February 2003 Volume 14 Number 2

TOOL TALK

A Publication of the Michigan Tooling Association

Officers Named to MTA Board of Directors

At the January 22nd Board of Directors meeting, the following officers were named for the 2003 year. They are as follows:

- President - Gerald Flannery of **Mercury Gage**;
- Vice President - Herb Trute of **T & W Tool & Die;**
- Treasurer - Leroy LaJeunesse of **L & L Machine Tool**; and
- Secretary - Robert Peuterbaugh of **Joint Production Technology**.

Welcome New Members!

We would like to take this opportunity to welcome the following new members to the Michigan Tooling Association.

- **Efficiency Production Inc**. of Mason, specializing in trench boxes, stone mizers, shoring & shielding devices; and,

- **Whitehall Industries, Division Signa Group Inc.** of Ludington, specializing in aluminum products – auto, office machine products.

Inside This Issue

Important Update Regarding Tool Talk Mailing

by: Robert Dumont, Managing Director

Your Response is Crucial

In an effort to fund programs that will benefit our membership without the need to increase dues and with an eye to keeping the price of those programs to a minimum or even free of charge, I am considering the possibility of enclosing advertising brochures with the **Tool Talk** issues.

These brochures would be exclusive in terms of not being inside the **Tool Talk** itself, but simply included in the envelope, so you can read them or not without any impact on the time you have for the newsletter itself.

In addition, some of you may feel that you would like **your brochures** or advertisements offered to the membership. This would be available at a much reduced rate vis-à-vis any non-member advertisement.

I feel this could generate funds and keep your costs down.

Please fax the enclosed sheet back to Robert Dumont at MTA at (248) 488-0500 indicating whether or not you would be in favor of this.

MTA Calendar of Events - February

NOTE: All seminars & training programs this month are being held at the MTA Training Center in Farmington Hills unless otherwise noted.

15 Deadline for sending in items for **Tool Talk**
20 MTA Workers' Comp Fund Board of Trustees meets
26 MTA Board of Directors meets

Law Talk

Treatment of Employees Called to Active Duty

By: Marc S. Wise, Esq.
Elaine A. Parson, Esq.
Raymond & Prokop, P.C.

The military has recently begun calling reservists to active military duty. This article summarizes some of the rights and responsibilities of individuals and their employers under the applicable laws.

Health Care Issues

With respect to health coverage, generally speaking, employers should be aware that COBRA, the Consolidated Omnibus Budget Reconciliation Act, provides health care coverage continuation rights to employees and their families when the employees are called for active duty.

Although after thirty days, an active military person and his/her dependents should be covered by military health care, nevertheless, COBRA and USERRA, the Uniformed Services Employment and Reemployment Rights Act of 1994, generally allow individuals who are called for active duty to continue coverage for themselves and their dependents under an employer provided group health plan for up to eighteen months.

If military service is for 30 days or less, the employee and his/her dependents can continue the employer provided health care coverage at the same cost as before the short military service. In circumstances where an employee is called to active duty longer than 30 days and incurs a loss of employer provided health care coverage, the appropriate COBRA notice should be provided.

After an employee returns from active military service, another law know as HIPAA, the Health Insurance Portability and Accountability Act, in addition to USERRA, gives the employee and his/her dependents rights to re-enter the employer's health care plan or another group health care plan without the imposition of a waiting period or any other exclusion period, if health coverage would have been provided were it not for the military service. The only exception to USERRA's requirement occurs if an illness or injury is determined by the Secretary of Veterans Affairs to have been incurred in or aggravated by service in the Uniformed Services.

Retirement Plan Issues

With respect to any employer retirement plans, USERRA requires that the period of military duty be counted as covered service with the employer for eligibility, vesting and benefit accruals. Returning employees are treated as though they had been continuously employed during their military service.

It should be noted that employees are entitled to employer contributions only to the extent that the employee actually makes contributions to the plan. When an employee is absent on active military duty, the employer is not required to make contributions to the employee's 401(k) account. Nevertheless, once the employee returns from military duty and is re-employed, the employer must make the employer contributions that would have been made had the employee been employed during the period of military duty.

With respect to employee contributions, the employee has a period equal to three times the period of military duty, or five years, whichever comes first, to make up any missing employee contributions. If the employee makes up the missing contributions, the employer must make up any matching contributions.

Federal law provides that: (1) make-up contributions under USERRA are not subject to the various annual limits on plan contributions and benefits and contribution deductions, (2) make-up contributions may be made without violation of various plan qualification requirements, and (3) the repayment of plan loans may be suspended during an employee's performance of military service.

