UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Maureen Dempsey, Heinz E. Schlenkermann, Chris Shelton and Diana Vargas, individually, and as representatives of plan participants and plan beneficiaries of the Verizon Management Pension Plan and the Verizon Pension Plan for Associates, Plaintiffs, v. Verizon Communications Inc.; Verizon Employee Benefits Committee, as Plan Administrator; Verizon California Inc., as Plan Sponsor of the Verizon Pension Plan for Associates; Verizon Corporate Services Group Inc., as Plan Sponsor of the Verizon Management Pension Plan, and State Street Global Advisors Trust Co. Defendants.	Case No. 1:24-cv-10004-AKH

FIRST AMENDED CLASS ACTION COMPLAINT

Plaintiffs Maureen Dempsey, Heinz E. Schlenkermann, Chris Shelton, and Diana Vargas, individually and as representatives on behalf of a class of similarly situated persons, by and through their counsel, complain and allege as follows:

NATURE OF THE CASE

1. This case concerns 56,000 Verizon Communications Inc. retirees who formerly participated in one of two defined benefit pension plans, the Verizon Management Pension Plan and the Verizon Pension Plan for Associates (hereinafter the "Plans"), sponsored by Verizon affiliates and governed by the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001 *et seq*.

2. On March 6, 2024, Verizon and related corporate entities (collectively referred to herein as "Verizon") entered into two group annuity contracts involving $5.7 billion in plan assets with the Prudential Insurance Company of America ("PICA") and RGA Reinsurance Company ("RGA") that resulted in all 56,000 of these retirees losing all of the uniform protections intended by Congress under ERISA, including the federal backstop provided to all ERISA protected plans by the Pension Benefit Guaranty Corporation ("PBGC").

3. The combination of unique risks posed by the Verizon/PICA/RGA transaction is contrary to the best interests of the impacted Verizon retirees, and has resulted in less secure pension benefits for those retirees.

4. As such, these transactions were imprudent, disloyal and otherwise prohibited by ERISA. The Verizon retirees have now been transformed into certificate holders under risky group annuities that are no longer regulated by ERISA or insured by the PBGC. As a consequence, impacted retirees are quite rightly fearful and concerned about their futures, the fate of their retirements, and the financial well-being of their beneficiaries.

5. ERISA imposes strict fiduciary duties on plan sponsors and their independent fiduciaries when they offload company pension obligations to insurance companies through the purchase of annuities.

6. In this case the independent fiduciary was State Street Global Advisors Trust Co. ("State Street"), which touts its knowledge and experience in helping companies eliminate their pension risks, and is, in fact, a frequent participant in annuitization transactions for pension plans.

7. However, as described in detail below, State Street was anything but independent or prudent in its role in the annuitization transactions. In fact, State Street directly profited from the annuitization transactions through its common stock holdings in Verizon, Prudential Financial,

Inc. ("PRU"), PICA's direct parent and RGA. State Street failed to act solely in the interests of the Plan Participants as required under ERISA. Rather, State Street's own financial interests were improperly served by off-loading Verizon liabilities to PICA and RGA, and by helping Verizon obtain the cheapest available annuity provider, as opposed to the "safest available" annuity provider as required by ERISA. 29 C.F.R. § 2509.95-1. Simply stated, State Street put its own financial interests in front of the interests of plan participants turning the very notion of an "independent fiduciary" on its head, in violation of ERISA.

8. Instead of going through a rigorous, independent, and thorough selection process that took into consideration the requisite analysis that an ordinary and prudent ERISA fiduciary is required to undertake, Verizon and State Street chose to purchase substandard annuities for Verizon retirees from PICA and RGA, which are both heavily dependent upon transactions with affiliates that are not transparent and expose plan participants to unreasonable amounts of risk and uncertainty. These affiliates are domiciled in "regulation light" jurisdictions where wholly owned captive reinsurers and affiliates are permitted to count debt instruments as assets and are not required to file publicly available financial statements in accordance with Statutory Accounting Principles ("SAP"), the requisite accounting standard under which all U.S. life insurance companies operate. Without clarity around the assets, liabilities, structure, and claims paying ability of these wholly owned captive reinsurance companies and affiliates, State Street and Verizon could not possibly have met their obligations as prudent fiduciaries under ERISA.

9. Attached hereto as Exhibit A and incorporated herein by reference is the Declaration, signed under penalty of perjury, of Thomas D. Gober, a Certified Fraud Examiner, for the purposes of analyzing the risk profile of PICA and RGA and comparing their risk profiles

with that of more suitable stewards for pension plan assets using objective metrics and publicly available statutory financial statements ("Gober Decl.").

10. Plaintiffs maintain that State Street and Verizon ignored obvious red flags with respect to the scope and magnitude of PICA and RGA's reliance upon affiliates within the same controlled group. In so doing, Defendants failed to conduct a reasonably thorough and complete analysis of PICA and RGA's exposure to captive and affiliated reinsurers and the specific risks and liquidity implications for off-loaded plan participants. According to Mr. Gober, PICA and RGA are among the riskiest insurance companies in the pension risk transfer ("PRT") marketplace. Gober Decl. ¶ 69. They are not suitable stewards for Plan participants' pensions.

11. Information about PICA's and RGA's exposure to affiliates can be readily obtained from their quarterly and annual statutory financial statements that are filed in all U.S. jurisdictions where PICA and RGA transact business. At a minimum, Verizon and State Street should have requested copies of statutory financial statements (which must be signed by top executives under penalty of perjury) that clearly detail affiliated party reinsurance and exposure to risky assets, including assets originated by affiliates. Had they done so, they would have realized that purchasing PICA and RGA issued group annuities for Plan participants was imprudent. If they did so, and chose these providers anyway, they did so based on the cost savings and other financial benefits these providers offered to Verizon out of self-interest, a course of action wholly inconsistent with the duties of loyalty that Verizon and State Street owed to the Plan participants under ERISA.

12. To remedy the breach of fiduciary duty that led to the PICA/RGA combo deal, Plaintiffs individually and on behalf of other individuals similarly situated bring this action to obtain relief for Defendants' egregious ERISA violations, including disgorgement of all ill-gotten

gains, the posting of appropriate security to backstop the group annuity contracts purchased from PICA and RGA, and injunctive relief to prevent Verizon from holding the group annuity contracts outside of the Plans and prevent Verizon from depriving impacted retirees from ERISA's uniform and comprehensive protections.

JURISDICTION AND VENUE

13. The Court has federal subject matter jurisdiction under 28 U.S.C. § 1331 because the Plaintiffs' claims for relief arise under ERISA. 29 U.S.C. §§ 1001, *et seq.*

14. Venue of this action lies in the Southern District of New York, pursuant to 28 U.S.C. § 1391(b) and 29 U.S.C. § 1132(e)(2), in that Defendant Verizon maintains its principal executive offices in this District and Defendant State Street has substantial business operations in the Southern District of New York. In addition, the alleged breaches occurred in this district because many class members earned their pension benefits while working for Verizon in the Southern District of New York and the Southern District of New York is a convenient forum for all parties to resolve this dispute.

STANDING

15. Plaintiffs have standing to bring this action based upon several distinct injuries-in-fact traceable directly to Defendants' conduct that can be fully remedied by a decision from this Court.

16. The PICA and RGA annuitizations created a substantial risk of imminent harm that satisfies Article III. As described in detail below and in the attached Gober Declaration, PICA and RGA are high risk annuity providers that are likely to fail. Should either company fail, plan participants will not receive the earned benefits to which they are entitled.

17. Even if PICA and RGA do not fail immediately, the scope and magnitude of the

affiliated party reinsurance exposure that PICA and RGA have with affiliates located in "regulation light" jurisdictions, and their high concentrations of high risk assets make PICA and RGA likely candidates right now for state regulatory action that would cause immediate disruptions or delays in periodic payments that Plaintiffs expect to receive for the rest of their lives and payments that Plaintiffs plan to leave to their spouses or beneficiaries. *See* Gober Decl.¶ 69.

18. As noted in more detail below, affiliated party reinsurance, opaque modified coinsurance arrangements and investments in affiliates led to a number of regulatory actions against other insurers in 2024 and 2025 that have already resulted in disruptions in payments to those insurer's policyholders. In the case of PHL Variable, the Connecticut Superior Court entered a Moratorium Order that immediately and significantly reduced policy benefits, withdrawals and death benefit payouts tied to Guaranty Association cap limits discussed in greater detail below. Disruptions and delays are likely to occur in other notable insurance company rehabilitation proceedings, including the Rehabilitation of Columbian Mutual Life Insurance Company (NY) and its subsidiary Columbian Life Insurance Company (Illinois). No insurance company has ever been successfully "rehabilitated" in the State of New York and the Executive Life of New York ("ELNY") Rehabilitation which lasted more than two decades, resulted in $920,000,000 in losses to annuitants when the longstanding rehabilitation was converted to a liquidation that became effective in 2012 – decades after the events that led to the inevitable reduction in benefits occurred. ELNY was a subsidiary of the Executive Life Insurance Company, which, as discussed below, failed in 1991 due to disruptions in the junk bond market and the failure of Drexel Burnam & Lambert. The Executive Life companies also faced regulatory action in New York due to questionable reinsurance practices in Bermuda and ELNY's attempt to solve their depleted surplus to satisfy the New York Insurance Commission through the use of Surplus Notes to artificially

bolster their surplus – is eerily similar to the high risk practices identified in the Gober Declaration. Clearly, a disruption in pension payments constitutes Article III standing and as with Executive Life and the other insurers described in this paragraph, it is likely to occur with respect to PICA and RGA, as they both engage in the same kinds of risky practices.

