



IBM in Providence: Big Blue sees red from its team

Emotions run high as current and former members of the IBM family pepper CEO Samuel Palmisano with questions about pensions, health-care benefits and job losses.

09:00 AM EDT on Wednesday, April 28, 2004

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PROVIDENCE -- Samuel J. Palmisano is the top executive of world-famous IBM.

But to people who spoke at yesterday's annual shareholders meeting, he was simply "Sam."

Indeed, some of the angriest voices among the 354 shareholders and others who gathered in the stadium-sized ballroom at the Rhode Island Convention Center were those who count themselves as part of the IBM family.

People who worked at IBM. People who retired from the company. And people who are watching IBM jobs go to India. Many of them traveled from Vermont and New Jersey, Washington, D.C., and Florida to attend yesterday's meeting. Some paid their own freight to stay at \$109-per-night rooms at the Holiday Inn.

As the shareholders spoke, news reporters from CNBC, CNN, Reuters, Business Week and the local ABC affiliate gathered as about 50 protesters -- current and former IBMers and other union members -- marched outside the convention center shouting through bullhorns and demanding that the company stop shipping U.S. jobs overseas.

IBM's 52-year-old chairman, president and chief executive officer was on the defensive yesterday.

"I think you'll agree that IBM is not the same company as it was just a couple of years ago," Palmisano told shareholders. "Sometimes you have to leave behind parts of your business that no longer provide value [to customers] and you have to do that without any emotional attachment. Things that don't represent your future."

The future is precisely what worries Art Richter.

The silver-haired IBM retiree stood up during the question-and-answer part of the meeting and told his former boss that retirees' pensions are being eroded. Their standard of living is declining.

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"Where is family values?" Richter asked. "Where is commitment? Does management have no shame?"

Palmisano responded, "Your concerns are very valid about the cost-of-living increases; about the cost of health care."

He then told Richter that he had some of the facts wrong. The government, not IBM, determines how pension benefits are calculated.

The problem, Palmisano said, is bigger than IBM. "It's about the long-term success of the U.S. economy . . . transforming from an information society to an innovation society."

At one point, Palmisano announced that IBM would respond to specific concerns from retirees at a "town meeting" after the shareholders meeting adjourned. But only former IBMers were allowed to attend, not the media. (Security guards even turned away the wife of one IBM retiree because, she said, she never worked for the company.)

Resolution No. 6 on the agenda was a stockholder proposal on pension and retirement medical benefits. The resolution asked the board of directors to adopt a policy to end "age discrimination in retirement policies" by allowing "all employees, regardless of age, to choose the promised pension and retirement medical insurance under the terms in effect before IBM adopted changes in 1995 and 1999."

A 37-year-old patent lawyer from South Burlington, Vt., who used to work as an engineer for IBM, spoke in support of the resolution.

James Leas accused IBM of "stealing earned compensation [from retirees] when they were old and most in need."

Leas told Palmisano, "When you and Mr. Gertsner, [IBM's former CEO] reneged on retirement pensions and medical, you blew that competitive advantage. You blew that loyalty and trust."

There are a lot of problems with the health-care benefits that are unique to Vermont, Palmisano said, although he did not elaborate.

While saying he had "compassion" for IBM retirees, Palmisano added: "Health care is a huge societal problem. The costs are escalating 15 percent to 20 percent a year. I agree it's a crisis today. . . . We're one of the few companies left that can afford to provide it."

The resolution failed.

IBM employs about 320,000 people worldwide, including 210 in Rhode Island.

Among those who attended yesterday's shareholders meeting was Sandy Anderson, a 62-year-old retiree from Vermont who co-founded Benefits Restoration, an independent organization of IBM retirees, after he learned that his contribution to his IBM health-care premiums more than doubled, to more than \$5,000 a year.

Benefits Restoration is working side-by-side with the Alliance@IBM, formed in the 1990s as an offshoot of the Communications Workers of America, to fight against reductions in pension benefits. Recently, the group has been focused on fighting the offshoring of IBM jobs overseas.

When Palmisano responded to a question about the movement of jobs abroad, saying, "We view this as a much broader issue, it's phenomenally complex," one elderly shareholder named Evelyn Davis from Washington, D.C., blurted out: "You know darn well that's a little shyster type of an answer!"

Pat Joselyn, the red-headed director of communications for Benefits Restoration, told Palmisano about a man who was practically in tears because his \$1,125-a-month pension barely covered his \$900-a-month in health insurance payments.

"I can go back to work," Joselyn said. "But there are some IBMers who are older or ill.

"I don't want IBM to fail," Joselyn went on. "I'm still part of the IBM family. . . . You've got some family members, Sam, who are in deep trouble. They need your help."

Richard Sheridan, a 61-year-old IBM retiree, drove more than two hours from Stamford, Conn., to attend the meeting. His primary concern: health-care benefits. "That's the only reason I'm here," he said.

Dressed in navy slacks and a royal blue check sports shirt, Sheridan said that he's not usually the type to raise a fuss.

"Doesn't fit with the personality," he said, describing himself as a "more conservative" type.

What does he want from IBM?

"To honor what they promised us," Sheridan said. "They're running away."

Were they satisfied with Sam Palmisano's answers?

"I've heard the party line before," said one IBM employee who asked that her name not be printed. "[Palmisano] expressed sympathy, but I didn't hear any concrete statements that things would change."

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