

# AT&T Ameritech /SBC Retirees - We are AASBCR®

## Blue Bulletin

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### **NRLN Battles to Save Your Pension from “De-Risking”**

Do you have any doubt that companies employ smart people to find ways to cut their pension and benefit costs? Sure they do – that’s part of their job. But when those initiatives might harm the people who earned those pensions and benefits, who speaks up for retirees in Washington?

While companies study the laws on pensions and benefits to find loopholes they might exploit, who can retirees rely on to study what companies are doing, anticipate those moves, and develop proposals to change the laws and close the loopholes?

NRLN does that, but it doesn’t stop there. After developing proposed changes in the laws, NRLN meets with legislators and their staff to explain the changes and encourage them to vote those changes into laws. Legislators listen because they see how retirees support NRLN’s changes.

NRLN is effective. Recently three of its proposals were included in the Secure 2.0 Act, passed in December. One requires more timely notices to pensioners about annual pension plan funding. Another allows companies with overfunded pension plans to continue to transfer funds from their pension plans to fund their retiree healthcare and life insurance plans. The third one restricts a company’s ability to recover pension overpayments from retirees, to avoid a retiree receiving a huge bill attempting to recover a decade’s worth of overpayments all at once. Now they cannot seek recovery more than three years after the pension began, repayments cannot exceed 10% of the recovery amount per year, and they cannot be recovered from a beneficiary.

The AASBCR® mission includes advocacy for retiree benefits, so we support NRLN. We encourage our members to respond to NRLN Action Alerts, asking us to contact our representatives with a few clicks on the computer.

### **The Threat of De-Risking**

We recently received an email from NRLN about the dangers of pension plan “de-risking.” This is now a popular technique for converting pension commitments to annuities, managed by insurance companies or whoever the insurance company resells that business to.

Here’s how it works. Insurance companies buy the pension plan assets and liabilities, expecting to make money by investing those assets to make higher returns, but with greater risk. The selling company sheds the liability, enabling it to borrow more easily, and avoids making future contributions to fund its pensions. Often this transaction is limited to a subset of employees in the plan. It has already happened to IBM and Verizon management retirees.

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How does this hurt retirees? If all goes well, no problem. Insurance companies always think they are smarter investors than everyone else! But if their investments do not pan out, what happens to the pension payments that retirees are counting on?

These deals remove the Pension Benefit Guarantee Corporation (PBGC) guarantees to pay the pension when the new plan payer fails to do so, leaving only state guarantees that are usually capped at \$250,000 for one's entire lifetime. The backstop is gone.

Plus, the retiree protections in the Employee Retirement Income Security Act (ERISA) do not apply after a plan is sold. This opens the door to several potential harmful results: re-sale of the plans to non-certified (less safe) insurance companies; reducing the pension amount; forcing the retiree to accept a lump sum payment based on only a portion of the promised pension, or to pay annual fees; absence of a reasonable appeals procedure, and more.

So NRLN has done what they always do. They have drafted proposed language to change the laws to prevent these negative effects when such a transaction takes place. Now they are contacting legislators to explain the issue and urge adoption of the proposed language. AASBCR® President Mary Foley joined NRLN folks to discuss this issue with Senator Tammy Duckworth's staff late last month. Soon NRLN expects to ask us to let our legislators know we support this effort.

When NRLN asks for your support, please make those computer clicks to let your legislator know you support their ideas. As our website says, "The greater our numbers, the stronger our voice."

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