19. Plaintiffs' benefits have already been impaired by the loss of ERISA's uniform protections, including the right to sue in Federal Court, uniform and complete annual disclosures, uniform protections from creditor claims, ERISA's exacting fiduciary standards for Plan Fiduciaries, its funding requirements, and the backstop provided to all ERISA defined benefit plans by the PBGC.

20. While the PBGC provides substantial lifetime payments to pensioners in the event of a plan failure that are uniform, no matter where pensioners reside, the state guarantee association safety net is non-uniform, coverage amounts vary state to state as described in more detail below and state guarantee associations are limited by statute in their ability to assess their membership in the event of an insolvency event. This non-uniform treatment of policyholders has a chilling effect on retirees. It impacts decisions related to relocating to be closer to family members, it impacts quality of life, and it has already created fear that a once secure pension is no more.

21. Plaintiffs have also suffered harm. Plaintiffs' benefits are worth significantly less today than they were immediately prior to the Verizon annuitization transactions as a result of Defendants' improper and imprudent choice of PICA and RGA as stewards for valuable pension assets. Plaintiffs will be able to quantify the value of their lost benefits through expert actuarial testimony at trial and Plaintiffs will also be able to firmly establish that the transactions with PICA and RGA significantly and quantifiably reduced the value of their retirement security the moment the transactions occurred.

22. As described in more detail below, Plaintiffs were significantly harmed by the fiduciary duty breaches by Defendants that included paying PICA and RGA $200,000,000.00 less than the actuarial value of the annuitized benefits using Verizon's own pre-annuitization values. Verizon directly benefitted from paying less money than the reasonable value of the annuity contracts, which clearly violates ERISA. The type of disloyal self-dealing that occurred with respect to the PICA and RGA transactions was clearly actionable under the common law, which independently gives rise to Article III standing. Accordingly, Plaintiffs have standing to seek disgorgement as a remedy in this case.

23. Should PICA or RGA fail, Plaintiffs' only recourse would be to pursue a claim as a third-party beneficiary of an annuity contract they did not negotiate or sign. But even this avenue for seeking relief might be foreclosed to them. Life insurance companies, or their estates in Rehabilitation, will claim that they do not owe Plaintiffs any duty of care at all – let alone the highest fiduciary duty known to law that is a cornerstone of ERISA. Denial of a previously available right or remedy, including access to court, also sufficiently establishes standing under Article III.

THE PARTIES

24. Named Plaintiff Maureen Dempsey ("Dempsey") is a resident of Brooklyn, New York. She is a "participant," as defined by ERISA § 3(7), 29 U.S.C. § 1002(7), in the VERIZON PENSION PLAN FOR ASSOCIATES whose retirement benefits were annuitized in the transactions at issue in this case.

25. Ms. Dempsey began working for NY Telephone Company (a predecessor of Verizon Communications Inc.) during her summers in high school and college as an office clerk performing various duties such as data entry and data monitoring. She graduated from college in

May 1984, and began working full-time for the NY Telephone Company three months later. She started in a management role as an engineer and was eventually promoted to Engineering Manager. She spent eight (8) years in the Engineering Department working with Central Office personnel, as well as vendors, to implement equipment additions to the network. Ms. Dempsey then left the company for a few years, before returning to Bell Atlantic (another predecessor of Verizon Communications Inc.) in 1999 as a Central Office Technician (COT). Her duties as a COT included interfacing with customers, testing circuits, isolating troubles and initiating actions to repair such troubles. She was upgraded to Telecommunications Technical Associate (TTA) in 2005 following enrollment in an advanced study program sponsored by Verizon. She continued in her role as TTA until her retirement in 2021.

26. On or about September 11, 2021, Ms. Dempsey retired from Verizon Communications Inc. after 31.5 years of loyal service.

27. Named Plaintiff Heinz E. Schlenkermann is a resident of Ossining, New York. He is a "participant," as defined by ERISA § 3(7), 29 U.S.C. § 1002(7), in the VERIZON MANAGEMENT PENSION PLAN whose retirement benefits were annuitized in the transactions at issue in this case.

28. Mr. Schlenkermann started his career as a Switchman and was eventually promoted to Foreman in inside switching offices in the Bronx and Manhattan. Later in his career he was transferred to a facility in Westchester, New York where he was responsible for all building operations. He retired in May of 1994 though he continued to do contract work for Verizon for several years after retirement. Mr. Schlenkermann is concerned about PICA taking over the sickness and death benefit his spouse is due to receive upon his death and he is particularly concerned about the fine print contained in documents he received from Prudential that state the

following: "Pension and medical risk transfer products are insurance products issued by the Prudential Insurance Company of America (PICA), Newark, NJ, a wholly owned subsidiary of Prudential Financial Inc. (PFI). PICA is solely responsible for its financial condition and contractual obligations."

29. Named Plaintiff Chris Shelton is a resident of the Bronx, New York. He is a "participant," as defined by ERISA § 3(7), 29 U.S.C. § 1002(7), in the VERIZON PENSION PLAN FOR ASSOCIATES whose retirement benefits were annuitized in the transactions at issue in this case. Mr. Shelton began receiving his Verizon pension in 1998.

30. Mr. Shelton began working for the NY Telephone Company (a predecessor of Verizon) as an outside technician in 1969 and joined Local 1101 of the Communications Works of America ("CWA") on his first day on the job. In 1975 Mr. Shelton performed full-time work for CWA Local 1101 while remaining an employee with Verizon. He retired from Verizon in 1998 but continued his work with the CWA. In 1999 he was appointed as the CWA Area Director for the New York and Connecticut areas and worked his way through increasingly senior union leadership positions until he was elected as the Vice President of CWA in 2005 and President of CWA International in 2015. He retired in 2023 with more than 50 years of experience representing employees of Verizon and various other corporate entities as both Vice President and President of the CWA.

31. Named Plaintiff Diana Vargas is a resident of Manalapan, New Jersey. Ms. Vargas is a "participant," as defined by ERISA § 3(7), 29 U.S.C. § 1002(7), in the VERIZON MANAGEMENT PENSION PLAN whose retirement benefits were annuitized in the transactions at issue in this case.

32. Ms. Vargas started her career with a NYNEX predecessor in New York City

initially working as a switching equipment technician. She was promoted to a managerial role in 1989 and ultimately became responsible for the Control Center and Field Operations for the Switching Control Center in Midtown Manhattan. She successfully completed various engineering training examinations and worked with laboratory clients on numerous testing projects utilizing switched services including ISDN, Centrex, Voice Messaging and other customer-facing equipment and technology. She led, developed, and implemented various segments of ISO9001 Certification for NYNEX Science & Technology in New York City. Later in her career she took on additional roles for Bell Atlantic and Verizon in various Human Resources capacities and developed and implemented regulatory strategy at the state and federal level as part of the Verizon Regulatory Team. Ms. Vargas retired in 2015 and was surprised to learn recently that her pension and the pension of her many long-time colleagues had been offloaded to an insurance company without explanation.

33. Defendant VERIZON COMMUNICATIONS INC. is a Delaware corporation with operations and its principal executive offices located at 1095 Avenue of the Americas, New York, New York. It is a plan fiduciary because of its role in overseeing and appointing the other fiduciaries for the Plan. With respect to the transactions at issue, it acted as a fiduciary because it entered into contracts with State Street to act as the independent fiduciaries for these transactions and with PICA and RGA to purchase the group annuities.

34. The VERIZON EMPLOYEE BENEFIT COMMITTEE ("VEBC" or the "Committee") is listed as the Plan administrator in Form 5500 filings with the Department of Labor for both Plans. As such, it is a named fiduciary, and it is responsible for the general administration of the Plans.

35. VERIZON CALIFORNIA INC., c/o registered agent CT Corporation System, 28

Liberty Street, New York, NY is the plan sponsor of the Verizon Pension Plan for Associates.

36. VERIZON CORPORATE SERVICES GROUP INC., c/o registered agent CT Corporation System, 28 Liberty Street, New York, NY, is the plan sponsor of the Verizon Management Pension Plan.

37. STATE STREET GLOBAL ADVISORS TRUST CO. is a for-profit corporation with its principal place of business located at 1 Iron Street, Boston, Massachusetts 02210-1641. State Street acted as the independent fiduciary with respect to the PICA and RGA annuity transactions and as such is a fiduciary with respect to its role.

FACTS

Background on the Transfer of Pension Benefit Responsibilities to Insurance Companies

38. In a defined benefit pension plan, the plan sponsor (typically the employer) agrees to pay monthly pension benefits to retirees as they come due for the rest of the participants' lives, and it funds those benefits through assets contributed both initially and over time by the employer that are invested and held in trust for plan participants.

39. The employer must pay the pension benefits, even if investment performance falls short of expectations.

40. The employer must also make additional contributions to the Plan in accordance with ERISA's funding requirements, which demand additional plan contributions in certain circumstances, including if investment returns fall short of expectations and are insufficient to satisfy obligations to plan participants. Thus, the investment risk—the possibility that the plan's investments will generate insufficient returns to cover the plan's pension obligations and the expenses of operating the plan—is borne entirely by the plan sponsor.

41. If the sponsor goes bankrupt or otherwise lacks the resources to continue to fund the Plan and pay required benefits, the PBGC – a wholly owned U.S. Corporation that administers an insurance program funded through annual premiums paid by all defined benefit pension plans or their sponsors – steps in as a backstop to pay benefits due.

42. These features of defined benefit plans make them both valuable and predictable for retirees. Such plans once dominated the American retirement system because they were correctly seen as a way to attract and retain the best workforce.

43. But because these plans are so valuable to employees, they are conversely expensive for employers. Consequently, as part of a recent trend by employers that sponsor defined benefit plans to improve their bottom lines, numerous sponsors have chosen to shift their liability for monthly pension payments to some or all of the plan participants, to an insurance company through the purchase of group annuity contracts.

