



**GOODYEAR**

**Alexander Hamilton Awards  
Finding the Cure for Retiree Healthcare**

**October 27, 2008**

# How we Get There



- **The situation**
- **The VEBA solution**  
Voluntary Employee Beneficiary Association
- **Implementing the agreement**
- **Benefits achieved**

# The Situation



- **Unfunded Retiree Healthcare plan (\$1.2 billion)**
- **Consistently rising healthcare inflation**
- **Continued significant expense and cash flow**
- **Large retiree population versus competition**
- **Consistent USW negotiating issue**
- **Imminent trigger of previously negotiated company caps**

**Transformational solution required**

# The VEBA Solution



- Create VEBA *independent* of company and USW
- Transfer all USW retiree healthcare obligations to VEBA trust with court approval
- Eliminate company's obligation for retiree healthcare
- Remove from future USW bargaining
- *Independent* trustees manage VEBA

**Outcome: Negotiated \$1 billion contribution to independent VEBA**

# Implementing the Agreement



	DEC 06	JUL	OCT	DEC	JAN	APR	AUG	SEP 08
Labor Agreement Ratified	●							
Lawsuit Entered		●						
File Settlement Document			●					
Prelim Court Approval				●				
90 day Notice Period					●	●		
Final Judgment / Funding							●	
30 Day Appeal period lapses								●
Liability Transfers to VEBA								●

**Long Process – But Worth the Wait**

# Benefits Achieved



## Company

- Remove approximately \$1.2 billion liability from balance sheet
- Save \$100 million expense and \$130 million cash flow
- Removed exposure to healthcare inflation

## USW / Retirees

- Retiree medical funded in bankruptcy remote entity
- Eliminate future risk to benefits from company financial position
- USW able to decide on future benefit changes

# Finding the Cure for Retiree Healthcare

## Summary



- **Addressing the issue provided substantial financial benefits to company**
- **Created an independent VEBA**
- **Judicial process involved legal, finance, human resources and expert outside advisors**
- **Win-win-win outcome for company, USW and retirees**



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Get there™