMRA leadership team are deeply upset by the loss of the benefits the retirees earned through our labor and loyalty to GM. GMRA will continue to study the possibilities for VEBA and other benefit protection arrangements.

Finally, pension protection always will top the list of GMRA priorities. However, given the unique circumstances of the GM bankruptcy, GMRA currently is focusing on retiree benefits, rather than pensions. GMRA is continuing to study the situation of GM retirees with non-qualifying pensions to see what might be done to address their concerns.

¹ As reported on p. 82 of the transcript of the Hearing before the U.S. Bankruptcy Court, Southern District of New York, in the matter of General Motors Corporation, et al., Debtors, attorney Harvey Miller, speaking for the debtors, asserted that “there is actually, a, as I understand it, Your Honor, a salaried retirees’ committee of some type that does periodically discuss these issues [i.e., benefits] with GM.”