44. The upside of such transactions — enjoyed by plan sponsors — is increased profits; the downside — borne by plan participants — is the increased risk of losing promised retirement benefits because, if the annuity provider is unable to perform, the benefits are no longer guaranteed by their former employer and the PBGC.

45. Although these transactions are now a common way for employers to diminish their defined benefit liabilities (and to profit from such transactions) or to dispense with defined benefit plans altogether, they are not new.

46. In the 1980s, hundreds of employers terminated their well-funded, federally insured defined benefit pension plans and bought retirement annuities from a variety of insurance companies, including Executive Life Insurance Company ("Executive Life"), which was

then one of the country's largest insurers, but which had embarked on a disastrous "junk bond" investment strategy.

47. The pension benefits of approximately 84,000 workers and retirees were transferred from the federally regulated pension system to Executive Life.

48. Executive Life was often selected by employers because it offered the lowest bid on group annuity contracts. Rather than choose a safer, more expensive annuity, employers placed their own financial interests over plan participants' needs.

49. Those decisions proved disastrous when, in 1991, Executive Life became insolvent. A significant portion of its assets had been invested in high-risk, high-yield bonds procured through the Drexel Burnham Lambert ("Drexel") investment bank, which then failed due to its risky bond strategy.

50. The failure of Drexel led to Executive Life defaulting on its annuity contracts, thereby failing to make good on its obligations to tens of thousands of pension annuitants. State regulators were required to seize the company in April 1991 to prevent a run. The debacle resulted in massive losses to pensioners and total losses to policy holders were estimated in the billions of dollars.

51. Members of Congress were outraged by Executive Life's implosion and its impact on retirees. In response, they enacted the Pension Annuitants Protection Act of 1994, Pub. L. No. 103-401 (Oct. 22, 1993) ("PAPA"), as an amendment to ERISA in order to prevent similar crises and ensure that plan participants would have legal recourse against risky pension transfers by plan fiduciaries. Through this amendment, ERISA now provides expressly that plan participants and beneficiaries ejected from the federal pension regulatory system by a plan sponsor's purchase of

annuities may sue for relief to, *inter alia*, assure the receipt of the benefits to which they are entitled. 29 U.S.C. § 1132(a)(9).

52. And in 1995, the Department of Labor promulgated Interpretive Bulletin 95-1, 29 C.F.R. § 2509.95-1 ("IB 95-1"), which — like PAPA — aimed to prevent the irresponsible and therefore imprudent transfer of pension liabilities to insurance companies that are not sufficiently secure to guarantee retirement benefits, a principal animating force behind the enactment of PAPA and indeed ERISA itself. IB 95-1 has since been updated, consistent with that purpose.

53. IB 95-1 provides courts, regulated entities, and the public with the Department of Labor's expert guidance on the fiduciary standards that apply under ERISA to the selection of an annuity provider when a fiduciary transfers defined benefit pension liabilities to an annuity provider. *See* IB 95-1(a).

54. It explains that selecting an annuity provider is a fiduciary decision under ERISA, 29 U.S.C. § 1104(a), and that employers therefore must act solely in the interest of the plan's participants and beneficiaries and in accordance with ERISA's strict prudence standard when selecting an annuity provider. IB 95-1(b) (citing 29 U.S.C. § 1104(a)).

55. Thus, to meet their loyalty and prudence obligations in selecting an annuity provider, fiduciaries must "take steps calculated to obtain the safest annuity available, unless the interests of the participants and beneficiaries demand otherwise." Fiduciaries must also, at a minimum, "conduct an objective, thorough and analytical search for the purpose of identifying and selecting providers from which to purchase annuities." IB 95-1(c).

56. In performing that analysis, plan fiduciaries must consider, among other things:

(i) the quality and diversification of the annuity provider's investment portfolio;

(ii) the size of the insurer relative to the proposed contract;

(iii) the level of the insurer's capital and surplus;

(iv) the lines of business of the annuity provider and other indications of an insurer's exposure to liability;

(v) the structure of the annuity provider and other indications of an insurer's exposure to liability;

(vi) the availability of additional protection through state guaranty associations and the extent of their guarantees.

The Annuity Transactions at Issue

57. On February 29, 2024, Verizon reported as follows in a Form 8-K[1] filed with the United States Securities and Exchange Commission ("SEC"):

> **Item 7.01. Regulation FD Disclosure**
> On February 29, 2024, Verizon Communications Inc. ("Verizon") entered into two separate commitment agreements, one by and between Verizon, State Street Global Advisors Trust Company ("State Street"), as independent fiduciary of the Verizon Management Pension Plan and Verizon Pension Plan for Associates (the "Pension Plans"), and The Prudential Insurance Company of America ("Prudential"), and one by and between Verizon, State Street and RGA Reinsurance Company ("RGA"), under which the Pension Plans purchased a nonparticipating single premium group annuity contract from Prudential and a nonparticipating single premium group annuity contract from RGA to settle approximately $5.9 billion of benefit liabilities of the Pension Plans.
>
> The purchase of the group annuity contracts closed on March 6, 2024. The group annuity contracts primarily cover a population that includes 56,000 retirees who commenced benefit payments from the Pension Plans prior to January 1, 2023 ("Transferred Participants"). Prudential and RGA each irrevocably guarantee and assume the sole obligation to make future payments to the Transferred Participants as provided under their respective group annuity contracts, with direct payments beginning July 1, 2024. Prudential and RGA will each assume 50% of the benefit obligation related to Transferred Participants, except in certain jurisdictions where Prudential will assume 100% of the benefit obligation related to Transferred Participants residing in such jurisdictions. The aggregate amount of each Transferred Participant's payment under the group annuity contracts will be equal to the amount of each individual's payment under the Pension Plans.
>
> Participants in the Pension Plans who are not covered by the group annuity contracts, including management and associate retirees who commenced benefit payments on or after January 1, 2023 and active and term vested managers and associates, will not be affected by this transaction.
>
> Transferred Participants will continue to receive their benefits from the Pension Plans until July 1, 2024, at which time Prudential will assume responsibility for administrative services, including distribution of payments to the Transferred Participants, on behalf of itself and, where applicable, RGA.

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[1] *See* http://pdf.secdatabase.com/310/0000732712-24-000015.pdf (last retrieved on April 24, 2025).

> The purchase of the group annuity contracts was funded directly by assets of the Pension Plans. Verizon made additional contributions to the Pension Plans prior to the closing date of the transaction in the aggregate amount of approximately $365 million. With these contributions, the funded ratio of each of the Pension Plans does not change as a result of this transaction.
>
> As a result of the transaction, Verizon expects to recognize a one-time non-cash pension settlement credit in the first quarter of 2024. The actual amount of the credit will depend on finalization of the actuarial and other assumptions.

58. As a result of the transactions with PICA and RGA, 56,000 retirees will not receive pension benefits promised by Verizon. Instead, either PICA or RGA are now responsible for these pension benefits, including payment of the Pensioner Sickness and Death Benefit that was also off-loaded to PICA and RGA without providing retirees with any information whatsoever about how this Pensioner Death Benefit was valued, what retirees are impacted and why and without informing any impacted spouses or beneficiaries whatsoever about how and where to file claims in the event of a death of an existing Pensioner.

59. The Verizon/PICA/RGA transactions were neither prudent nor loyal and, as such, they undermine the protective scheme set up by Congress in ERISA. These transactions eliminated Verizon's obligations to pay many millions of dollars in annual premiums to the PBGC and placed the retirees in an inferior and non-uniform state regulated regime that only offers minimal protections through state guaranty associations, which apply based on the state in which the annuitants reside. These state guaranty associations do not provide retirees with nearly as much uniform protection in the event of insolvency by PICA or RCA as does the PBGC under the federal ERISA-governed system. and most of them are not pre-funded and can only seek contributions from insurers in their state based on the amount of premium written in any given year.[2] Prior to

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[2] *See, e.g.*, https://www.dfs.ny.gov/consumers/life_insurance/policyholder_protection_and_the_licgc (last retrieved on April 15, 2025) ("The [New York] Guaranty Fund is funded through assessments against member insurers made after a member insurer is declared insolvent by a court of law. These funds are used to pay valid claims, as well as administrative expenses.").

March 6, 2024, Plaintiffs and all putative class members had Plan benefits that were insured or guaranteed by the federal PBGC at age 65 up to the annual limit of approximately $85,295.40 for a single life annuity (for the participant alone) and $76,765.92 for a joint and 50% survivor annuity (which continues to provide benefits to surviving spouses for their lifetimes). These limits are per year, per retiree and that annual protection is for an *unlimited* number of consecutive years.[3] For a plan participant age 75, that coverage amount increases to $259,298.04 per year for a straight life annuity and $233,368.20 for joint and 50% survivor annuity as the protected annual PBGC benefit limit is much higher for older retirees and PBGC benefits increase as a function of age, unlike state guaranty association coverage limits which are per individual, per lifetime and wholly unsuitable for annuities that are generally paid out monthly over many years. Once Plaintiffs and potential class members were removed from the Plan and transferred by Verizon to PICA and RGA, they lost all federal PBGC protections which were replaced by the insufficient and varying state guaranty coverage amounts determined by the retirees' state of residence at the time of the insurance company insolvency or impairment. The amount of state guaranty coverage usually ranges from $250,000 to $500,000 per individual, per lifetime depending upon the state of residency of the retiree at the time of insolvency or impairment of the annuity provider as determined under non-uniform state insurance laws.

60. Even aside from lifetime limits, retirees located in California lose 20% of the present value of their coverage amount immediately following any declaration of insolvency or impairment. Cal. Ins. Code § 1067.02. Thus, in California, coverage is never 100% of the value of the annuity but is limited to 80% of the present value of the annuity contract up to a maximum

[3] See https://www.pbgc.gov/wr/benefits/guaranteed-benefits/maximum-guarantee, last retrieved on April 15, 2025.

of $250,000. California Insurance Code § 1067-1067.18.

