

## **KASRA - Past, Present, and Future**

*Serving Kaiser Aluminum Salaried Retirees for 25 years*

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2013 marks KASRA's 25<sup>th</sup> anniversary, a good occasion for retrospection. Many retirees are not aware of the original purpose of the organization, nor the details surrounding its formation and growth. This piece, derived mainly from minutes of Board of Directors meetings, provides an overview of KASRA's past and present -- and a glimpse into its future.

### *Beginnings*

By early 1988, KACC's policy changes appeared to threaten employees' retirement benefit packages, particularly life insurance and medical coverage. About 300 concerned retirees chipped in \$5000 and hired an attorney to explore employees' rights. (This original group grew out of the KACC Retirees Luncheon Association in the San Francisco Bay Area.) The attorney stated that "the employees had rights under the law, a contract of sorts, and a cause which was noble and just; but it did not mean much unless they were strong enough to defend those rights. Get organized!"

In response, retirees formed an organizing committee to charter KASRA, the Kaiser Aluminum Salaried Retirees Association. Committee members were Dick Blake, Tom Bowdle, Art Branstad, John Cashel, Lou Harmon, Dick Harrison, Beverly Heath, Mac McAdams, Ed McKeown, Betty Perez, Bob Sandberg, Al Sangwine, Ward Saunders, Ralph Schwarz, Milt Siemers, and Newc Warburton. KASRA's objectives were to: retain an attorney, present its members' needs to legislative agencies, organize public relations, keep its members informed of changes that might jeopardize retirement benefits, provide a focus for legal action, and raise funds for possible legal expenses.

KACC's salaried retirees were broadly recruited to join KASRA, and a majority did. The new organization was headquartered in Lafayette, CA, where it remains. An initiation fee of \$30 was imposed, with \$15 annual dues. Publication began on "KACC Retiree News," which later expanded into the current "KASRA NEWS."

KASRA began monthly meetings in mid-1988, with Dick Harrison chairman, Ralph Schwartz treasurer, and Ed McKeown secretary. The law firm of Hardin, Cook, et al. was retained, and lawyer Stephen McKae sent a letter to Kaiser Aluminum's directors reflecting retirees' concerns.

By the end of 1988, KASRA was guided by a Board of Directors, and had prepared Articles of Association and Bylaws. Membership had grown to 2640, and \$68,000 was in the bank. KASRA was on its way!

#### *Early Years, 1988-1996--Strategy Development*

The first third of KASRA's life was marked by intense activity. Over 40 volunteer directors were involved at one time or another, holding Board meetings monthly. John Cashel was hired to prepare the Newsletter, considered highly important to the viability of the young organization. Luncheon groups were initiated across the country to enroll new blood, and a membership of 2903 was soon attained.

KASRA focused on preservation of KACC-sponsored medical coverage. KASRA directors and Company management held numerous meetings, some useful, some not; KASRA considered and planned for legal action, but did not sue the Company.

KASRA undertook several activities: surveyed the gamut of medical insurance possibilities to determine the best course should the Company cancel coverage; contacted numerous politicians and pressed for legislation favoring retirees' benefits; corresponded with other retirees' groups, such as AARP, for support; and tracked the progress of court cases fought between large corporations and their retirees over benefits.

Then, as now, KASRA advocated for individual members, helping numerous retirees resolve insurance and billing problems.

In 1996, Evo Alexandre set up a computer database to hold and sort retiree data. It was successfully used for many years, and provided the foundation for the current KASRA membership database.

By the end of 1996, KASRA's cash balance had reached \$228,000. A substantial fund was thought necessary to handle possible legal action, and donations were accepted along with dues.

### *Middle Years, 1997-2005--Bankruptcy and VEBA*

This second third of KASRA's life was marked by significant growth in the organization's membership and funding; by 1998, KASRA directors had increased in number to 26, twice the present number, and membership peaked at 3529 in 2003.

Concern grew about retirees' rights. For while KASRA was getting stronger, the remaining Kaiser Company was getting weaker, selling some plants and closing others; a serious strike by the Steelworkers complicated matters, as did Northwest power-rate increases and an explosion at the Gramercy plant. As KACC lost segments of its business, KASRA was afraid that "the Company would disappear like a Cheshire Cat, leaving only its smile." In response to KASRA's concerns, the Company said they were trying to find plant purchasers who would assume responsibility for retiree benefits.

