UAW RETIREE
Medical Benefits Trust

May 17, 2010

> Note: This letter provides updated information on the health care Trust that provides your medical benefits. This Trust, also called the VEBA, is your health care Trust. We understand how important these medical benefits are to you and your family. You do not need to take any action in response to this letter, but we hope you will find the information useful.
>
> This mailing also includes a question and answer section, and a separate document about a new web site and other information. We hope you will review this information to make sure that you have signed up for all the programs applicable to your situation.

Dear UAW GM Retiree or Surviving Spouse:

We are writing on behalf of the official Committee that administers the UAW Retiree Medical Benefits Trust, which is commonly called the Voluntary Employee Beneficiary Association (VEBA) Trust Fund. As you know, the VEBA Trust became responsible for providing retiree medical benefits to UAW retirees of GM, Ford and Chrysler beginning on January 1, 2010.

Under the court-approved settlement agreements, an 11-member Committee administers the VEBA Trust. This Committee consists of six independent members and five members appointed by the UAW.

The Committee has the responsibility for designing and delivering medical benefits to eligible UAW retirees, surviving spouses and dependents. To provide these benefits, the Committee can use only the assets available in the VEBA Trust Fund. The VEBA is required to maintain three separate accounts, one each for GM, Ford and Chrysler retirees. Health benefits for GM retirees can only be paid from the GM account and cannot be paid out of the accounts set up for retirees from the other two companies.

Overall, the VEBA provides medical coverage to more than 870,000 people, making it one of the largest purchasers of medical care in the United States. Over the past year, the Committee hired a team of health care professionals at the VEBA and worked closely with that staff to develop systems and programs to operate the VEBA and its health care programs into the future. During 2009, the VEBA negotiated hundreds of new contracts with benefit providers, insurance companies, HMOs and other service providers necessary to administer the programs. It worked to build the "eligibility system" to track benefit eligibility. The Committee also hired an investment staff and worked with that staff to transition billions of dollars of investment assets that were received from the companies into the trust fund, and to negotiate hundreds of contracts with portfolio managers and other investment professionals to oversee investment of those assets.

As a Committee, our highest priority during 2009 was to build these structures for the future operations of the VEBA and to ensure a smooth transition on January 1, 2010. We are pleased that the transition was smooth. We also believe that we have recruited an excellent staff for both benefit and investment work. This team of health care and investment professionals understands that the sole goal of the VEBA is to provide the greatest possible long-term medical benefits to the retired members. All the activities of the VEBA – whether in benefit design, benefit administration, investment management or any other area – will be judged by whether they contribute to the stability and security of the medical benefits for the covered retirees, surviving spouses and their eligible dependents.

We understand that medical benefits are very important to you and your family. Each member of the Committee is dedicated to designing and administering medical benefits and caring for the VEBA Trust's assets in a way that reflects our goal of providing secure medical benefits on a long-term basis.

We have attached answers to questions we frequently receive regarding the VEBA Trust. Our Committee will operate the VEBA with full transparency and will continue to provide updated information, at least once each year, about our operations and activities.

Thank you very much for your continued support.

Sincerely,

Robert Naftaly, Chair
UAW Retiree Medical
Benefits Trust Committee

Ron Gettelfinger, President
International Union, UAW
Member, UAW Retiree Medical
Benefits Trust Committee

Questions and Answers on Your Retiree Health Care Trust

Question: When did the VEBA take over responsibility for retiree medical benefits?

Answer: The VEBA is responsible for medical benefits starting on January 1, 2010. Health care costs from 2009 remain the responsibility of the auto company.

Question: How much did the VEBA spend last year?

Answer: The VEBA spent money during 2009 in order to set up operations, hire staff and prepare to administer the benefit programs on January 1, 2010. Under the Settlement Agreements with all three auto companies, the companies were responsible for providing the funds necessary for these activities. The companies provided a total of $31 million during 2009 for these start-up activities. We were able to use that money to set up structures and processes that will serve the retirees and the VEBA for many years into the future.

This amount was used to transfer the eligibility information from the three auto companies to the VEBA. It also covered the costs of the consultants who helped to develop and build the eligibility systems that will be used for retirees at each of the auto companies; all mailings that you received, including the Summary Plan Description, letters and identification cards, were paid for with these funds. The full cost of recruiting the professional investment and benefit staffs, and the full 2009 salary for those staffs, as well as the costs for outside consultants, was covered as well. Those funds also paid for the design, creation and testing of thousands of other processes and systems that the VEBA needs in order to administer the health care program for 870,000 people. No funds that were set aside to pay for medical benefits were used to develop these systems and processes.

Question: How much money is in the VEBA for GM retirees?

Answer: As of January 2010, the GM portion of the VEBA received investment assets with a market value of roughly $14.5 billion. This amount represents only the "traditional" types of investment assets, including stocks and bonds of companies other than GM. These figures do not include any stock or other investment related to any of the auto companies.

In addition to these "traditional" assets, the GM portion of the VEBA received 17.5% of GM's common stock, preferred stock in GM with a face value of $6.5 billion and a note (payable in 2013, 2015 and 2017) with a face value of $2.5 billion.

These instruments have been described in detail in prior communications related to the court approvals of the settlements.

Question: How and when will the VEBA sell the stock and notes in GM?

Answer: One of the legal requirements in setting up the VEBA is that these assets related to GM be managed by a separate organization, called the "Independent Fiduciary." The Committee has chosen the Independent Fiduciary that will be responsible for deciding how and when to sell the assets related to GM and take any other action needed in connection with those assets.

Question: What is the impact of the new Health Care Reform law on the VEBA?