61. The ability of any of these state guaranty associations to withstand an insurance company insolvency of a company the size of PICA is entirely untested and uncertain.

62. One reason for this uncertainty is that state guaranty associations are funded through assessments of the member insurance companies. Most guaranty associations limit the amount of assessments authorized under the relevant Guaranty Association statute to a small percentage of a member insurer's average annual premiums received in their state of domicile during recent years.[4] Such limitations make delays and reductions in payments in the event of insolvency or impairment highly likely.

63. Verizon retirees and their spouses and beneficiaries, especially those residing in states with the lowest protection levels, were immediately harmed by receiving unsafe and inappropriate annuities that are worth far less than available annuities that were safe and appropriate. Indeed, some would be left with less than two years of pension replacement coverage in the event of a liquidation of PICA or RGA. And this harm is not theoretical given the risky nature of PICA and RGA, which, as discussed next, are both dramatically under-reserved and have concentrated investments in affiliated risky assets and exposure to affiliated reinsurers that hide their true financial condition.

64. Moreover, inferior coverage limits in the event of an insurance company insolvency create immediate, genuine and substantial economic harm for retirees. It influences retirees' quality of life, the ability to relocate to be closer to family members in other states, investment decisions involving other assets, and retiree healthcare choices and treatment. All of these lost

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[4] https://www.acli.com/-/media/acli/public/files/pdfs-public-site/public-public-policy/guarantee-associations-faq.pdf.

benefits can be readily ascertained and quantified by experts.

65. By way of example, Plaintiff Maureen Dempsey's pension was fully protected by the PBGC before her pension was offloaded to PICA in March of 2024. No matter how long Ms. Dempsey lives, there are no realistic scenarios where she would have her pension benefits reduced even in the event that Verizon goes out of business and the PBGC takes over the pension plan. If PICA were to fail on the other hand and Ms. Dempsey remained a New York State resident at the time of PICA's failure and had to depend upon the Life and Health Insurance Company Guaranty Corporation of New York for payment, the maximum amount of coverage she would be entitled to is $500,000. That is $415,692.17 less than the dollar amount of payments she is expected to receive over her lifetime based on her life expectancy taken directly from the Social Security Administration life expectancy tables. *See* https://www.ssa.gov/cgi-bin/longevity.cgi. Given this quantifiable shortfall, the loss of PBGC protection is a real and tangible harm for Ms. Dempsey and others impacted by the annuitization transactions at issue in this case. The impact on Ms. Dempsey gets worse if she moves to another state with lower limits (as most states have), or if she lives beyond her life expectancy, as her benefits are capped under state law while they would have been uncapped under ERISA.

66. Pensioners in those states that provide just $250,000 or $300,000 in Guaranty Association coverage limits would suffer even greater harm.

67. In addition to the immediate loss of PBGC coverage, as a result of the Verizon/PICA/RGA transaction, Plaintiffs and all other impacted retirees lost *all* of their uniform ERISA protected rights, including mandated annual financial disclosures, the ability to sue in federal court under a protective federal scheme that imposes exacting fiduciary duties on the company and others who manage the Plan and its assets, and a claims procedure that must be "full

and fair." PICA and RGA are not required to disclose to any transferred retiree how his or her annuity funding is invested and who is in charge of the underlying investments. Nor is PICA or RGA required to explain the impact of all of the affiliated party transactions on PICA's or RGA's reserves. On the contrary, PICA's and RGA's reinsurance transactions with their captive and offshore affiliates and reinsurers are all secret.

68. The Verizon/PICA/RGA transaction is not what the Plaintiffs and the potential class of management and union retirees bargained for when they loyally served Verizon and predecessor companies, including those comprising the old Bell System. If their benefits were replaced by annuities, they had the right under ERISA and its implementing regulations to expect that these annuities would be the safest available and selected prudently and loyally. The involuntary removal of Plaintiffs and the putative class of retirees from the Plan and transfer to PICA/RGA is not in Plaintiffs' and putative class members' best interests because the group annuity contracts were far from the safest available annuities and were therefore imprudent, as discussed next.

Verizon's and State Street's Choice of PICA and RGA Was Imprudent

69. Even a cursory review of PICA's statutory filings reveals a shocking dependence on affiliated party transactions with wholly owned affiliates and captive reinsurers and affiliates in Bermuda. In Schedule S - Part 3 - Section 1 of PICA's 2023 annual statement, PICA reports all of its ceded reinsurance with affiliates and its opaque Modified Co-insurance ("ModCo") transactions with affiliates, described in detail herein. As set forth in the chart directly below, PICA reported liabilities offloaded (via reinsurance or ModCo) to wholly owned captives and affiliates in the amount of $72,884,344,104 as of December 31, 2023.

ANNUAL STATEMENT FOR THE YEAR December 31, 2023 OF THE The Prudential Ins Co Am (NAIC #68241)

SCHEDULE S - PART 3 - SECTION 1

Reinsurance Ceded Life Insurance, Annuities, Deposit Funds and Other Liabilities

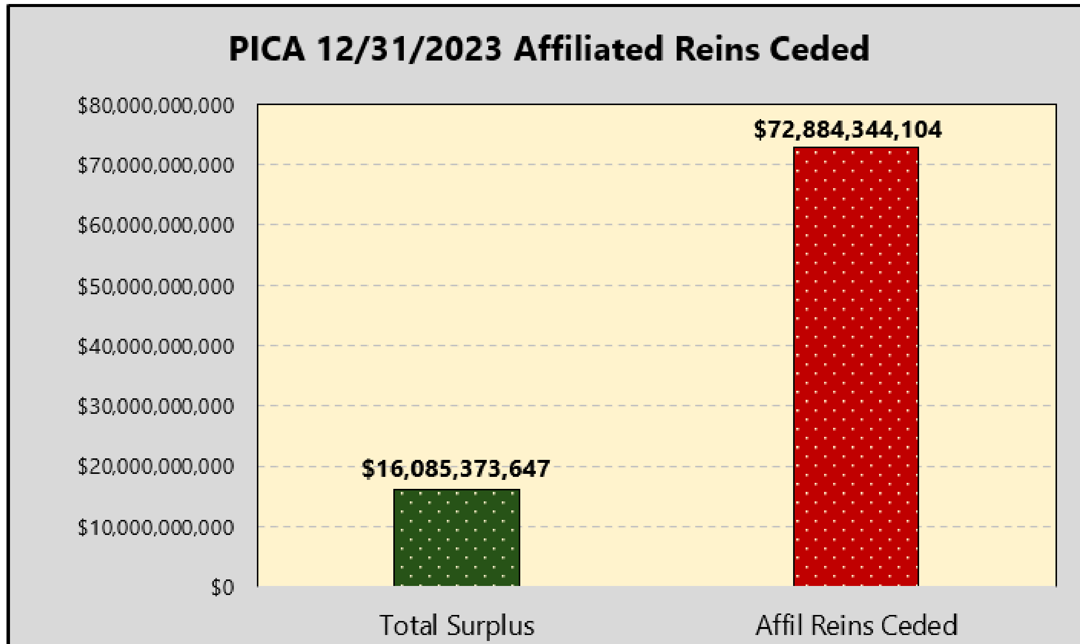
	Reserve Credit Taken	Modified Coinsurance Reserve
General Account - Authorized - Affiliates US - Captive	0	0
General Account - Authorized - Affiliates US - Other	59,576,712,067	0
General Account - Authorized - Affiliates Non-US - Captive	0	0
General Account - Authorized - Affiliates Non-US - Other	0	0
General Account - Authorized - Affiliates - Total	**59,576,712,067**	**0**
General Account - Unauthorized - Affiliates US - Captive	7,498,417	0
General Account - Unauthorized - Affiliates US - Other	0	0
General Account - Unauthorized - Affiliates Non-US - Captive	0	0
General Account - Unauthorized - Affiliates Non-US - Other	2,292,791,790	11,007,341,830
General Account - Unauthorized - Affiliates - Total	**2,300,290,207**	**11,007,341,830**
Total US	59,584,210,484	0
Total Non-US	2,292,791,790	11,007,341,830
TOTAL	**$61,877,002,274**	**$11,007,341,830**
TOTAL Res Cr + ModCo:	**$72,884,344,104**	

See Gober Decl. at ¶ 9.

70. $72.8 billion in affiliated party reinsurance and ModCo is especially shocking when compared to PICA's surplus, which is not only a measure of the risk associated with the annuitized pensions, but surplus is the only buffer protecting policyholders if PICA or RGA become insolvent or impaired. As set forth in the chart below, as of December 31, 2023, PICA had a mere surplus of $16 billion. This means that if even a portion of the $72.8 billion in affiliated party reinsurance and ModCo is problematic, PICA will face extreme liquidity and solvency concerns.

PICA Dec 31, 2023 Sch S, Part 3 - Section 1:

Total Surplus	Affil Reins Ceded
$16,085,373,647	$72,884,344,104



See Gober Decl. at ¶ 10.

71. In addition to the credit for reinsurance that PICA has taken through non-arm's-length transactions with affiliates, Schedule S - Part 1 - Section 1 of PICA's own statutory financial statement shows all reinsurance assumed by PICA from its own affiliates. When PICA assumes reinsurance from an affiliate, it agrees to take financial responsibility for certain specified liabilities owed by those affiliates. The chart below was prepared using data from PICA's 2023 Annual Statement, and it lists all reinsurance assumed by PICA from its affiliates including captives, U.S. affiliates, and non-U.S. affiliates as of December 31, 2023.

