Legislative Testimony in Support of Proposed Bill No. 493
AN ACT CONCERNING THE PURCHASE OF AN ANNUITY TO FUND PENSION BENEFITS
Public Hearing, Insurance and Real Estate Committee – February 16, 2017

Chairmen, Members of the Committee:

Thank you for holding a public hearing today on the need for protections for retirees in pension de-risking transfers. My name is Edward Stone, and I am a both a Connecticut resident and attorney. Today I am here representing the interests of the Association of BellTel Retirees, Inc. and ProtectSeniors.org, a retiree advocacy group working to protect the pension and healthcare benefits of thousands of retirees nationwide.

Since 2012, pension de-risking transfers by companies like GM, Verizon, and J.C. Penney have impacted hundreds of thousands of retirees. In our own state, $775 million of pension benefits of retirees from Farmington based United Technologies, the parent company behind Otis Elevator, Carrier Corp., Pratt & Whitney, Hamilton Sunstrand, Kidde Corp, Chubb Security, B.F. Goodrich, UTC Aerospace Systems, and Sikorsky Aircraft were transferred to Prudential in a transaction that impacted over 36,000 retirees. Pension de-risking transfers help corporations reduce their volatility and pension expenses, but they also take away all of the uniform protections intended by Congress under ERISA. Once a pension risk transfer takes place and a group annuity contract has been purchased ERISA no longer applies and retirees become subject to non-uniform state laws.

In 2015 Connecticut took the first step in protecting retirees impacted by pension risk transfers, enacting Public Law No. 15-167. This law provides creditor protections to retirees in pension de-risking transfers so that Connecticut retirees affected by pension de-risking transfers are now fully protected from garnishment actions by creditors and bankruptcy trustees – just like they were as pensioners under their original ERISA protected defined benefit plans.

However, retirees are still in need of more protections in pension de-risking transfers. Proposed Bill No. 493 addresses two critical needs. The bill will further protect retirees by (1) limiting future transfers of a group annuity contract to a well-capitalized annuity provider, and (2) requiring certain mandatory disclosures on an annual basis.

Edward Stone Law P.C.
175 West Putnam Avenue, 2nd Floor • Greenwich, CT 06830
Tel (203) 504-8425 • Fax (203) 348-8477
Email: eddie@edwardstonelaw.com

The purpose of a limitation on subsequent transfers is to prevent a healthy company from transferring retiree benefits to a financially troubled company and putting retirees at risk in the process. Not all insurance companies are equal and retirees need to know that their pension benefits are in the hands of a capable, reputable company.

The type of annual disclosures retirees want to see are simple and straight forward. Pension assets are held in a separate account for the benefit of retirees and retirees want to know how the invested assets are faring. A simple statement that shows changes year over year on an asset class by asset class basis, along with an annual "funded status" report relative to expectations and any changes in actuarial assumptions is all that is needed and this information is well known to any insurers involved in the pension de-risking industry. Transparency and accountability is in the best interest of retirees, insurance regulators and responsible annuity providers alike.

Providing annual disclosures and limiting future transfers to a well-capitalized and highly rated annuity provider will help to protect retirees from an insurance company insolvency and its aftermath. Pension de-risking is a big business involving hundreds of billions of dollars. The time to look under the hood is now – before it is too late to take action. Proposed Bill No. 493 is an important step in the right direction for retirees and their families. It is revenue neutral and will provide much needed peace of mind to retirees who earned their pensions many years ago.

I urge you to support **Proposed Bill No. 493 – AN ACT CONCERNING THE PURCHASE OF AN ANNUITY TO FUND PENSION BENEFITS.**

Sincerely,

Edward S. Stone

Dated: February 16, 2017

Stone, Edward Testimony Bill No. 493 02.16.17 (final)

175 West Putnam Avenue, 2nd Floor • Greenwich, CT 06830
Tel (203) 504-8425 • Fax (203) 348-8477
Email: eddie@edwardstonelaw.com