

**U.S. House of Representatives  
Committee on Education and Labor  
*Safeguarding Retiree Health Benefits*  
September 25, 2008**

**Testimony of  
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Raytheon Missile Systems Retiree  
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Mr. Chairman and Members of the Committee on Education and Labor, I want to thank you very, very much for inviting me to speak to you about the problems the retirees are having with Raytheon Missile Systems in Tucson, Arizona.

My name is Dave Lillie and in 1973 I went to work for Hughes Aircraft Company, which later became Raytheon Missile Systems. I worked as a tool and die maker until my retirement in 1999. As a retiree I was to receive fully paid medical insurance until age 65, a benefit that had been negotiated by my union, Local 933 of the International Association of Machinists and Aerospace Workers.

Then, in July of 2004, I received a notice in the mail that my company paid medical insurance, which I had had since my retirement, would now cost me \$309.77 a month. Over the next two and a half years my premiums increased to \$535.71 per month, a clear violation of the retiree health benefit language in the 1996 collective bargaining agreement, which was the labor agreement that I retired under.

After meeting with Local 933's Directing Business Representative, I soon learned that many retirees were paying as much as 55 percent of their fixed retirement income on

these insurance premiums. We held a meeting with all the Raytheon retirees we could get in touch with who were affected by this violation. We retained legal counsel and found that Raytheon had unilaterally ignored the retiree health benefit language of the applicable collective bargaining agreements. A class action lawsuit was filed against Raytheon to regain our company paid health benefits.

The despicable actions of Raytheon affected approximately 1,000 retirees and their dependents, who suffered not only monetary losses because of unplanned premium costs, but also the mental anguish and stress due to this unnecessary and drastic change in their lives. Many had to change to a different medical insurance plan, sacrificing coverage for cheaper monthly premiums.

Other retirees have been forced to sell a large part of their retirement dreams in order to afford the premiums they now have to pay. More than a few retirees have had to mortgage their homes that were paid off in order to pay medical expenses that were not covered under a cheaper insurance plan. This has happened to one of my friends who I worked with for many years. It has been terrible to witness what it is doing to him mentally, well as physically. Many have depleted their life savings to offset the premium cost. Quite a few planned to travel, visit their children, grandchildren, or great-grandchildren, or enjoy seeing friends and just traveling about this country. Now they just stay home, though some go to Mexico to seek medical treatment.

Retirees that could not even afford a cheaper plan have had to drop medical coverage altogether and simply pray they stay healthy. Sadly, one of my fellow retirees who could not afford the monthly premiums has incurred significant out of pocket medical costs after his wife suffered two heart attacks and required two pacemakers. She also developed pneumonia and diabetes, which resulted in additional hospital stays. This has sent their medical costs skyrocketing to over \$87,000. All this expense and no insurance, even though he was covered under a jointly negotiated collective bargaining agreement which provided health insurance until he and his wife both reached age 65.

This summer our class action lawsuit against Raytheon Missile Systems resulted in a favorable decision for Raytheon retirees. In his findings, U.S. District Judge David Bury said that the contract “unambiguously provide vested medical benefits for retirees until age 65 at no cost.” Judge Bury has ordered Raytheon to make the affected retirees whole and reinstate them in the company paid medical health insurance.

Unfortunately, Raytheon has appealed this decision and the suffering for Raytheon retirees and their dependents continues. It is important to note that Raytheon is a company that has grown fat on government contracts. According to Raytheon’s 2007 Annual Report, 86 percent of company sales are to the U.S. government, and all of the Missile Systems work is defense related. Since 2005 net income has tripled to nearly \$2.6 billion and earnings per share have doubled. It angers me to think that a corporation like Raytheon, that shows contempt for the retirees that built the company, now benefits so generously from my tax dollars.

This week there is much talk about bailing out the geniuses of Wall Street whose phony finance schemes threaten our economy, but when will Congress start protecting the people who spent a life time doing the real work that made America great? Although I am not an expert on the technicalities of providing health care, I would like to express my appreciation to Congressman Tierney for addressing this issue in H.R. 1322, the Emergency Retiree Health Benefits Protection Act of 2007. We have to let corporate America know that the theft of retiree health benefits is unacceptable and I believe that H.R. 1322 will help us do that.

Unfortunately, I do not believe that the current Administration shares Congressman Tierney's concern and I am afraid that we will have to wait for a new President and a new Congress before this legislation will move forward. In the meantime, Raytheon retirees need immediate help from a company that has put greed before justice. I call upon Congress take the necessary actions to make Raytheon fulfill its responsibilities to the people who made the company the success it is today.

I thank you for this opportunity to testify on this important matter and look forward to your questions.