



Letter to Members and Retirees of Local 1005 USW What's Going On?

U.S. Steel has asked its Canadian workers to give up a defined benefit pension plan for new hires and give up indexing on the current plan. It says times have changed and it requires relief in the form of concessions on benefits and pensions that have been part of Hamilton workers' culture for over fifty years. What's this all about?

When U.S. Steel bought Stelco on October 31, 2007, it was full aware of its obligations toward the over 8000 pensioners and the pension fund. It signed a contract with the federal government guaranteeing employment and production levels and declared in press releases that its takeover would be no problem for Canadians and even a "net benefit", swearing up and down that Hamilton workers and community businesses were safe with them. Fully aware that the business climate is sometimes fair and sometimes foul it did due diligence into the viability of the Stelco plants and made public and contractual commitments to the people of Canada that its seizure would not harm us and our communities.

Since U.S. Steel purchased Stelco, nothing has changed as far as its present obligations to the pension plan, its contract with the government on production and employment levels or the business cycle that went down and is now trending upwards. But today, U.S. Steel is singing a different tune. Why is this? Why should Hamilton Steelworkers give up their defined benefit pension plan and indexing just because it suits U.S. Steel to sing another tune?

We are reproducing below a letter published by a representative of U.S. Steel in the *Hamilton Spectator* on October 5, 2007 which shows that it is not us who are not in tune with the times. It is U.S. Steel. Our commitment to our pensioners and new hires is not a PR job and is not for sale.

STELCO'S PENSIONS SAFE WITH U.S. STEEL

Re: Stelco pension funding at risk over sale: Union –Sept. 28/07

Gretchen R. Haggerty, Pittsburgh, Executive Vice-President and CFO U.S. Steel

We would like to clear up any confusion and relieve any concerns Stelco's employees and pensioners may have about the security of their pensions on the closing of our transaction to buy Stelco. U.S. Steel has agreed to significantly improve the security of the Stelco pension plans. We did so in two ways. First, we agreed to unconditionally guarantee pension funding obligations at the corporate (as opposed to Canadian subsidiary) level. Thus, instead of having to rely solely upon Stelco's ability as a stand-alone enterprise to generate the cash necessary to meet pension funding obligations, Stelco's employees and pensioners can now look to the strength of our entire company to do so. Second, we agreed to make an extraordinary payment of \$32.5 million into the plans up front at closing. This is in addition to the pension payment schedule agreed upon by the Ontario pension regulator and Stelco.

In order to make our purchase offer, we asked that two provisions of the Stelco pension agreement be changed: The dividend restriction and free cash sweep.

These provisions made sense for Stelco as a stand-alone enterprise, but do not make sense if Stelco is part of an integrated company with a large and diverse shareholder base.

Moreover, given Stelco's limited financial means as a stand-alone company, it was clear neither of these provisions would likely result in any meaningful contributions to the Stelco pension plans. By agreeing to amend these two provisions, the province of Ontario was able to require significant improvements to the security of the plans for Stelco's employees and pensioners.

Of course, all laws that presently apply to Stelco will continue to apply, as will all other provisions of the Stelco pension agreement, including those provisions requiring pension contributions to fully fund Stelco's pension plans by 2015.

We want Stelco's employees and retirees to know that we understand the fundamental importance of sound pension funding. We have a large defined benefit pension plan for decades. We take our obligations very seriously and are proud of the fact that today that plan is fully funded. In fact, over the last four years, we have made over \$700 million in voluntary contributions to that plan. We will honour our commitment to the Stelco pension plans. That is our history and track record.

We look forward to closing the transaction, and to Stelco's employees becoming part of U.S. Steel.

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For Information: Pensioners and Active Members are invited to Local 1005's Weekly Thursday Meetings 3:30 p.m., Union Hall, 350 Kenilworth Avenue North, Hamilton.