Incoming KASRA president Howard Nelson advised the Board that KASRA should prepare for a long struggle, with a war chest (KASRA had expended \$58,000 in legal fees by 1999), battle plans, and improved communications: he assigned local Bay Area directors to work with specific field group leaders, a process still in place.

In early 2002, KACC initiated Chapter 11 bankruptcy proceedings. Through legal counsel, KASRA petitioned for representation at the proceedings by means of an official Retirees Committee. KASRA's goals were two-fold: to protect retirees' benefits, and to

help the Company survive. In June, the Retirees Committee was given official status in the bankruptcy court. Jed Daniel, President of KASRA at the time, played an influential role on this Retirees Committee.

KASRA realized that retiree benefits were virtually at the bottom of the list of “creditors” in bankruptcy proceedings. A study by their lawyer Stephen McKae showed “no legal recourse that KASRA could use to protect their medical benefits, no matter what the circumstances. Company Officers and Directors have the right to alter retiree benefits.”

In early 2004, KACC dropped medical coverage for retirees (though the bankruptcy enabled continuing COBRA protection for some). KASRA surveyed medigap insurance providers to determine if an alternative group plan could be formed, but concluded that individual retirees could do as well by purchasing their own coverage.

In 2004, a VEBA Trust was formed to help pay for salaried retirees’ medical costs. VEBA stands for “voluntary employees’ beneficiary association.” It was created under terms of the corporate bankruptcy settlement, using assets contributed by the Company in the amount of \$6,200,000 plus 1,900,000 shares of stock – and the potential for future contributions based on profit-sharing. It is legally separate from KASRA, because the VEBA Plan is available to any qualified Kaiser salaried retiree. Still, KASRA has played a major role in encouraging all retirees to join the VEBA Plan. Dave Perry resigned from KASRA to become a VEBA trustee, and was joined by Doug Allen and Jim Hobby. The VEBA Plan paid each participating family \$500 in 2005, and has distributed a significant amount every year since then.

After the Company’s bankruptcy and retirees’ loss of medical benefits, KASRA examined its ongoing role. A survey by Dick Kauffman’s Planning Committee found that 98% of KASRA members felt positively about KASRA. The “KASRA NEWS” (published then by Roberta Wong) and the e-mail list were appreciated; about half of the KASRA members had e-mail addresses. It was felt that KASRA needed to further monitor the Company for its participation in VEBA and COBRA (insurance) benefits, and KASRA has done so. Consideration was given to the merits of developing a KASRA web site

providing members with information on fellow retirees, archives of newsletters, and the possibility of a communications forum.

At the end of 2005, KASRA's cash balance had grown to \$397,000.

### *Latest Years, 2006-2013 – Recent Mission*

Upon inception of the VEBA Plan, KASRA's resources were heavily applied to ensuring broad retiree participation in it. KASRA emphasized that "there is NO reason for retirees NOT to enroll in the VEBA Plan." In 2006, employee VEBA participation was only 70%, and there were stories of retirees throwing out mailed VEBA forms because they thought they were insurance solicitations.

Because VEBA trustees decided that the law concerning privacy of medical information applied to the names of non-VEBA-enrolled retirees, KASRA could not identify those individuals and directly encourage them to enroll. Still, KASRA assisted VEBA trustees by forwarding retirees' addresses from our database, and by heavily encouraging VEBA enrollment via the KASRA NEWS. The efforts paid off; by the end of 2007, 90.9% of eligible family units had enrolled, and that proportion increased to 93% by 2012, an uncommonly high degree of participation in such a program.

Before his untimely passing, VEBA trustee Dave Perry said that "VEBA's success goes back to KASRA's founding: if KASRA had not been well-organized and informed, the bankruptcy might have caused the salaried retirees to fight in a way which might have derailed the Company's reorganization." (Post-bankruptcy, KACC has given \$7.4 million to VEBA in profit-sharing contributions.) Dave Perry also gave credit to KASRA for the high level of retiree enrollment in the VEBA Plan.

The VEBA Plan has proven to be unexpectedly beneficial to participating retirees. Its assets have fluctuated with the market, going from about \$76 million when all of the Company stock was sold in 2007, to \$59.4 million in 2012. Through this period the VEBA Plan has made significant annual contributions to participating retirees; for a

family unit, these reached \$2100 in 2011 and 2012, and \$2250 in 2013. The cumulative maximum VEBA benefit for a family unit has reached \$15,950! Today's VEBA Trustees are Art Donaldson, Jed Daniel, and Doug Allen.

