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## VEBA funding modified

### Trust to receive cash, stock contributions from automakers

As part of agreements to meet U.S. Treasury Department conditions for continued financial aid to GM and Chrysler, UAW members have ratified agreements to modify the structure of the Voluntary Employee Beneficiary Association (VEBA), the independent trust established to pay health care benefits for retirees from each company.

Earlier this year, workers at Ford Motor Co. ratified a change in VEBA structure, in response to billions of dollars in losses at that company.

At all three companies, contributions to the VEBA are now partly in cash and partly in stock, which means that available funds to pay retiree health care benefits will be impacted by the financial performance of each firm. Benefit levels will also be affected by the rate of health care inflation, and the progress achieved in reforming the overall U.S. health care system, which remains out of step with the universal, cost-effective systems that are in place in other industrialized countries.

An 11-member board of directors, consisting of six independent directors approved by the courts, and five UAW designees, will administer the VEBA, although accounts for retirees from each company are separate and cannot be intermingled. The VEBA trust, not the UAW, will hold stock received from each company, and has the right to nominate – with UAW approval – a member of the board of directors at GM and at Chrysler.

Consistent with sound fiduciary principles, the VEBA trust will not seek to be a long-term holder of stock in individual auto companies. Instead, the trust is expected to sell shares of individual companies and diversify its assets in order to provide the greatest possible level of protection for UAW retirees.

VEBA directors now have the authority to modify the benefits available to UAW retirees to match available funding sources as of Jan. 1, 2010, when the trust takes over responsibility for paying benefits.

Changes in the VEBA structure are subject to court approval.

All affected UAW retirees and surviving spouses will receive, by mail, detailed notices of the proposed modifications.

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