Retiree Health File
GM Case

RETIREE HEALTH AND THE GENERAL MOTORS CASE

BACKGROUND

Fewer and fewer workers receive from their employer the security of health care coverage in retirement. The percent of retirees covered by health insurance provided by a former employer dropped from 37 percent in 1988 to 27 percent (4.7 million retirees) in 1994.[1]

And of those who have received and relied on their employer's promise of health coverage, thousands of retirees have found that coverage was taken away after their employer decides to terminate the health plan.

To ensure that promises for health care security are kept, the Department of Labor has fought for retirees in important retiree health cases through its *amicus* brief program, including in General Motors v. Sprague. The Sixth Circuit recently agreed with the Department's position (and that of AARP in its *amicus* brief) that GM must honor its promise to 84,000 retirees for health care coverage in retirement. We have argued against legal technicalities used by employers to avoid honoring their commitment to retired workers.

OUR POSITION

American workers deserve a secure retirement. If an employer has promised health coverage to its retirees, that commitment must be honored. After a lifetime of labor, American workers should be able to rely on promises from their employers for health security in retirement.

NEXT STEPS

Two options are on the table. First, the Administration can assure AARP members that the Department of Labor will continue its efforts to protect retirees' promises of health security through the Department's *amicus* brief program.

Second, as you know, we have had discussions on the Secretary of Labor's idea for a Presidential directive to build upon the Department's efforts by using all available Labor Department resources to ensure that employers who have promised to provide health coverage for retirees keep their promises and that the Department will identify additional actions the Administration can take to make sure these promises are honored. A draft of the directive is attached.

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[1] According to the August 1988 and September 1994 Health Benefits Supplements to the Current Population Surveys.

THE WHITE HOUSE
Washington, September 10, 1996.

DRAFT

Memorandum of September 11, 1996

Protecting Health Benefits of Retirees

Memorandum for the Secretary of Labor

A substantial number of firms, having promised to provide health benefits for their retirees, later reneged on these promises. Many of these retirees, especially those who are not yet eligible for Medicare, would not have left their jobs without the guarantee of employer-provided health coverage.

I would like to first congratulate you on the success of the Department of Labor's *amicus* brief program in protecting the health benefits of retirees. Thanks in part to friend-of-the-court briefs filed by the Labor Department, courts in three recent cases issued decisions preserving retiree health coverage that employers were attempting to terminate or reduce. One of the rulings protected the health benefits of 84,000 GM retirees; another prevented the Pabst Brewing Company from terminating the benefits of 700 former employees.

I direct you to build upon this effort by using all available Labor Department resources to ensure that employers who have promised to provide health coverage for retirees keep their promises. I further direct you to identify additional actions the Administration can take to make sure these promises are honored.

Protecting retiree health benefits is one part of this Administration's overall effort to ensure that workers, after a lifetime of labor, can enjoy a secure retirement. Honoring pledges of health coverage is the essence of corporate citizenship--taking into account people as well as profits.

You are authorized and directed to publish this memorandum in the *Federal Register*.

Retiree Health File

HEALTH CARE FOR RETIRED WORKERS
Pabst Brewery, Milwaukee

ISSUE

On August 29, a federal court granted a temporary restraining order preventing Pabst Brewing Company from eliminating the health care benefits to more than 700 retired workers (who had been covered under the Collective Bargaining Agreement with Brewery Workers Local 9) on September 1. Pabst argued that it had the right to cut off retiree benefits while retirees asserted that Pabst had committed itself to pay retiree benefits for life. The Department of Labor filed an amicus brief that argued that retirees' health benefits should not be eliminated until additional information about the contract is evaluated. A hearing on the Motion for a Preliminary Injunction is scheduled on September 16.

The Milwaukee Journal-Sentinel (8/30/96) reports that Representative Kleczka will encourage the President to make Pabst's now-stalled plan part of the President's Labor Day agenda. The Department of Labor believes that the President's Milwaukee trip would be an excellent opportunity to highlight the Administration's involvement in retiree health protection issues.

MEDIA COVERAGE

Pabst's actions have been widely reported by the local media. Secretary Reich is quoted in the Milwaukee Journal-Sentinel (8/30/96) as saying "from a legal point of view we think Pabst is wrong." He continued, "If Pabst promised lifetime medical benefits to its retirees, it will honor that commitment."

CONGRESSIONAL INVOLVEMENT

Representatives Jerry Kleczka and Tom Barrett have been very involved in this issue on behalf of Pabst retirees and asked the Secretary of Labor to investigate the case and take action if appropriate. Both Congressmen recognized the Department of Labor's efforts in recent press releases (8/29/96).

ADMINISTRATION HISTORY

The Secretary of Labor filed an amicus brief in a similar case to enforce the health benefit promise that General Motors made to its employees. On August 14, 1996, the court ruled in favor of the 84,000 non-union retirees.

SUGGESTED ADMINISTRATION POSITION

The Administation has consistently defended the rights of workers who have been contractually promised long-term or permanent retiree health benefits. However, the extent to which this specific case explicitly meets this criteria is unclear. We would therefore suggest the following talking point:

"If workers are promised retiree health benefits, those commitments should be upheld."

August 31, 1996