ANNUAL STATEMENT FOR THE YEAR December 31, 2023 OF THE The Prudential Ins Co Am (NAIC #68241)

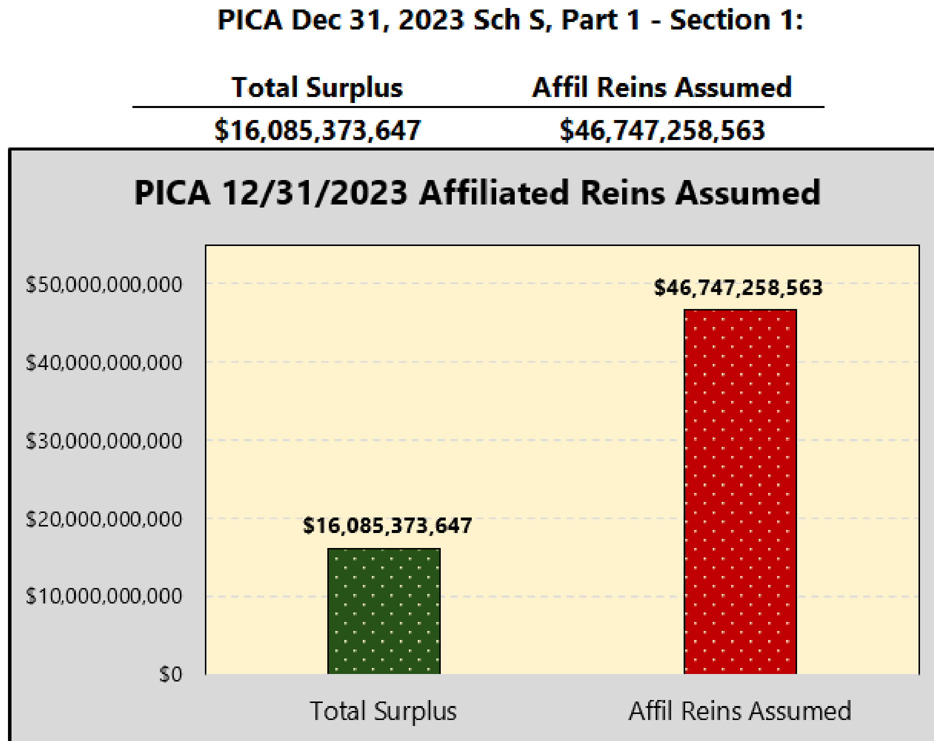
SCHEDULE S - PART 1 - SECTION 1

Reinsurance Assumed Life Insurance, Annuities, Deposit Funds and Other Liabilities

	Reserve	Reinsurance Payable on Paid and Unpaid Losses	Modified Coinsurance Reserve
General Account - Affiliates - US - Captive	3,155,064,916	622,762,989	0
General Account - Affiliates - US - Other	470,381,323	31,402,000	0
General Account - Affiliates - Non-US - Captive	0	0	0
General Account - Affiliates - Non-US - Other	32,759,385,557	354,784,712	0
General Account - Affiliates - Total	**36,384,831,796**	**1,008,949,701**	**0**
Separate Accounts - Affiliates - US - Captive	0	0	0
Separate Accounts - Affiliates - US - Other	0	0	9,353,477,066
Separate Accounts - Affiliates - Non-US - Captive	0	0	0
Separate Accounts - Affiliates - Non-US - Other	0	0	0
Separate Accounts - Affiliates - Total	**0**	**0**	**9,353,477,066**
General Account & Separate Accounts - US	3,625,446,239	654,164,989	9,353,477,066
General Account & Separate Accounts - Non-US	32,759,385,557	354,784,712	0
TOTAL	**$36,384,831,796**	**$1,008,949,701**	**$9,353,477,066**
TOTAL Res + Reins Payable + ModCo:	**$46,747,258,563**		

See Gober Decl. at ¶ 11.

72. The bar graph below compares PICA's assumed reinsurance of $46.7 billion, with its surplus of only $16 billion.



See Gober Decl. at ¶ _12.

73. In addition to PICA taking billions of dollars in credit for reinsurance that it ceded to affiliates and in addition to PICA assuming billions in reinsurance obligations from its own affiliates, PICA affiliates, including Pruco Life Insurance Company (AZ) ("Pruco Life") have likewise ceded billions in liabilities to the secret captive reinsurers domiciled in Arizona that are wholly owned by PICA itself. *See* Pruco Life's reported reinsurance ceded totals from their sworn annual statement for year-end 2023, in particular Schedule S - Part 3 - Section 1, highlighted in the chart set forth directly below.

ANNUAL STATEMENT FOR THE YEAR December 31, 2023 OF THE Pruco Life Insurance Co (NAIC #79227)

SCHEDULE S - PART 3 - SECTION 1

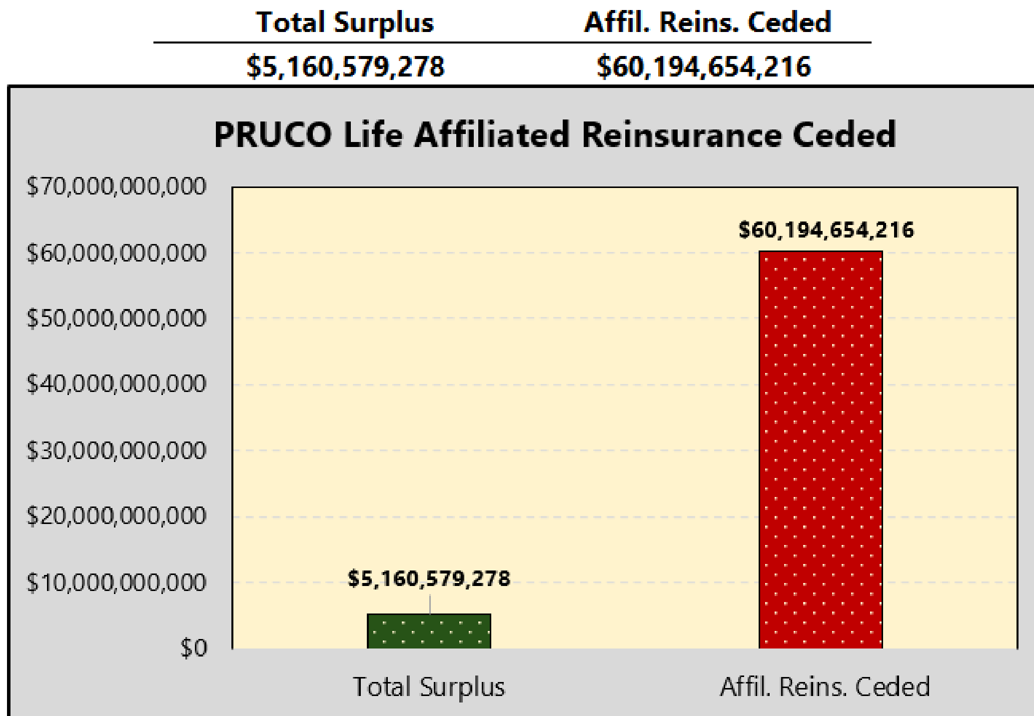
Reinsurance Ceded Life Insurance, Annuities, Deposit Funds and Other Liabilities

	Reserve Credit Taken	Modified Coinsurance Reserve
General Account - Authorized - Affiliates US - Captive	45,704,022,380	0
General Account - Authorized - Affiliates US - Other	83,080,596	0
General Account - Authorized - Affiliates Non-US - Captive	0	0
General Account - Authorized - Affiliates Non-US - Other	0	0
General Account - Authorized - Affiliates - Total	**45,787,102,976**	**0**
General Account - Unauthorized - Affiliates US - Captive	0	0
General Account - Unauthorized - Affiliates US - Other	0	0
General Account - Unauthorized - Affiliates Non-US - Captive	0	0
General Account - Unauthorized - Affiliates Non-US - Other	1,820,590,176	12,586,961,064
General Account - Unauthorized - Affiliates - Total	**1,820,590,176**	**12,586,961,064**
Total US	45,787,102,976	0
Total Non-US	1,820,590,176	12,586,961,064
TOTAL	**$47,607,693,152**	**$12,586,961,064**
TOTAL Res Cr + ModCo:	**$60,194,654,216**	

See Gober Decl. at ¶ 13.

74. While Pruco Life depends upon PICA's wholly owned captives for more than $60 billion in liabilities, Pruco Life's total surplus as of December31,2023 was only $5.16 billion. Said another way, if PICA's wholly owned captives cannot make good on their IOU's to Pruco Life, Pruco Life's surplus will be entirely wiped out.

PRUCO Life Dec 31, 2023 Sch S, Part 3 - Section 1:



Total Surplus	Affil. Reins. Ceded
$5,160,579,278	$60,194,654,216

See Gober Decl. at ¶ 14.

75. In addition to all of the liabilities ceded to the secret captives by PICA, PruCo Life is also owed more than $60 billion from PICA's wholly owned Arizona captives and affiliates, most of which PICA values at zero. This type of financial alchemy and circular non-arm's length reinsurance among affiliates within the same controlled group exposes class members to significant and quantifiable risk of losing their hard-earned pension benefits that far exceeds the risk of loss that they would have if Verizon had purchased group annuities with an appropriate and more transparent insurer. *See* Gober Decl. at ¶ 15.

76. In addition to the circular movement of liabilities among affiliates, PICA's affiliated captive reinsurers in Arizona all count surplus notes or other debt-like financing instruments as assets, a practice that understates the liabilities of the captives. Yet, as reported in the State of New Jersey Report on Group-Wide Examination of Prudential Financial, Inc., a report filed on June 26, 2023, all seven (7) Arizona captive reinsurance companies owned 100% by PICA (the "Arizona Captives") employ this practice to prop up their financial statements funding "the assets supporting the non-economic reserves it retains with proceeds from the issuance of surplus notes or other financing instruments." *See* Gober Decl. at ¶ 17.