For purposes of determining the amount of the maximum amount of make-up elective deferrals, employer contributions as well as the limitations on contributions to defined contribution plans, an employee is generally treated as receiving compensation from the employer during the period of the employee's qualified military service equal to the compensation the employee would have received during the period of qualified military service. This amount is to be determined based on the rate of pay the employee would have received from the employer but for absence during the period of qualified military service.

Complying with the laws relating to employees is not difficult once you understand there are special rules that apply to employees who are in the military service.

More guidance relating to the treatment of employees who are called to active military duty can be found at the U.S Department of Labor's Veterans Employment and Training Service ("VETS") website, http://www.dol.gov/vets.

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Marc Wise and Elaine Parson are members of the ERISA Controversy/Employee Benefits Group of Raymond & Prokop, P.C. They represent employers is all areas relating to ERISA and Employee Benefit matters. Their address is 26300 Northwestern Hwy., 4th Floor, Southfield, Michigan 48076. They can be reached at (248) 357-3010, or by email at MWise@RayPro.com or EParson@RayPro.Com .

From the Desk of Gary Wood

Administrator MTA Workers' Comp Fund

What's Up with the Fund in '03?

Q.: *What is going on at the MTA Workers' Compensation Fund?*
A.: *Not Much!*

Many of you have been asking about some of the recent changes you have heard about. The only thing that has changed from the Fund's perspective is that we were able to obtain approval from the State of Michigan to become self-administered.

Everything else you have heard is related to the MTA Service Company, which was a separate entity that provided contract service to the Fund, or to the MTA itself. The Fund is as it was.

Q.: *What does the self-administered status mean to the members of the Fund?*
A.: *Very few changes will be apparent to the Fund members.*

The goal of the Trustees was to bring the operation of the claim-handling department internal to the operation of the Fund. It was determined that there would be certain economies to the Fund if the Trustees assumed that control.

Initially it was presumed that MTA loss control operations would continue as an independent organization that would contract to the Fund for required services. At somewhat the last moment that did not occur, and the Fund needed to hire a loss control staff. The loss control operation is now an additional direct responsibility of the Trustees.

Q.: *Is this going to cost more money?*
A.: *The cost to the members should decrease.*

The Trustees have worked extremely hard to maintain the cost of workers' compensation coverage for the members. This change is similar to the steps taken last year in reducing the Fund's overhead by placing the excess insurance with a different carrier. The cost of excess insurance was burdensome and a new opportunity presented itself.

Q.: *What about loss control?*
A.: *The Trustees have taken the necessary steps to provide ongoing loss control.*

Loss control is extremely important to the successful operation of the Fund. The staffing will soon be in place to provide exemplary service to the members. Please see the news release printed in another section that discusses the Trustees immediate plans.

Q.: *How do I know who to contact?*
A.: *The Fund's mailing address has changed to:*

Michigan Tooling Association
Workers' Compensation Fund
P. O. Box 9150
Farmington Hills, MI 48333-9150

Please note the following staff assignments.

Claims Staff

Donna Motley, Acting Claims Manager	Ext. 1011
Cindy Jackson, Indemnity Claim Adjuster	Ext. 1009
Marci Merath, Claim Technician	Ext. 1005
Linda Murphy, Indemnity Claim Adjuster	Ext. 1007
Denise Peraino, Medical Claim Coordinator	Ext. 1004

Loss Control

Bill Hoke, Loss Control Coordinator — Ext. 1104
Mobile Phone 231-250-1977

Premium Accounting

Glenda Moyle, Premium Accounting Mgr — Ext. 1315

Administration

Gary Wood, Fund Administrator — Ext. 1316

NOTE: The Fund's new phone number is 248-488-1172 and the fax is 248-488-1980.

Trustees' News

At the January Trustees' meeting, Jerry Decker (**Precision Boring**) was elected for another term as chairperson, Richard Smith (**Wolverine Bronze**) was again elected as vice-chairperson, and Jack Accardo (**Tishken Products**) returned as treasurer of the Fund. Thanks to these officers and those Trustees elected to serve another term.

The renewal of the Fund was very successful with nearly a 99% renewal rate. The rate would have gone higher but one rather large company was brought into their national corporate policy. That is an amazing result.

The number of employers increased from 2002, although there still is a nagging decrease in reported payrolls for 2003, due to the economic conditions prevalent in and around the automotive business.

The Fund members will get an additional bonus this month. The Trustees have found a way to reduce the experience modifications charged the members. Look for the notice in your February billing.

Please remember that the Trustees welcome your comments and input; please direct any correspondence to: Gary Wood, Fund Administrator, MTA Workers' Compensation Fund, P. O. Box 9150, Farmington Hills, MI 48333-9150.

