EDWARD STONE LAW

Legislative Testimony in Support of Raised Bill No. 5595
Public Hearing, Judiciary Committee
March 31, 2014

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Mr. Chairman, esteemed Members of the Committee:

I would like to thank the Committee for holding a public hearing on this critical issue for retirees. My name is Edward Stone, and I am a Connecticut resident and attorney. I represent the Association of BellTel Retirees, Inc. (the "Association") and Protect Seniors.org, a retiree advocacy group working to protect the pension and healthcare benefits of thousands of retirees nationwide.

In December of 2012, Verizon transferred 41,000 retirees out of its defined benefit pension plan into a group annuity contract with Prudential. The Verizon/Prudential transaction took away all of the protections intended by Congress under ERISA and left the 41,000 subject to a patchwork network of non-uniform state laws. Under ERISA, retirees were protected by mandatory fiduciary standards, uniform exemptions from creditor claims and bankruptcy trustees and received regular disclosures about the funded status of their pensions. Now that the 41,000 have become annuitants, they are no longer entitled to ERISA protections and they no longer receive annual statements or any sort of notice in the event of a subsequent transfer by Prudential to another annuity provider. Raised Bill 5595 is designed to protect retirees by requiring certain

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mandatory disclosures on an annual basis and advance notice in the event that Prudential seeks to transfer the annuity contract to a third party.

The financial crisis taught us that no company is too big to fail, and Prudential is certainly no exception. Given Prudential's concentration of risk in long duration liabilities, unless measures are taken now to encourage transparency and accountability with respect to separate account assets and long duration liabilities, retirees will only learn about a problem when it is too late. Retirees have a right to know what is happening with their assets and parties to de-risking transactions should be required to inform retirees of any material developments with respect to their future annuity payments on a regular basis. Prudential's ability to withstand a liquidity crises or another economic downturn is not at all certain.

Pension benefits are not handouts. Retirees earned their benefits through years, if not decades of hard work, dedication and sacrifice. Requiring companies like Prudential to provide reasonable disclosures to retirees is an important first step to replacing ERISA's comprehensive scheme with reasonably equivalent protections under state law when pension obligations are transferred to annuity providers in a de-risking transaction. The disclosures contemplated by Raised Bill 5595 will provide much needed piece of mind to retirees without creating an undue burden for annuity providers. This will benefit consumers, regulators and responsible insurers alike. Please support Raised Bill 5595.

Sincerely,

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