77. Surplus notes are debt instruments that are subordinated to policyholder claims. Yet, all of the AZ Captives report their surplus notes as "assets," including credit linked surplus notes which are really debt instruments attached to a derivative contract.

78. PICA's Arizona Captives also count conditional letters of credit and parental guarantees as assets. These types of conditional instruments could never be reported as "admitted assets" at a regulated U.S. based primary insurance company due to their conditional nature. *See* Gober Decl. at ¶ 19.

79. The ability of PICA's wholly owned affiliates to make good on their insider reinsurance "IOUs" is entirely speculative and opaque. *See* Gober Decl. at ¶ 20.

80. Similarly, RGA reported in their 2023 statutory financial statement, specifically in Schedule S – Part 3 – Section 1, that they took over $7 billion in reserve credit for reinsurance with their own Missouri captives and recorded an additional $16.87 billion in reserve credit for reinsurance with other U.S. and offshore affiliates. Furthermore, RGA reported $6.4 billion in ModCo with its offshore affiliates in Bermuda and Barbados. Taken together, RGA has over $30 billion in reserve credit and ModCo with their own onshore and offshore captives and affiliates. *See* Gober Decl. at ¶ 21.

81. Both PICA and RGA also have excessive exposure to ModCo transactions with those same affiliates and captives. In a typical arm's length reinsurance contract, an insurance company like PICA transfers a portion of its liabilities and some of the associated assets to a reinsurance company. PICA remains liable to its policyholders but can claim against the reinsurer if certain agreed upon triggers are reached. With ModCo on the other hand, an insurance company like PICA keeps both the assets and all of the liabilities associated with certain blocks of business and only transfers risk and regulatory capital requirements to its reinsurer. As a consequence, PICA and RGA, both of which have substantial ModCo exposure to affiliates, hold much less capital in the form of reserves than insurance companies that do not use ModCo -all other things being equal. ModCo also enables the ceding insurer to transfer asset risk to the reinsurer even though the assets themselves are held in a trust account under the control of the ceding insurer. This allows ceding insurers like PICA to artificially inflate their risk-based capital ("RBC") ratios – a metric prescribed by the National Association of Insurance Commissioners ("NAIC") to impose safe capital requirements on all insurance companies in order to avoid regulatory action and protect

against insolvency. The RBC system calculates the amount of capital that an insurance company needs to hold to support asset risk, interest rate risk, insurance risk and other risks. Asset risk carries substantial weight in the RBC calculation. A high RBC ratio means that an insurance company is well capitalized; a low RBC ratio can trigger regulatory action. Because of PICA and RGA's ModCo transactions, a significant component of the investment risk associated with risky assets like junk bonds, collateralized debt obligations ("CDOs") collateralized loan obligations ("CLOs"), illiquid private debt or commercial real estate is transferred to their affiliated reinsurers and does not factor into their RBC calculations. As a result, PICA and RGA report higher RBC ratios that they would otherwise be required to report if the risky assets artificially off-loaded via ModCo transactions with their own wholly owned affiliates were included in their RBC calculations. *See* Gober Decl. at ¶ 23.

82. As noted by the authors of "Regulatory Capital and Asset Risk Transfer, published in the Journal of Risk and Insurance in June, 2023, "modified coinsurance allows insurers to report higher risk-based capital ratios." "ModCo improves the RBC ratio of the ceding insurer because: (i) the ceding commission increases the level of capital, and (ii) the investment risk component of RBC decreases." But the actual financial condition of the insurer has not improved. The authors also compare ModCo to interest rate swaps: "ModCo contracts are similar to interest rate swaps wherein the risk transfers to the counterparty but not the underlying assets and liabilities."[5]

83. An ERISA fiduciary should know that excessive exposure to ModCo with an affiliate is a red flag that warrants further inquiry. Yet, Defendants chose PICA and RGA even

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[5] Kim, Kyeonghee and Leverty, J. Tyler and Schmit, Joan T., Regulatory Capital and Asset Risk Transfer at pp. 3, 12 (June 22, 2023). Journal of Risk and Insurance, http://doi.org/10.1111/jori.12441, Available at SSRN: https://ssrn.com/abstract=4221205 or http://dx.doi.org/10.2139/ssrn.4221205.

though PICA and RGA have billions in exposure to ModCo transactions with affiliates while companies like New York Life have ***ZERO***.

84. RGA is a highly unusual choice as an issuer of a group annuity contract and does not enhance retiree security but, to the contrary, puts the retirement income of the annuitants at great risk. RGA is unsuitable for the following reasons: (i) RGA reports more than $30 billion in reinsurance recoverables; (ii) the majority of the affiliated reinsurance payables to RGA are from affiliated reinsurance companies domiciled in Barbados and Bermuda, and a captive reinsurer domiciled in Missouri; (iii) RGA has assumed billions of dollars of reinsurance through more than 1,000 reinsurance agreements from hundreds of life insurers worldwide; and (iv) the majority of the reinsurance risks assumed by RGA have been ceded to their secret captives in Missouri or affiliates offshore. *See* Gober Decl. at ¶¶ 24, 68.

85. Over the past decade, PRU has been systematically gutting reserves from its regulated insurance company subsidiaries, primarily PICA, by engaging in sham transactions with wholly owned captive reinsurance affiliates located in Arizona and affiliates offshore in known "secrecy jurisdictions" where financial records are not publicly available, and reserve requirements are lax.

86. Since 2012 PICA has done more than $90 billion in PRT transactions in the U.S. PICA has also provided reinsurance to a number of Pension Schemes in the U.K. and taken on billions more in longevity exposure in other countries around the world.

PICA IS FAR RISKIER THAN PRU

87. While PICA often refers to itself as simply "Prudential", PRU and PICA have very different risk profiles. PRU, PICA's direct parent is a publicly traded financial conglomerate with $1.5 trillion in assets under management as of June 30, 2024 and PRU owns thousands of

subsidiaries all over the world, some of which are excellent credit risks. PRU derives substantial revenue from its regulated insurance company subsidiaries that offer individual life insurance and annuity products to consumers across the United States and around the world. PRU also claims to be one of the world's largest providers of pension risk transfer solutions to corporations and defined benefit plan sponsors looking to unload their pension obligations.

88. However, PRU routinely publishes the following disclaimer in press releases and other publications:

> **Insurance products are issued by The Prudential Insurance Company of America (PICA), Newark, NJ. PICA is a Prudential Financial company. PICA is solely responsible for its financial condition and contractual obligations.**[6]

89. Even though Prudential advertises its PRT exposure to the general public as a Prudential exposure: "Prudential and RGA will each irrevocably guarantee and assume 50% of the benefit obligations to the retirees, except in certain jurisdictions where Prudential will irrevocably guarantee and assume 100% of the benefit obligation." It is only at the very end of PRU's pension risk transfer press releases where the above-referenced disclaimer appears: "PICA is solely responsible for its financial condition and contractual obligations".[7] PRU would be a more

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[6] https://news.prudential.com/latest-news/prudential-news/prudential-news-details/2024/Prudential-and-RGA-entrusted-to-fulfill-5.9-billion-in-pension-promises-for-Verizon/default.aspx (last retrieved on April 23, 2025).

[7] *See* e.g., https://news.prudential.com/latest-news/prudential-news/prudential-news-details/2024/Prudential-assumes-4.9-billion-in-pension-obligations-for-21500-Shell-U.S.-retirees/default.aspx https://news.prudential.com/latest-news/prudential-news/prudential-news-details/2024/Prudential-assumes-4.9-billion-in-pension-obligations-for-21500-Shell-U.S.-retirees/default.aspx (last retrieved on April 24, 2025); and https://news.prudential.com/latest-news/feature-stories/feature-stories-details/2024/Prudential-to-fulfill-6-billion-in-protected-retirement-obligations-in-second-pension-risk-transfer-with-IBM/default.aspx (last retrieved on April 24,2025).

reasonable credit risk for the instant annuitization transactions. However, PICA is not even close to suitable for the reasons detailed herein.

90. While PRU's misleading press releases are not the subject of this Complaint, both Defendants Verizon and State Street know that retirees only have recourse to PICA and RGA and not PRU as set forth in the Group Annuity Contracts. As a result, PRU's financial condition is not even remotely relevant at all to the obligations of Plan Fiduciaries to analyze the safety and security of the instant PICA/RGA transaction. PRU has no liability whatsoever to Verizon pensioners in the event of a PICA insolvency. That is one of the main reasons why Plan Fiduciaries must thoroughly and completely analyze PICA and RGA's ability, as stand-alone entities to make good on *their* obligations to retirees. Verizon and State Street failed miserably in this regard.

91. At the same time PICA has been rapidly piling up PRT risk, PICA, has also been systematically circumventing state insurance reserve requirements by abusing wholly owned captive reinsurance companies, primarily in Arizona, and more recently affiliated reinsurers in Bermuda, to "reinsure" blocks of insurance policy claims or other insurance liabilities such as annuity funded pension payments to retirees and other PRT risks. PICA and other PRU affiliates use Arizona and Bermuda as their "regulation light" jurisdictions of choice in order to exploit looser reserve and regulatory requirements and more favorable tax treatment.

92. Each time PICA or a PICA affiliate enters into a reinsurance transaction with another PICA affiliate or captive reinsurer that holds risky debt-like instruments as assets, it effectively lowers reserves that are supposed to be set aside to cover insured liabilities leaving policyholders and pensioners at substantial risk. This type of circular reinsurance with affiliates and/or captives was deemed "financial alchemy" or "shadow insurance" by the New York State Department of Financial Services ("DFS") in June of 2013 when DFS conducted an

extensive investigation into these types of practices at New York-based insurance companies and their wholly owned captives and affiliates.

