



For Immediate Release:

### **Senator Tony Avella Announces Legislation to Protect New York Retirees Against Pension Stripping**

September 16, 2013 – New York State Senator Tony Avella announced new legislation that will protect retirees whose pensions get sold or spun off by their former employers. Many thousands of retirees have seen their hard earned pensions entirely divested of all federal Employee Retirement Income Security Act (ERISA) protections, as a result of a group annuity purchase from a life insurance company.

The legislation will protect retirees from pension stripping (aka de-risking), which transfers risks onto the shoulders of pensioners when a company sells-off the pensions of its retirees, usually to an investment fund or insurance company, often without the retirees' consent. This has the effect of converting pensions into annuities, which causes the retiree to lose uniform federal protections under ERISA and significant protection from the Pension Benefit Guaranty Corporation.

In 2013, Verizon sold off 41,000 former management retirees to Prudential Insurance Company and many of those retirees are current New York residents. General Motors sold off 76,000 retirees pensions to Prudential Insurance.

Senator Avella was joined by a group of New York retirees impacted by the pension sell-off. They spoke out against the decision to sell off pensions without giving them alternative options. They also expressed fears about the insurance industry's ongoing ability to meet their new obligations to retirees.

State Senator Tony Avella stated, "Retirees depend on their hard earned pensions and when companies go through the process of pension stripping, they are playing a risky game with a retirees' pension. By leaving affected retirees with virtually none of the long standing federal pension protection mechanisms provided by ERISA and the PBGC, companies are shifting the burden of risk onto pensioners. That is why it is necessary to provide protections to retirees whose pension plans have gone through pension de-risking. My legislation will put in place these protection mechanisms that retirees had before their pension plans were transferred."

Eileen Lawrence, a Verizon retiree and the leader of non-profit ProtectSeniors.Org said, "It is outrageous that I devoted 37 years at NYNEX and New York Telephone to have Verizon sell off my pension to bolster their bottom line. My fellow retirees and I once had pension protections under ERISA and PBGC insurance, but no more. Companies must not get away with stripping away protections that retirees earned."

Jack Cohen, Executive Vice President of the 128,000 member Association of BellTel Retirees said, "I, too, was one of the 41,000 Verizon managers who had my pension moved to a Prudential group annuity contract. This arbitrary decision was made without giving us any rights over what was being done with our retirement funds. Retirees like myself, are counting on our retirement income to sustain us in the years we are the most financially vulnerable."

Edward Stone, an attorney specializing in annuity financing, said, "I do not believe that the state guaranty safety net is sufficient to support an insolvency of a company as large as Prudential. As we learned in the recent financial crisis, no company is too big to fail and Prudential, which purchased the Verizon pension liabilities, is no exception." Retirees relocating to other states after their pension is transferred to an annuity may unwittingly divest themselves of guaranty association coverage. Annuitants living in New York who have \$500,000 of potential lifetime coverage could find themselves with just \$100,000 of coverage if they relocate to Arizona or 8 other states/U.S. territories.

John Hyland, who served as union chief steward for the Communication Workers of America (CWA) at NYNEX said, "We urge the State of New York to come to the rescue of retirees who have already had their pensions sold or are at risk of having their pensions sold off. These retirees worked a lifetime to fund their financial future and it is unacceptable that they now must live in fear waiting to see if their pensions are taken, sold off or transferred to another company. To date, Verizon has not yet sold off any of its union pension plans, while litigation filed by the Association of BellTel Retirees is pending in the federal courts."