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UNITED, TO PROTECT OUR FUTURE

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December 21, 2015

Mr. Thomas Reeder, Director
Pension Benefit Guaranty Corporation
1200 K St. NW
Washington D.C. 20005

Dear Director Reeder,

It was Friday, October 18, 2013 that an historic conference call occurred between members of the PBGC Staff and the senior executives of the Association of BellTel Retirees and the leadership of ProtectSeniors.Org – the Association's legislative arm. BellTel is an organization representing the interests of over two hundred thousand retirees of the companies now making up Verizon Communications Inc. ProtectSeniors.Org is the champion organization representing the interests of all retirees regardless of the private or public sector entity from where they retired. Relatively fresh in the news back in 2013 was the transfer of pension assets into insurance annuities of 41,000 Verizon management retirees. Because of that transition there was a resulting revenue loss to the PBGC of $1.7M.

The PBGC was ably represented by:
Dave Gustafson – Chief Policy Actuary
J. Jioni Palmer – Acting Chief Policy Officer
Sanford Rich – Chief of Negotiations and Restructuring
Michael Rae – Deputy Chief of Negotiations and Restructuring
Chris Bone – Director of the Policy, Research and Analysis Department
Jim Armbruster – Assistant Chief Counsel

At issue, and subject to discussion and clarification, was the relatively new phenomenon called: "Pension De-Risking." Of primary interest to the retirees was how this apparent "downward pressure" to PBGC's revenue stream would affect policy and if steps would be taken by the PBGC to encourage administrative policy or legislative action to curtail this quickly spreading threat to existing Defined Pension Benefit Plans. It was the general consensus of the PBGC conferees, much to the surprise of the BellTel conferees, that these migrations to annuities were of no significant consequence to the revenue stream of the PBGC. The exact quote: "*did not constitute a reportable event.*"

This month (Dec. 2015) a PBGC Actuarial Study was published covering period 2009 – 2013, ending about two months after our conference call had taken place. Key observations based on the study as well as current events follow:

- More than 1 million defined benefit plan participants were affected by de-risking activity between 2009 and 2013
- 534 plans were studied with an average participant drop of 18%
- The study concluded that: "De-Risking activity reduces the agency's premium base"
- Per Participant Rate for Flat-Rate Premium in 2013 was $42; in 2016 it will be $64 = +52.4%
- July 2015 – IMF (International Monetary Fund) raised red flags due to pension risk transfers.

To the casual observer one would have to conclude that the PBGC has re-evaluated the "no consequence philosophy" and now considers anticipated "transfers of risk" to really be a "***reportable event.***" If that is a correct interpretation of recent reports and activities including rate increases, the question once again arises: *"Would the PBGC be willing to support legislative efforts to require some form of secondary guaranty or reinsurance to cover the risk that state guaranty association coverage proves to be inadequate to replace PBGC coverage amounts in pension stripping transactions?"* This question was among a series of follow-up questions to our conference raised by Mr. Edward S. Stone, ESQ – a prominent and well-respected attorney specializing in the field of Insurance.

Mr. Stone has put together the "Gray Paper," that accompanies this letter entitled: Pension De-Risking: A Retirees' Perspective. This was done at the request of the Association of BellTel Retirees Inc., and Protect Seniors.Org. The Association is still involved in funding Lee v. Verizon, a case, which is knocking at the door of the Supreme Court. Mr. Lee is a Verizon Retiree whose pension was one of the 41,000. ProtectSeniors.Org is pursuing legislative remedies in the States designed to replace some of the many protections lost during the "de-risking" process.

With your per participant rate up to $64.00 in 2016, representing a 52.4% increase from 2013, are there any other initiatives planned by the PBGC to assist in reinstatement of protections to retirees that were lost when pensions became annuities? Clearly, such a dramatic rise in rates must have the effect of accelerating the movement away from pensions and into group annuities. Eventually, the reality must be anticipated that you will be left with very fragile and weak pension assets to insure.

Since the under-funding issue remains, and continues to be further exacerbated by the flight away from traditional DPB Plans, of interest would be the long-term goals and objectives of the PBGC.

Instead of a conference call, perhaps another meeting, this time face-to-face, would clarify perspectives? We would be agreeable to either.

Sincerely,

Jack Cohen

Jack Cohen, Chairman
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Cold Spring Harbor, NY 11724

Sincerely,

James Casey

Jim Casey, President
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