93. While the DFS investigation did not focus on PRU (domiciled in New Jersey), the Superintendent of Financial Services of the State of New York, Benjamin M. Lawsky, was so shocked by the risks associated with the "financial alchemy" he uncovered that he wrote a detailed and ominous letter to the Honorable Sherrod Brown, then Ranking Member of the U.S. Senate Committee on Banking, Housing and Urban Affairs, urging Senator Brown to address "a troubling regulatory loophole that threatens the financial stability of the insurance markets, puts everyday policyholders at substantial risk, and provides billions of dollars in unearned tax deductions to large, multi-national corporations. That loophole is life insurance companies' use of 'shadow insurance' vehicles to divert policyholder reserves to other purposes, such as executive compensation, dividends, and acquisitions."[8]

94. PICA and its affiliates have engaged in the exact same kind of shadow insurance practices and other reserve compromising transactions with affiliates. The mere fact that PICA's secret captives and affiliates hold so many circular debt and debt-like instruments as assets should have raised a red flag for any reasonably prudent fiduciary. The fact that PICA has encouraged and enabled more than $100 billion in affiliated party sham reinsurance transactions with affiliates since 2012 alone should have immediately disqualified PICA from consideration as a sound choice for Verizon pensioners, especially since "PICA is solely responsible for its financial

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[8] *See* Letter dated April 27, 2015, from Benjamin M. Lawsky, Superintendent of Financial Services, State of New York to The Honorable Sherrod Brown, Ranking Member, U.S. Senate Committee on Banking, Housing and Urban Affairs, entered into the record during the Hearing Before the Committee on Banking, Housing, and Urban Affairs on April 28, 2015 at p. 46, https://www.govinfo.gov/content/pkg/CHRG-114shrg97357/pdf/CHRG-114shrg97357.pdf (last retrieved on April 15, 2025.

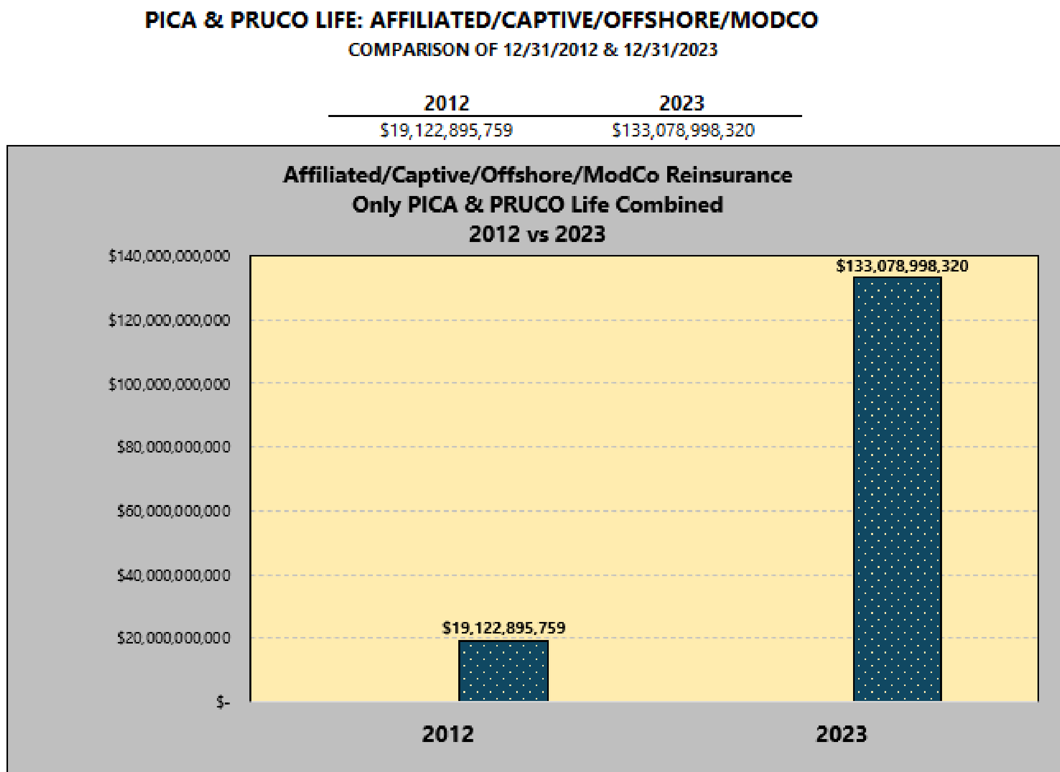
condition and contractual obligations." Either State Street and Verizon failed to examine the financial statements of the affiliated reinsurers (which would be a blatant breach of their fiduciary duties) or they failed to understand how PICA's exposure to their wholly owned affiliates created risk for the plan participants-whose interests should have been front and center. Both failures put Verizon retirees at substantial risk that could easily have been avoided by following ERISA's mandates.

95. While the assets held by PICA and RGA's wholly owned captive reinsurers and affiliates may not be readily ascertainable due to the fact that the captives and affiliates are located in secrecy jurisdictions and do not file publicly available financial statements, the amount of credit that PICA and RGA have taken for reinsurance with their wholly owned affiliates is easy to obtain by simply reviewing readily available statutory financial statements as noted above.

96. When U.S. regulated insurance companies take credit for reinsurance with captives and affiliates that do not report under SAP or make financial statements publicly available it puts retirees at substantial risk. Affiliated party reinsurance transactions are not arm's length as pricing is set within the same group of companies under common control. It amounts to nothing more than a circular movement of assets and liabilities that appears to provide security to policyholders while doing the exact opposite. Real assets vanish and they are replaced with speculative IOU's. *See* Gober Decl. at ¶ 28.

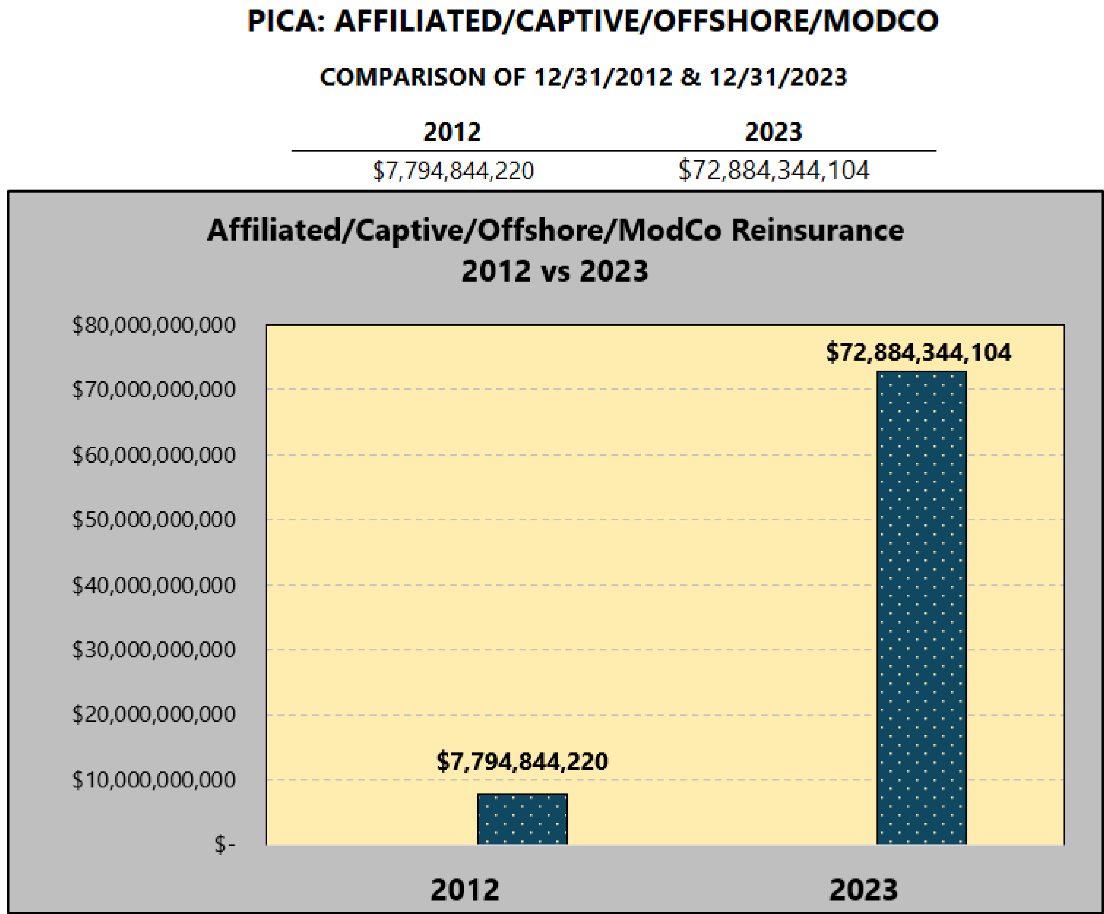
97. PICA's excessive interdependence within the PRU holding company system should have been a bright red flag for Verizon and State Street. PICA both cedes liabilities to affiliates and reinsures affiliates, including its own wholly owned Arizona captives as noted below. Another PICA affiliate, PGIM provides investment management services to PICA and PICA affiliates guarantee the obligations of other PICA affiliates in a glaring and circular manner.

98. Despite Lawsky's ominous warning to Congress, PRU, through PICA dramatically increased its use of shadow insurance after 2015 and PICA's cumulative reserve credit taken for reinsurance with wholly owned affiliates and captive insurance companies domiciled in Arizona far exceeds PICA's surplus. Just the two primary PRU carriers combined went from $19.1 billion in shadow insurance transactions in 2012 to **$133 billion** at year end 2023, as shown on the chart below.