MTA Workers' Compensation Fund 2003 Premium

Editor's note: this news release was sent with the WC premium billings mailed out on January 20, 2003.

The good news is in and the renewal was as successful as expected. Over 98% of the members renewed! The Fund is larger than last year at this time and the premium volume is estimated higher than it has been for several years **(with no increase in rates)**.

Premium Billing:

Last month you were told that the Trustees had discovered an opportunity to deliver additional savings to the members through revising the experience modifications applied to the premium.

The savings have been computed and are included in this billing cycle (due on February 10, 2003). Your savings will be spread over the remaining ten payments; the amount will vary by member.

The premium showing in this billing is the "new" premium after the revision. The amount shown for the down payment and the January payment assumes you have paid the amount billed during the last two months.

If you did not pay the amount indicated in the original billing or did not make a payment you could owe more premium than indicated on this schedule. If you paid your entire premium in advance, we will adjust the amounts on audit.

Renewal Requirements:

The Trustees ask that you all provide certification of the existence of a policy controlling illegal drugs and alcohol usage as a prerequisite for renewal. We are enclosing a reminder for those of you that may not have complied as yet..

All Fund members must supply this certification. The penalty for failure to do so is the possible cancellation of your coverage. Please take the necessary steps to ensure your ongoing coverage.

The Trustees consider your input to be very important to the success of the Fund. If you have questions about this or any other matters, please contact me at 248-488-1172.

Safety Talk

MTA WC Fund Loss Control Services

by: Gary Wood, Administrator

Welcome to a new year! This year should bring many improvements to the quality of loss control visits conducted by the staff of the Fund. The Trustees now require that every normal visit include: a detailed analysis of your loss history to help identify and control future losses; an in-depth review of your current programs; and recommendations as to what is required in your shop by MiOSHA. You are to receive a detailed survey of your operations and a written report highlighting any deficiencies in either programs or physical hazards that you need to address.

It remains the Trustees intention that every member receives fair and meaningful loss control services. We now have an opportunity to grow with a restructured program and a renewed interest in addressing the cause of claims and resolving the frequency and severity issues at each member's facilities.

Effective January 1, 2003, the Trustees have named Bill Hoke as the Coordinator of Loss Control Services. Bill has an extensive background in safety engineering and has been providing these services to our members since 1997. Bill will personally be available to complete scheduled visits and will handle emergencies as necessary. He will soon have additional staff that will be calling on you to provide loss control services to a new higher standard.

Many new regulations that affect your business went into effect in 2002 and there are more changes for 2003. In order to provide you current information and keep you abreast of the latest changes that will affect your company's safety program, we are modifying the seminar program.

To streamline that flow of information you now have the opportunity to obtain information directly from the source (MiOSHA), which were sent to all fund members last month.

Upcoming Seminars

We plan to provide for new employee orientation programs at the Farmington Hills office. Offered training will include:

- Hazard Communication
- Hazardous Energy Control
- Personal Protective Equipment
- Industrial Truck License
- Overhead and Gantry Crane Operators

The Fund staff will continue to monitor the world of safety and regulatory agencies and provide programs designed to benefit the Fund members. The Trustees are dedicated to making loss control better and more meaningful for the members. Please call me, Gary Wood, if you have any questions, at 248-488-1172, ext. 1316.

Unemployment Taxes Increase

Over the last few years many employers have seen their unemployment tax rate decrease. Some employers have seen their rates reduced due to lower claims over the last few years, due to the economy and the high level of employment in the state of Michigan.

2003 has seen a sharp change in this picture. Many employers have seen a rise in their unemployment benefit charges as the result of having to lay off workers. This has translated into higher tax rates. In addition, there was a statutory increase that went into effect this year causing one of the three components to as much as double in many instances.

Some employers may have had their tax rates computed incorrectly resulting in a higher than necessary tax. Employers need to make certain that they have been given credit for the full amount of the taxes paid to the Unemployment Agency and only charged for benefits that are properly chargeable to their company's rating account.

Unemployment taxes are controllable with the proper administration of the unemployment claims and taxes. Many employers have a tendency to accept whatever the Unemployment Agency determines as being correct. This can become quite costly. A 1% error in your tax rate translates to $90 per employee. Fighting all contestable claims can result in a considerable reduction in the tax rate and save employers thousands of dollars in taxes.

