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Annuities

De-Risking Bill Sent to Connecticut Governor; N.Y. Measure Stalled in Insurance Committee

A Connecticut bill that would provide pension plan participants protection from creditors when their plans are picked up by insurance companies through de-risking transactions is headed for the governor's desk.

The bill (H.B. 6772), which passed the state Senate on June 2, would require insurance companies to protect participants' and beneficiaries' pension annuities from creditors. The provision would mirror protections available for pension payments under the Employee Retirement Income Security Act.

David Bednarz, a spokesman for Gov. Dannel P. Malloy (D), told Bloomberg BNA in an e-mail June 5 that the governor's office is currently reviewing the bill. Bednarz didn't have an expected date for the governor's decision on whether to sign the bill.

The Connecticut bill was pared down from a more extensive proposal that matched best-practice recommendations on creditor protection as well as expanded disclosures offered by the Troy, N.Y.-based National Conference of Insurance Legislators (NCOIL) in November 2014 (42 BPR 567, 3/24/15).

Even without the disclosure provisions, the bill "is an important step in the right direction for retirees," Edward S. Stone, of Edward Stone Law PC in Greenwich, Conn., told Bloomberg BNA in an e-mail.

New York Bill. Meanwhile, pension de-risking legislation in New York that includes a similar creditor protection provision has yet to be raised in either the Senate's or Assembly's Insurance Committee. The bill was referred to the Senate's Insurance Committee in January, and the Assembly's companion bill was referred to its Insurance Committee in April.

The New York bill also would:

- require enhanced disclosure provisions;
- require supplemental protections in the form of a third-party guarantee or reinsurance contract so as to

equal the scope of coverage offered by the Pension Benefit Guaranty Corporation;

- allow retirees receiving pension benefits the option to request a lump-sum cash-out subject to certain mandatory disclosures;

- require that all de-risking transactions be vetted and approved by an independent third party created by and with the approval of the state insurance superintendent; and

- require that all subsequent transfers of group annuity contracts be vetted and approved by an independent third party created by and with the approval of the superintendent.

A spokesman for Sen. Neil D. Breslin (D), a member of the Insurance Committee, said the bill is unlikely to come up before the end of the Empire State's legislative session on June 17. Breslin is also a former chairman of NCOIL's State/Federal Relations Committee.

However, a spokesman for Sen. Tony Avella (D), the bill's sponsor, told Bloomberg BNA on June 5 that it's "definitely in the realm of possible" that it will come up before the end of the session.

Avella said in a statement to Bloomberg BNA that he and Assemblyman Peter J. Abbate Jr., sponsor of companion legislation (A6796), "remain committed to working hard to pass this bill because we know that hard-working New Yorkers deserve protection to ensure their retirement funds are secure."

The ERISA Advisory Council is also considering disclosure requirements this year, and plans to hand over a model disclosure to the Department of Labor before the end of the year (42 BPR 946, 6/2/15; 42 BPR 947, 6/2/15).

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Text of Connecticut's H.B. 6772 is at <http://op.bna.com/pen.nsf/r?Open=sfos-9x7mrx>. Text of the New York bill is at <http://open.nysenate.gov/legislation/bill/S1092-2015>.