UAW-run trust fund to cut retiree health benefits

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The medical benefits of approximately 820,000 retired auto workers and their spouses in the US are in danger of being sharply reduced or eliminated outright, as the retiree health care trust fund, run by the United Auto Workers union, is short of money.

According to the *Wall Street Journal*, the fund—known as the Voluntary Employees' Beneficiary Association or VEBA—will impose new cuts in medical benefits and impose higher out-of-pocket costs on retired General Motors, Chrysler and Ford workers and their spouses in the coming year.

Facing a shortfall of at least $20 billion, the UAW-VEBA web site announced plans to increase deductibles on retirees in 2012. During its first year of operation in 2010 the fund eliminated coverage of some prescriptions and boosted co-payments.

"I've already gotten letters saying they are raising premiums for dental and eye coverage," said Lyle Roussey, a worker who retired from GM's Saginaw Metal Casting plant in Michigan two years ago. "I never had faith when the UAW took over medical benefits. We don't know what they are doing with all the money.

"From the beginning, the VEBA was underfunded by billions of dollars. Now all we are going to see is more letters, saying 'we've got to cut this, we've got to make you pay for more this.'"

The VEBA was set up in 2007 as part of the "transformational" labor contracts signed by the UAW. The deals not only cut the wages of new auto workers in half but relieved the companies of all future obligation to provide medical care to the workers who made profits for them for decades.

In an effort to sell the deal, then-UAW President Ronald Gettelfinger told workers the VEBA would be much more secure than the employer-paid plan because the auto companies might declare bankruptcy and unilaterally cancel retiree benefits. The new trust fund, Gettelfinger claimed, would remain solvent for the next 80 years.

This was a cynical lie. From the beginning the trust was underfunded by at least $36 billion. Moreover, the UAW's claims were based on unrealistic estimates that health care costs, which have been rising at an annual rate of nearly 10 percent for the last 24 years, would rise by only 5 percent a year after 2013.

To push the VEBA through the UAW went so far as joining General Motors in a legal action against retirees who had filed a class action suit to stop the first-ever reductions in health care benefits. The *Free Press* noted at the time that legal experts said the UAW took such "an unusual step to keep disgruntled retirees from challenging the union's right to negotiate such concessions and tying the deal up in years of litigation."

For the UAW executives the VEBA meant control over one of the largest private investment funds in the world. During the forced bankruptcy and restructuring of GM and Chrysler in 2009, the UAW accepted the Obama administration's demands that a large portion of the payments be made in corporate shares instead of cash. In return for selling out its members, the UAW was given a substantial ownership stake in the companies themselves.

Like so many other calculations, the grandiose hopes of the aspiring investment managers at the UAW did not pan out. The fund, current UAW President Bob King told the *Wall Street Journal*, has "fallen short" of the 9 percent annual return that was assumed at the its creation to be enough to provide current benefits to retirees for 80 years. At the same time, health care costs have continued to rise far faster than the UAW claimed they would.

And no matter how hard the UAW has tried to boost the value of its shares—through imposing one concession after another on its members and collaborating in the destruction of tens of thousands of jobs—corporate share values have continued to plummet, with GM shares dropping 28 percent since the Initial Public Offering last year.

The Obama administration and the multi-millionaire corporate executives have simply wiped their hands clean, leaving it up to the UAW to slash the medical benefits of retirees.

"At that time, everybody understood the VEBA would probably not cover all of retirees' health care benefits and that the UAW or trustees of the VEBA would have to made decisions about cutbacks," Steven Rattner, the investment banker the Obama administration put in charge of the auto industry restructuring, told the *Wall Street Journal*. "It was going to be their problem, not the companies' problem."

The right to company-paid health care benefits was never a gift handed to auto workers. It was won in 1964 after nearly two decades of bitter struggles to secure pension and medical coverage for retirees and their spouses. Prior to that, workers—burnt out from decades on the assembly line—generally lived only a few short years after leaving work.

The access to doctors, medicines and hospitals for millions of retired workers in auto, steel and other industries—along with federal programs such as Medicare, also won through the social struggles of the 1960s—had a significant impact on life expectancy, which in the general US population rose from 68 years in 1950 to 76.7 years in 1998.

By 2005, however, auto bosses like Delphi CEO Steve Miller were complaining that "people are living longer these days" and declaring that employer-paid benefits only made sense in an era when "you worked for one employer till age 65 and then died at age 70…"

Wedded entirely to the profit interests of the corporations, the UAW agreed to the VEBA scheme, which it understood full well would result in benefit cutbacks that will lead to the early deaths of tens of thousands of former workers and their spouses.

In order to defend its own financial interests, the UAW in the latest round of contracts asked the corporations to take 10 percent of the profit sharing checks from current auto workers to boost the VEBA fund. The proposal must first clear legal hurdles set up during the White House restructuring that prohibit the companies from making any additional direct contributions to retiree health care costs.

"We're living too long—that's the dilemma," Lyle, the GM retiree said. "The companies don't want to give up anything from their profits." The White House Auto Task Force eliminated dental and eye care coverage in 2009, and "we were forced to pay out-of-pocket," he said. "It's now gone up to $55 a month." As for the UAW officials, he said, they only want control of the retirement fund, "so they can keep on spending like drunken sailors."

Lyle worked at four plants during his quarter of a century at GM—Saginaw Metal Casting plant and three different plants that closed—Fleetwood Body in Detroit, Willow Run Assembly in Ypsilanti and Buick City in Flint. Two years ago, he said, "I retired with three other workers. One's dead already."

The life expectancy of an auto worker, he said, is probably closer to 72 years old, because of the wear and tear of manufacturing work and the exposure to fumes and cancer-causing chemicals. At the same time, far from retiring at age 65 many workers were staying on until their 70s because they are helping their children and grandchildren.

"What do you do when your kids say they need money because they can't pay the rent? I'm lucky because I'm making $800 a week in retirement benefits and Social Security, but my kids are in bad shape financially and that's why I have to keep spending and have no savings."

"The younger workers," he continued, "are not going to make what we made. Even with a college education, they are graduating with big debts and can't find a job to pay it off."

President Obama, he said, "gives a lot of rhetoric, but he hasn't taxed the rich or done anything for the working class. I'm proud of the young people who are standing up in the Occupy Wall Street movement. But they have no leadership. I look forward to the day when all workers will rise up."