

International Newsroom

Navistar Seeks Court Order to Cap Obligations and Protect Long-Term Retiree Health Care Benefits

WARRENVILLE, Ill. (June 4, 2010) – Navistar International Corporation (NYSE: NAV) said it must protect the long-term sustainability of its retirees' benefits and the company's long-term health benefit obligations by seeking court orders to enforce a 1993 retiree health care agreement, which capped the company's obligations at \$1 billion.

The company says the 1993 deal has not achieved the long-term stability for the company and the retirees. Under the agreement, the company transferred \$1 billion in 1993 to trusts set aside for retiree health care funds. The deal also called for a permanent and fixed reduction in the company's future health care obligation to \$1 billion.

The company notes the failure of the retiree representatives to abide by the 1993 deal, which now causes Navistar's obligations to swing wildly. The company notes the majority of its competitors have reduced their future uncertainty to zero through negotiating for benefit management and switching employees to Medicare. Other industry peers, like the Big 3 automakers, required government bailouts and defaulted on retiree plans.

The company's pleading, filed today in U.S. District Court in Dayton, Ohio, notes: "Just like in 1993, Navistar finds its competitors scaling back even further on retiree health care costs. Indeed a number of Navistar's direct competitors have 'gotten out of the retiree health care business altogether.'" Navistar is simply seeking enforcement of an agreement to cap its obligations to \$1 billion. Most companies no longer provide retiree health benefits to new hires. Since 2002, no new hires at Navistar are eligible for retirement health care benefits.

Nonetheless, last month, the UAW, as the designated representatives of all persons covered by the 1993 agreement, took Navistar to court to prevent the company from switching retirees to Medicare's prescription drug benefit as a primary coverage, allowing the company retiree fund to cover supplemental costs.

"Navistar remains committed to providing affordable health care coverage to our retirees," said Greg Elliott, senior vice president of Human Resources and Administration for Navistar. "To do that, we need a sustainable structure that can support our retirees for another 40 years or more."

Navistar's goal is to implement the 1993 agreement, or create a new agreement that achieves the same intent of the 1993 agreement, which is to achieve long-term coverage for retirees and a competitive balance for the company.

"We hope this action to enforce the 1993 agreement will enable us to keep the health benefit fund healthy and available to our retirees and help our company stay strong for today's employees and their families," Elliott added.

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