

GOODYEAR RETIREE VEBA

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A Message from the Goodyear Retiree VEBA

Dear Goodyear Retiree VEBA Members:

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This is the second in a series of occasional newsletters to help keep you informed on the operation of the Goodyear Retiree VEBA and the medical plans maintained by the VEBA Committee for your benefit.

As you may recall, the Goodyear Retiree VEBA was agreed to in December, 2006 during the labor negotiations between Goodyear Tire & Rubber Company and Goodyear Dunlop Tires NA (“Goodyear”) and the United Steelworkers (“USW”). In October, 2007, a Settlement Agreement was reached with representatives of a class of retirees who had retired on or before January 1, 2007. The retirees had filed a lawsuit in the Federal Court for the Northern District of Ohio. The Federal Court approved that settlement on August 22, 2008. On that date, responsibility for your health care benefits was transferred from Goodyear to the VEBA Committee.

This year marks the VEBA’s second anniversary of operation. We have continued to confront the economic challenges of maintaining comprehensive and affordable retiree medical benefits, while recognizing that the VEBA assets and future sources of income are limited by the terms of the Settlement Agreement and uncertain financial markets. These issues are discussed briefly below.



2010 Review

In 2010 we took two important and necessary steps to better manage and gain greater control over the cost of VEBA benefits, namely:

- Restructuring the Prescription Drug portion of the Plan by requiring certain maintenance medications to be filled through Exclusive Home Delivery, and implementing procedures to help ensure that the most cost effective but still medically appropriate drugs are used; and

- Transferring the Medical benefits of the Plan from Anthem Blue Cross Blue Shield and various “managed care” plans into a single plan administered by Highmark Blue Cross Blue Shield. Highmark is one of the Nation’s leaders in administering “retiree-only” plans, with demonstrated expertise in helping older Americans to obtain timely information and assistance with their health care needs.

2011 Health Care Plan

Included with this Newsletter is important information relating to your 2011 VEBA Health Care Plan benefits and contribution rates. These changes become effective on January 1, 2011 for individuals who retired on or after May 1, 1991. According to the terms of the Settlement Agreement, there are no changes in benefits or contributions in 2011 for individuals who retired before May 1, 1991.

There are two important changes for “Post-May 1, 1991” retirees:

- The Medical Plan Annual Deductibles and Out-of-Pocket Maximums have increased; and
- An additional monthly contribution will be required for “Family” coverage, where more than one person in a family is enrolled in the Plan. This additional contribution is \$50 per month if the retiree is eligible for Medicare, and \$75 per month if the retiree is not Medicare eligible.

There are no changes in either the prescription drug or embedded dental care portions of the Plan. Also, the \$50 per month Medicare Part B Reimbursement Benefit will remain unchanged. Those benefit checks will continue to be mailed to you on a quarterly basis.

2011 Annual Enrollment ~ ALL MUST RE-ENROLL IN COVERAGE

The 2011 Annual Enrollment letter also identifies steps you must take to ensure the continuation of your benefits in 2011. This requirement to collect documentation to verify your eligibility for Plan benefits arises from the fact that any similar documents previously collected by Goodyear and Dunlop were not passed on to the VEBA. The Committee, as the VEBA’s legal fiduciaries, must be sure that only truly eligible individuals are enrolled in the Plan. We expect that this project to confirm your and your spouse’s eligibility will not have to be repeated in the future, but we will have to re-certify student enrollment and financial dependency of children each year.

Please read the Annual Enrollment letter carefully and be sure to mail or fax to the VEBA Office all documentation necessary to confirm your continued eligibility for VEBA benefits.

Update on Health Care Reform

Last March, Congress passed the “Patient Protection and Affordable Care Act”, which is now commonly referred to as the Health Care Reform law.

The Health Care Reform law established a new program, the Early Retiree Reinsurance Program, or “ERRP”. Under ERRP, health care plans that cover early retirees (individuals age 55 and older, but not yet eligible for Medicare) may apply to receive federal funds to help offset the cost of certain “high cost” medical claims incurred on or after June 1, 2010.

We are pleased to report that the Goodyear Retiree VEBA’s application for inclusion in the ERRP has been approved. While we have not yet submitted any claims for reimbursement, we expect to do so soon and may begin to receive reimbursement funds as early as next year. Any funds received by the VEBA may be used to reduce or help offset future increases in your monthly premiums or out-of-pocket costs due to Plan deductibles, co-insurance, etc. Any decisions on the use of these funds will be made by the VEBA Committee at a later date, depending on the amount of reimbursement received in relation to our overall Plan costs.

As a condition of participation in the ERRP, we are required to send to all VEBA participants the enclosed “Notice About the Early Retirement Reinsurance Program”.

VEBA Financial Status

The Settlement Agreement which established the VEBA also approved the agreement reached between Goodyear and the United Steelworkers (“USW”) calling for Goodyear to contribute nearly \$1 Billion to the VEBA to support the cost of your health care benefits. It was also agreed that this amount could be supplemented by future profit sharing and Cost-of-Living benefits bargained for and earned by USW-represented employees. These amounts, together with the VEBA’s investment earnings and your monthly contributions, provide the only sources of funding for your benefits. In addition, the Settlement Agreement provides certain protections of benefits for Class Members (individuals who retired on or before January 1, 2007), but also directs the VEBA Committee to take action to prevent the assets from becoming exhausted before the year 2020.

The VEBA is operating in uncertain times. Of particular concern is the instability of the financial markets, particularly since the disasters on Wall Street in late 2008. While the VEBA assets remain conservatively invested and have achieved positive earnings of nearly 4% per year over the past two years, the rate of increase in health care costs is more than double that amount, and even higher for prescription drugs. As a result, this shortfall must be offset by more efficient plan administration, avoiding unnecessary health care expenses, or as a last resort, reducing plan benefits and/or raising premiums.

In the two years since the VEBA began operations (August 2008 through August 2010) the VEBA has paid over \$320 Million for health and related benefits for over 31,000 retirees, surviving spouses, and family members. The long term future of the VEBA will depend on many factors, including the national economy, health care inflation, and Goodyear’s profitability. In the short term, however, it became clear that a few short term adjustments to the benefit levels and contribution rates are needed in 2011 to help keep our current costs in line with expected revenues and to avoid an untimely exhaustion of VEBA assets.

The Committee will continue to take whatever steps are necessary and permissible to deliver the best benefit value to you and to maintain the Plan as long as possible. Still, our success will continue to depend upon your understanding and support. We will keep you informed about these efforts in future Newsletters. In the meantime, please remember that you can always contact the VEBA Office at 1 (866) 694-6477.

Sincerely,

The Committee of the Goodyear Retiree VEBA

USW Members

Thomas Duzak
 Jerry Ivey
 John Sellers

Class Members

Jeffrey Lewis
 Simone Rockstroh

Public Members

Hazel Broadnax
 Teresa Ghilarducci
 Nell Hennessy
 Scott Spencer

Cc: USW Pension & Insurance Representatives
 Retiree Class Representatives

Note: The descriptions of benefits and rights to benefits in this Newsletter are summaries which do not replace or modify the official Plan documents such as plan benefit booklets issued by the health plan providers and the 2010 Summary Plan Description that was recently mailed to you by the VEBA Office. Rather than relying solely on the information contained in this Newsletter about benefits and rights to benefits, you should consult the Summary Plan Description.