Answer: At this time, it appears that there will be only a very small number of changes required in order for the VEBA to comply with the new law. The press has reported about new taxes on certain health care plans that were included in that law. Those new taxes do not go into effect until 2018, and it is too early to predict whether the benefits offered by the VEBA will be impacted by this provision. The new law also includes a reinsurance program designed to provide a partial reimbursement to employment-based programs (including VEBAs) that provide coverage to pre-Medicare retirees. The VEBA will be participating in that program, but it is too early to predict how much reimbursement will be received.

Question: How is the VEBA investing the money it has received?

Answer: The majority of the funding that the VEBA received in January was already invested in trust funds at the companies. These trust funds were invested in diversified portfolios of stocks, bonds and other traditional investments. The VEBA's focus in the early months is to transition those assets over to the VEBA's custody. As we evaluate those investments, we will transition the investments to a portfolio appropriate for the VEBA's cash flow profile. As new money is contributed, we are investing those funds in diversified portfolios of stocks, bonds and other investments.

Question: Is the VEBA facing any funding challenges for the future?

Answer: Yes. The basic funding parameters were first developed during the fall of 2007 in national negotiations with GM, Ford and Chrysler. Since that time, events in the investment markets as well as the auto industry have created serious funding challenges.

First, during the GM bankruptcy proceeding last summer, the VEBA was required to take a large portion of its funding in stock of the company. While the company has made significant progress since the bankruptcy, that stock is still not publicly traded, and it is therefore impossible to predict the value of that stock. Until the VEBA can assess that value – and ultimately sell that stock – the overall long-term funding for the VEBA will remain unknown.

Second, as part of the settlements, the companies were required to maintain separate trust funds during 2008 and 2009 on behalf of the VEBA. The companies were responsible for investing those assets during 2008 and 2009, and then those assets were turned over to the new VEBA Trust in January 2010, as part of each company's funding obligation.

Consistent with the settlements, during 2008 and 2009, each of the companies maintained those assets in a traditional mix of stock and bond investments. Unfortunately, investment returns on those funds – like investment returns in many 401(k) plans, university endowments, pension plans and most every other investment vehicle in the country – suffered as a result of the market meltdown that occurred during 2008 and early 2009. The market has recovered somewhat during the second half of 2009 and so far in 2010. But the value of those assets has still not returned to the value they had on January 1, 2008, when they were set aside for the VEBA. Even with the recovery, those assets certainly did not perform during 2008 and 2009 the way they were projected to perform when the overall funding obligations were established during 2007 bargaining.

Third, since the VEBA only began administering the benefit programs four months ago, there is a great deal of uncertainty surrounding any projections of future long-term costs of the benefits. While the benefits provided by the VEBA are substantially similar to those previously provided by the company, the VEBA was able to renegotiate contracts with providers and implement some administrative strategies designed to save costs in the future. We won't know the actual impact of those efforts for some time. We will continue to implement new programs, and find new ways to save administrative costs, as we go forward.

As a result of all the factors discussed above, the Committee has developed an investment strategy that reflects the smaller starting cash position of the VEBA, the risks associated with the GM stock holdings, and the new realities of the investment market. As a result of these changes, the basic investment approach – at least in the early years of the VEBA – will be more conservative, resulting in less risk to the VEBA's investments but also a lower expected long-term rate of return on those assets. The Committee will need to take that lower expected long-term rate of return into account as it makes future projections.

As you can see, the issues are complex. There are some very important future developments that are beyond the control of the Committee. For now, the VEBA has hired a world-class team of experts in these areas to make sure that the investment and the benefit design approach reflects these rapidly changing realities.

Question: Who decides whether benefits need to be adjusted in the future, and how is the decision made?

Answer: It is the Committee's responsibility, on an ongoing basis, to make sure that the benefits in the VEBA are properly aligned with the available assets. In other words, the VEBA must always live within its means. The Committee would not be doing its job if we allowed the assets in the VEBA to be depleted prematurely by providing a level of benefits that is out of line with the assets available in the Trust on a long-term basis.

In making these determinations, each and every member of the Committee will be guided by an undivided loyalty to the best interests of the retirees. Committee members know that retirees live on fixed incomes. The UAW spent the last 75 years bargaining for economic security and dignity for retirees, and the Committee understands that reductions in medical benefits can be devastating for retirees and their families.

The VEBA staff and the Committee are doing everything within their power to make sure that the benefits are being delivered in the most cost-effective way possible. Last year, the major effort was to ensure a smooth transition. This year, the major effort is to make sure that no money is being wasted in administration, and that the benefit delivery and design are absolutely as efficient as possible. We are actively exploring ways to use the VEBA's immense "buying power" to help reduce costs. Every dollar we can save in administrative costs or efficiencies is another dollar that can be used to provide medical benefits to the covered retirees.

Over the next several months, the Committee and the VEBA staff will be reviewing all these issues and making determinations about appropriate benefit levels for 2011. We will continue to keep you advised as these events unfold.

Question: What can I do now to help?

Answer: The VEBA already has programs in place designed to save both the retiree and the Trust money. Please be sure to use the generic drug programs whenever possible. Those programs reduce your co-pay and can save the Trust thousands of dollars in drug costs. Always ask your doctor about generic drugs. Other administrative programs described in the attached letter – like automatic pension deductions and providing Medco a credit card number for co-payments – can also make the program more convenient for you while also saving the Trust money in administrative costs.

Every little bit helps, and we urge you to take advantage of these programs both to save you time and money, and to help the Trust conserve its resources so that it can provide the best possible benefits into the future.