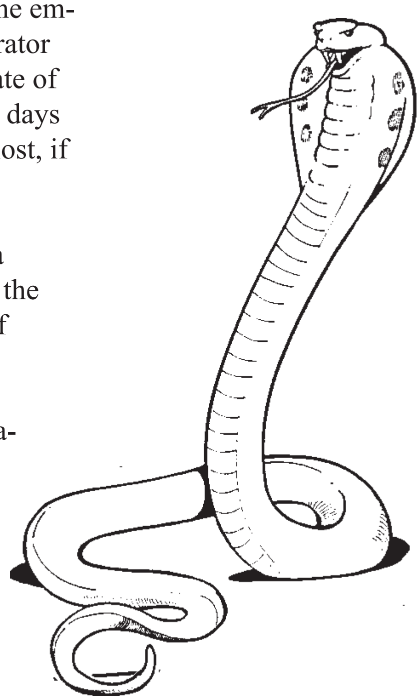
The MTA has contracted with a firm that specializes in this area. Packer & Associates provides a special discounted service to our members. If you are not currently taking advantage of this, contact Brian at (800) 482-2971. Packer & Assoc. will review your tax rate free of charge.

MTA Agency News

by: Mark Tyler, General Manager
MTA Insurance Agency

COBRA Tip: Dropping Coverage in Anticipation of Divorce

When a divorce (or legal separation) results in a loss of coverage for a spouse covered under a plan subject to COBRA, the spouse is entitled to continuation coverage for up to 36 months from the time of the divorce or legal separation. A plan must offer the opportunity to elect COBRA coverage only if notice of the event was provided to the employer or plan administrator within 60 days of the date of the decree, or within 60 days of the date coverage is lost, if later.



What happens when a spouse is dropped from the plan "in anticipation" of divorce?

Under COBRA regulations, if an employee drops dependent coverage in anticipation of a qualifying event, such as divorce, the employee's action must be disregarded in determining whether the subsequent event caused a loss of coverage. In other words, the spouse whose coverage was dropped in anticipation of divorce becomes a qualified beneficiary entitled to COBRA benefits when the divorce occurs, even though the employee canceled the spouse's coverage in advance of the event.

When does the spouse's continuation coverage begin?

On December 30, 2002, the Internal Revenue Service issued Revenue Ruling 2002-88, which answers the following:

If an employee cancels his/her spouse's coverage under a group health plan in anticipation of their divorce, when is the group health plan required to make COBRA coverage available to the spouse?

In its ruling, the IRS restates its position that employers and plan administrators are not responsible for providing coverage for a divorced spouse during the period between the time the employee eliminated the spouse's group health plan coverage and the date of the divorce. The ruling states: " There is no authority under COBRA statute or regulations to require a plan to make COBRA available before the date of a qualifying event." Therefore, the spouse could experience a lapse in coverage between the time the employee dropped the spouse from the plan and the date of the divorce decree.

Unfortunately, the ruling does not address this challenging question: How does an employer or administrator ascertain that the dropping of a spouse's coverage by the employee was, in fact, in anticipation of their divorce? It appears that the burden remains on the employer (naturally) to investigate the underlying intent whenever an employee drops a spouse from group coverage.

Update on 19 to 25 Year Old Dependents

BCBSM sent at the end of last year a list of all members who have dependents aged 19-25 that may no longer be eligible for coverage as a dependent. Please remind these members to fill out an Enrollment/Change of Status form if their dependents meet the eligibility requirements to remain on the contract. This form must be received no later than February 28th for the dependents to be re-instated on the contract; the Blues have automatically removed dependents effective 1/1/03, if a form has not been received to date.

In Memoriam

It is with deep sadness and regret that we note the passing of Louis Small on December 26, 2002, at the age of 89. Mr. Small was a mechanical engineer and founder of **Service Diamond Tool Co.** of Ferndale, a long-time member of the Michigan Tooling Association.

Economic Talk – The Dana Viewpoint

by: Mike Dana, CEO
Dana Investment Advisors, Inc.

Fat Man and Little Boy

These were the atomic bombs dropped on Hiroshima and Nagasaki on August 6 and August 9, 1945. Here we are fifty-seven years later and concerned about weapons of mass destruction and a war with Iraq, not to mention North Korea.

In 1942, we were coming off three consecutive years of a declining stock market, and in April of that year it appeared we were headed for a fourth as the war in the Pacific was progressing badly. Now fifty years later, we have just ended three consecutive years of a declining stock market and are facing a possible war with Iraq. In addition to that, of course, are a sluggish economy, disappointing earnings reports, continued layoffs and corporate scandals.

Well, out of such gloom and doom, bull markets are born. You may recall …that we felt a good bottom could be put in at 7500 on the Dow. The market dipped slightly below that level in October and is currently at 8750. We have seen nothing to make us reconsider our stance. Corporate scandals are abating as are earnings disappointments. Market reaction to negative news is now only mildly disruptive.