As its efforts to assist retiree acceptance of the VEBA Plan were successfully completed, KASRA expanded its mission of improving communications among salaried retirees. Chris Laszcz-Davis spearheaded improvements in KASRA NEWS, using better paper and graphics; contracting with more suitable, cost-effective resources (journalist Sally Hogarty) to strengthen the increasing retiree input; adding biographical "featured profiles" of well-known retirees; including articles of interest to the broader retiree population; and providing easy reproduction of member-submitted photographs—particularly useful for depicting "Lunch Bunches" and other employee get-togethers. The newsletter today commonly expands to 10 pages in an effort to contain the members' many "What's Going On with You" submissions. The feedback from retirees regarding KASRA NEWS continues to be positive.

Additionally, Steve Abernathy created the KASRA website which performs a wide variety of communication functions for retirees. It lists the current KASRA leadership positions, archives newsletters and lunch bunch photos, provides pictorial reviews of retiree functions, contains items of general interest, information related to the VEBA, Kaiser Aluminum and the aluminum industry, and provides contact information for KASRA-related organizations.

KASRA directors are occasionally called upon to advocate for the membership. As an example, President Chris Laszcz-Davis and the KASRA Board worked with Kaiser Aluminum's senior management to expand medical coverage options for retiree COBRA users.

### KASRA's Future Vision – 2013 to 2023

The KASRA Board remains robust today, as it begins its task of defining a strategic ten-year plan that considers the maturing of its retiree membership. Current directors are Chris Laszcz-Davis, Klaus Adler, Paul Flores, Doug Mann, Steve Ping, Ed Quinnan, John Schnittker, Erach Tarapore, and Ed Westerman. KASRA's major efforts will continue to be those summarized in its Mission Statement: "KASRA's mission is threefold: facilitate communication among KASRA members through a dedicated newsletter and website; provide information regarding the VEBA Plan, regional events, and other matters of interest; and advocate for members regarding KASRA-related issues."

At the beginning of 2013, KASRA's membership totaled 2096: 1628 retiree members and 468 member-surviving spouses. This membership is about twice the number of non-KASRA retirees, indicating that the salaried retirees generally appreciate the job that KASRA is doing. Besides this implicit evidence of approval, we continually hear comments of appreciation from members affirming that KASRA is providing valuable services. Over the years, there have been a few comments that "KASRA should dissolve, and distribute its assets to the members." But the Board has rejected dissolution, given continued affirmation of its role, and is working to make KASRA's services to "maturing" retirees ever more valuable.

Because of the nature of its demographic, KASRA will inexorably shrink; new Kaiser Aluminum salaried retirees will be insufficient to replace our departing members. Therefore, KASRA has a finite life, and the Board has attempted to estimate what that life is. The determination is that KASRA has about 10 years of life from the present, assuming adequate volunteers to fill Board vacancies; here's why:

Making many simplifying assumptions, actuarial data was applied to estimate that KASRA membership will decline more than 37% by 2023. More disconcerting is the loss of potential Board volunteers as aging proceeds. Assuming no passing of members currently under 64, less than 82 KASRA members will be younger than 74

years old in 2023. Since 74 seems like a reasonable upper age to enroll volunteers to run KASRA through six years of volunteer service on the Board of Directors, it is clear that directors will be very difficult to come by in 2023...especially since not all of the 82 remaining members will reside in the Bay Area, geographical center of Board activity thus far.

Consider finances: An estimate was made of KASRA's cash over the next ten years, considering dues constant at the current rate of \$10/year. The cash balance is expected to decrease from its present \$335,000 to less than \$54,000 in 2023. Therefore, barring unforeseen costs for outside legal assistance or contracting services, KASRA can be expected to provide "business as usual" service over the next ten years without increasing dues beyond the current level.

For the time being, KASRA believes that its future dedication to the activities and responsibilities defined in its Mission Statement will continue to provide good value to its retiree members. But KASRA is not resting on its laurels or legacy; the membership is asked to volunteer its help in management of the organization, to participate in communication activities, and to suggest improvements in deliverables.

"One Person Can Still Make a Difference" today! It is our hope that the KASRA Board does that for its colleagues and friends!

#### Acknowledgements

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