

Tuesday, May 17, 2016

Major Issues Remain as We Continue Negotiations with Cliffs

As we continue our negotiations with the company, it is important to be clear about the key issues, including what exactly management is proposing and where we stand as a union.

Pensions

Management's main priority appears to be defunding our pensions. Specifically, they have proposed merging the Hibbing single-employer pension plan into the Michigan "multi-employer" pension plan and eliminating the single-employer funding letter from the Michigan agreement.

Cliffs wants to do this because, under our current contract, the company would be required to contribute tens of millions of dollars into our pension funds in 2018 and 2019. By eliminating the single-employer funding requirement, Cliffs wouldn't have to make any pension contributions in 2018 or 2019 and probably a few years after as well. In the event of a closure or bankruptcy, such a move would have serious consequences for both current retirees and active employees. Also, the PBGC guarantees a much lower level of benefits for multi-employer pensioners that it does for single-employer pensioners.

How important is this? According to the most recent data, these pension plans only have enough assets to cover about 80 percent of the Projected Benefit Obligation (PBO), and even less than that in the event of a mine closure. Allowing Cliffs to skip tens of millions of dollars in pension contributions would make it even worse. We are fighting to keep our pensions secure and well-funded!

Retiree Health Care

In January, Cliffs drastically increased health care premiums for retirees, citing language in Section 6.2. Similar language has been in place for years, but since we did not reach an agreement in 2015, the language was set in motion for the first time this year. Although we are disputing how the company applied that language, ultimately the 2016 premiums will be set by the next contract.

The current premiums Cliffs is charging are:

	Michigan		Minnesota	
	Medicare	Non-Medicare	Medicare	Non-Medicare
Pre-9/1/2004	\$101.88	\$292.33	\$104.56	\$204.73
Post-9/1/2004 + Pre-1/1/2015	\$111.24	\$323.45	\$106.49	\$246.42
Post-1/1/2015	\$111.24	\$323.45	\$106.49	\$246.42

Per our 2012 contract, the amount that post-1/1/2015 retirees will receive toward health care premiums is subject to a cap. The premiums that the company has implemented above are so high that the company share does not exceed that cap. If this continues, premiums will eventually be so high after inflation that retirees either won't be able to afford the insurance or workers won't be able to retire.

To avoid this total erosion of retirement benefits, a majority of the USW bargaining committee have opted to pursue deferring some amount of profit sharing to help offset the gap between the company cap and reasonable retiree premiums, an approach that locals have taken elsewhere in the industry.

For Pre-2015 retirees, the company wants to keep the very high 2016 rates in place, then continue to increase them every year! Our committee is pushing for more reasonable rates, retroactive to January, that are in line with other employers in the industry. Because the company's obligations are prefunded through our VEBAs, it likely wouldn't cost Cliffs a dime to agree to our proposal. These VEBAs are already well overfunded and would stay overfunded (or at worst, very close to 100 percent funded) under our proposals. Under our current contract, Cliffs is not obligated to contribute anything into these VEBAs unless funding drops below 90 percent.

Active Health Care

Although management has withdrawn its proposal to start charging employees premiums for health care, they continue to propose significant changes to our benefits, including adding a \$250/\$500 deductible, increasing medical copays, increasing prescription drug copays, and increasing the out-of-pocket maximums.

Wages, Bonuses and Profit Sharing

Management has proposed no raises or bonuses and is proposing to take profit sharing away from anyone on FMLA or Workers' Comp. We understand that money is tight in the current state of industry, but to eliminate profit sharing for FMLA and Workers' Comp is unnecessarily punitive. We are seeking modest improvements in wages and some bonuses with the anticipation that the industry is starting to turn around, as well as expanding profit sharing for if and when business conditions improve.

There are other important issues as well. However, if the company drops its demand to defund our pensions and agrees with our approach on retiree health care, an agreement could be within reach.

Tell the company to fund our pensions and protect our retirees!

USW Local 2705—Hibbing Taconite	USW Local 6860—United Taconite
USW Local 4974—Tilden Mining	USW Local 4950—Empire Mining



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