We Americans by nature are an optimistic lot, and it is now time to get on with business. At times our optimism creates the very problems we had in the 1990s - over capacity in the hi-tech and telecommunication industries, over-investing in the stock market that pushed prices to extreme levels, and a certain amount of greed resulting in the corporate scandals and a three year bear market. This is nothing new. It seems to happen every sixty or seventy years, as the younger generations forget the lessons of the past.

This is not to say we will immediately return to the stock market of the 1990s. Very unlikely, as there will continue to be skepticism on every market rally. Skepticism is good in a bull market, as is a return to more reasonable investments goals.

As we write this, President Bush is ready to outline his economic stimulus program. Tax cuts as we have stated in the past are always good, as they put more money in the pockets of consumers - consumer spending represents 67% of the GDP. Some question how eliminating the tax on dividends will help. Very simply by encouraging more investment in common stocks. A rising stock market is healthy for business and consumer confidence, thus increasing spending by businesses to create new jobs and by giving consumers confidence to spend. There will be some further incentives for business such as an accelerated depreciation schedule to promote more business expansion.

In addition to these incentives, Congress has a great opportunity to accomplish something with regard to health care. We now have a majority leader in the Senate who is also a doctor and has demonstrated a strong humanitarian streak with his volunteer medical work, particularly with AIDS victims in Africa. The baby boomers are reaching retirement age and are now living longer than ever. This means an increased need for health care.

Incentives must be provided for the health care industry for the research and development of new procedures and drugs. Technology is moving ever faster today, and we should also be able to provide medical care at a more affordable level. We can only hope both parties in Congress will work together to bring about this economic recovery.

Is the Fed passé? A good example of power and ego run amok. The Fed was originally created by Congress to make sure there was adequate money to keep the economy moving forward. Nothing was said about controlling interest rates or micromanaging the economy. Interest rates are a function of supply and demand. The Fed needs to make enough money available to ensure the economic recovery.

FYI

Correction; last month we listed that the FICA Wage Limit for 2003 would be $87,300. That should have been **$87,000**. Sorry for any inconvenience that might have caused.

The Marketplace

For Sale:

G-DuFout horizontal mill 10 x 52.
Asking price: $800.00 w/tooling
Mori-Seiki CNC lathe, S-L 28, 10" cap.
Asking price: $20,000.00
Yvada lathe 22" x 48" 1985.
Asking price: $5,000.00
Elox Electron Drill (doesn't work)
Best offer.
Lodge & Shipley lathe 14 ½ x 30.
Asking price: $1,000.00

Contact: Bob or Karen Whiting @ Precision Parts (248) 685-1188.

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Personnel Available:

Chief executive officer seeks position as on-site engineering consultant to improve and develop new processes related to machine tool operations. Ask for **Resume 03-01**.

Project manager seeks position utilizing experience in contract engineering for tooling and component suppliers and team manager on multiple programs for tooling systems. Ask for **Resume 03-02**.

Director of public relations/co-founder of skilled trades personnel office seeks position as business development specialist. Achievements include developing test-marketing programs for engineering and information technology; developing ad campaigns; trained managers on interviewing; opened an office to provide qualified, skilled personnel to Tier 1 manufacturing companies; developed new accounts, recruited personnel and managed office personnel. Ask for **Resume 03-03**.

Inflation Talk

CPI-W Urban Wage Earners and Clerical Workers

Month	82-84	1967	57-59
Dec 2002	177.0	527.2	613.2*
Nov	177.4	528.4	614.5*
Oct	177.3	528.2	614.2*
Sept	177.0	527.3	613.2*
August	176.6	526.0	611.8*
July	176.1	524.5	610.0*
June	175.9	524.0	609.4*
Dec 2001	172.9	515.0	599.0*

CPI-U All Urban Consumers

Month	82-84	1967	57-59
Dec 2002	180.9	541.9	630.2*
Nov	181.3	543.1	631.6*
Oct	181.3	543.2	631.6*
Sept	181.0	542.1	630.6*
August	180.7	541.2	629.5*
July	180.1	539.5	627.4*
June	179.9	538.9	626.7*
Dec 2001	176.7	529.2	615.6*

Note: December CPI-W represents a 2.4% increase from one year ago; CPI-U a 2.4% increase.

* Base Year 1957-59 is no longer released. BLS has issued the following conversion factors from the 82-84 year:

CPI-W - .2886674   CPI-U - .2870447

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Send to **MTA - Attention: Tool Talk Editor**