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Plan Distributions

Pension Rights Center to Ask Congress For a Moratorium on Pension Cash-Outs

The Pension Rights Center will ask Congress to place a moratorium on large employers offering to cash out the pension benefits of current and former employees and retirees, the pension rights group said in an Oct. 18 news release.

Karen Friedman, the center's executive vice president and policy director, said a growing number of large companies are offering cash-outs as a strategy for "de-risking" their corporate balance sheets.

"These employers are looking to cut costs and reduce long-term liabilities to make their companies more attractive to investors, but 'de-risking' can be risky for workers and retirees," she said in the release.

Verizon Communications Inc. announced Oct. 17 that it was transferring the pensions of some retirees to the Prudential Insurance Company of America, an action similar to that taken by General Motors Co. in June (106 PBD, 6/4/12; 39 BPR 1030, 6/5/12), according to the news release.

Employers that sponsor defined benefit pensions have been keeping an eye on GM and Ford Motor Co.

after learning that both automakers are offering lump-sum settlements to former salaried workers now receiving monthly pension benefits (150 PBD, 8/6/12; 39 BPR 1475, 8/7/12).

Insurance company annuities backed by state guaranty associations could leave retirees with less protection than they would have from pensions provided by their companies, which are insured by the Pension Benefit Guaranty Corporation, the news release said.

The center will ask Congress "to take steps to put a temporary stop to pension offloading and lump-sum buyouts to give policymakers time to examine whether these strategies could result in sellouts of retirement security," it said.

The pension rights group has compiled a list of employers that have announced within the past several months that they are offering lump-sum pension buyouts to certain groups of employees, former employees, and retirees.

The news release is at <http://www.pensionrights.org/newsroom/releases/%E2%80%9Cde-risking%E2%80%9D-pensions-could-be-risky-pensioners>. The list of employers that have recently announced pension buyouts is at <http://www.pensionrights.org/publications/fact-sheet/companies-are-offering-lump-sum-pension-buyouts>.