See Gober Decl. at ¶ 31.

99. PICA increased its exposure to reinsurance with non-arm's length affiliates and captives in Arizona and Bermuda from $7,794,844,220 in 2012 – when Verizon did its first PRT deal with PICA to **$72,884,344,104** as of year-end 2023 as per the chart below.



See Gober Decl. at ¶ 29.

100. PICA was a far more reasonable choice of annuity provider in 2012 when it did the first Verizon transaction involving 41,000 retirees and liabilities then valued by Verizon at $7.5 billion as it had only taken $7.8 billion in credit for reinsurance and ModCo with affiliates as reported on December 31, 2012. Contrast PICA at year end 2012 with PICA at year end 2023 and as depicted in the above chart, PICA's exposure to affiliates jumps tenfold to $72.8 billion as at December 31, 2023. *See* Gober Decl. at ¶ 29.

101. In addition, while Verizon valued its liabilities at $7.5 billion back in 2012, it paid PICA a total contribution amount as of December 10, 2012 of $8,397,548,847.52 – close to a $1 billion dollar premium over the stated value of Verizon's future liabilities. Ostensibly, the premium paid over the present value of the pension liabilities went to cover costs and PICA's profit for agreeing to take on the liabilities for 41,000 pensioners. On the other hand, with respect to the March 6, 2024 transactions, Verizon reported in its 2024 third quarter 10-Q, "The purchase of the group annuity contracts was funded directly by transferring $5.7 billion of assets of the Pension Plans."[9] That is $200,000,000 less than the value of Verizon's liabilities. Why did PICA insist on close to a $1 billion dollar premium in 2012 and take $200,000,000 less from Verizon in 2024 to cover pension liabilities? Plaintiffs believe that PICA's and RGA's offloading of liabilities to wholly owned captives and affiliates and State Street's complicity and conflicts of interest are credible explanations for what appear to be otherwise entirely inconsistent and irreconcilable transactions.

102. Ironically, PICA in 2012 would have been a safer and more prudent choice than the PICA of today that is wholly dependent on non-arm's length, contrived transactions with wholly

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[9] Verizon Communications Inc. (2024). Form 10-Q. U.S. Securities and Exchange Commission. https://www.sec.gov/ix?doc=/Archives/edgar/data/732712/000073271224000069/vz-20240930.htm (last retrieved on April 24, 2025).

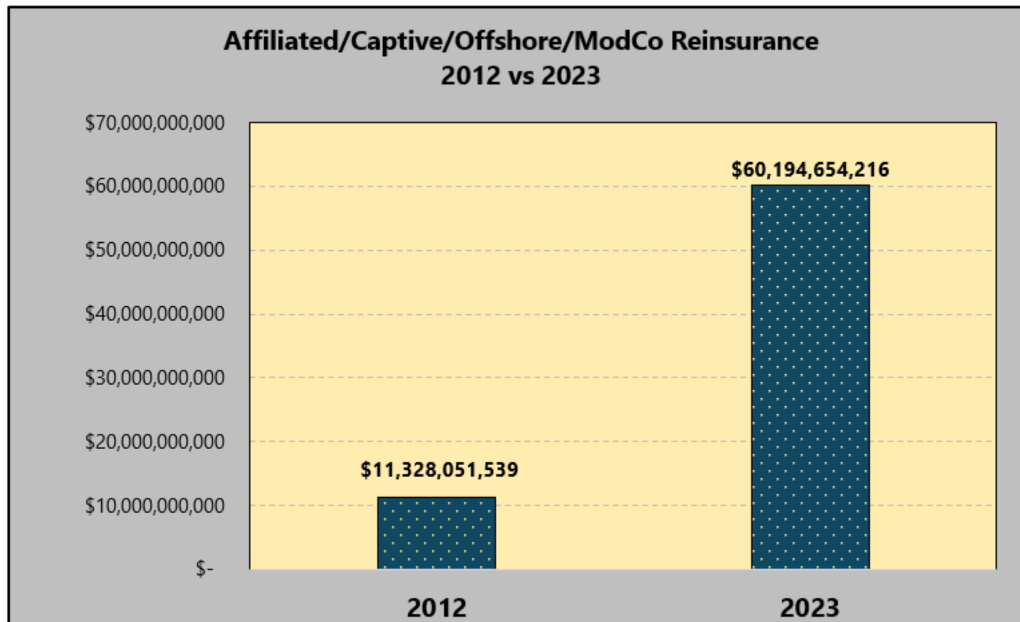
owned captives and affiliates that only serve to conceal PICA's true financial condition. New York Life would have been a far safer choice than PICA. *See* Gober Decl. at ¶ 50. In addition to New York Life, Pacific Life and Nationwide would have also been much more appropriate choices for the annuitization transactions than PICA and RGA. All three of those companies participate in the pension risk transfer business.

103. In addition to PICA's own dependence on affiliated captives and affiliated reinsurers, another affiliate, Pruco Life Insurance Company ("Pruco Life"), a wholly owned subsidiary of PICA, increased its affiliated party exposure from $11,328,051,539 in 2012 – when Verizon did the first PRT deal with PICA impacting 41,000 Verizon retirees – to over $60 billion dollars **($60,194,654,216)** as of year-end 2023. *See* the chart below:

PRUCO LIFE INS CO: AFFILIATED/CAPTIVE/OFFSHORE/MODCO

COMPARISON OF 12/31/2012 & 12/31/2023

2012	2023
$ 11,328,051,539	$ 60,194,654,216



See Gober Decl. at ¶ 30.

104. Both PICA and Pruco Life are wholly owned PRU subsidiaries. Combined, PICA and Pruco Life reported reinsurance "IOUs" or recoverables of **$133 billion** from affiliates/captive reinsurers and those same affiliates/captive reinsurers reported **$133 billion** in reinsurances payables as of year-end 2023. In other words, **$133 billion** of PRU's reinsurance is, if not worthless, circular in nature and internal within the PRU group rather than with arm's length, independent, well capitalized reinsurance companies. See the chart below:

ANNUAL STATEMENT FOR THE YEAR 2023 OF THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

SCHEDULE Y

PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

Names of Insurers, Parent, Subsidiaries, Affil	Reins Recov./(Payable) and/or Reserve Credit Taken (Liability)	Total Captive & Offshore Payables to Affiliates
Prudential Legacy Insurance Company of New Jers	$ (47,330,009,584)	
Captive: Prudential Arizona Reinsurance Universal	$ (18,702,977,557)	
Captive: Prudential Universal Reinsurance Compar	$ (11,289,411,284)	
Captive: Gibraltar Universal Life Reinsurance Co	$ (4,885,738,352)	
Offshore: Lotus Reinsurance Company Ltd.	$ (4,429,331,636)	
Captive: Prudential Term Reinsurance Company	$ (3,838,169,748)	
Captive: Prudential Arizona Reinsurance Captive C	$ (3,543,086,059)	
Captive: Prudential Arizona Reinsurance Term Co	$ (3,399,032,599)	
Captive: Dryden Arizona Reinsurance Term Co	$ (1,543,328,775)	$ (51,638,750,002)
Captive: Prudential Universal Reinsurance Entity C	$ (7,673,992)	
Prudential Seguros Mexico, S.A. de C.V.	$ (2,047,438)	
Pruco Life Insurance Company of New Jersey	$ 5,121,823,968	
The Gibraltar Life Insurance Co., Ltd.	$ 7,817,159,971	
The Prudential Life Insurance Company, Ltd.	$ 25,241,215,614	
The Prudential Insurance Company of America	$ 25,263,214,461	
Pruco Life Insurance Company	$ 35,527,393,010	
TOTAL:	**$0.00**	

See Gober Decl. at ¶ 34..

105. In the snapshot above, a clear pattern emerges. The numbers in red represent amounts owed by the captives and affiliates and the numbers in black are recoverables – or amounts owed by PICA's wholly owned captive reinsurance companies in Arizona and one offshore affiliate, Lotus Reinsurance Company Ltd. located in Bermuda, to PICA and other US based PICA affiliates. Nearly all of the reinsurers with very large amounts due to PRU regulated insurers are the Arizona Captives that do not file public financial statements. Those Arizona Captives owned by PICA owe more than **$47 billion** to PRU affiliates. Such enormous amounts due from secretive "captives" cannot be detected on the balance sheets of the insurers because, rather than report the recoverables as assets, the $47 billion recoverables are netted out of their claims reserve liabilities, booking them as "contra-liabilities." Those amounts are deducted from the claims reserve liabilities *prior* to reporting them on the balance sheet. While the financial statements of the "captives" owing more than **$47 billion** to the regulated PRU insurers are not publicly available, any reasonable independent fiduciary would to inquire into whether or not the Arizona Captives had sufficient assets to make good on **$47 billion** in IOUs to PICA and affiliates. Without definitive proof that the Arizona Captives have the financial ability to make good on more than **$47 billion** in IOU's, the ability of PICA to pay its debts in the ordinary course of business and its obligations to retirees is entirely uncertain. Yet, no information whatsoever about how Verizon and State Street evaluated PICA's financial capabilities has been made available to retirees. *See* Gober Decl. at ¶ 35.

106. In addition, while all of the Arizona Captives are wholly owned by PICA, PICA values its investment in most of its captives at zero. This is extremely troubling. How can Arizona affiliates with hundreds of billions in financial obligations to PICA and Pruco Life be fairly valued at zero? If they are, how can PICA be a prudent choice as an annuity provider. See below:

ANNUAL STATEMENT FOR THE YEAR 2023 OF THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

SCHEDULE D - PART 2 - SECTION 2

Showing All COMMON STOCKS Owned December 31 of Current Year

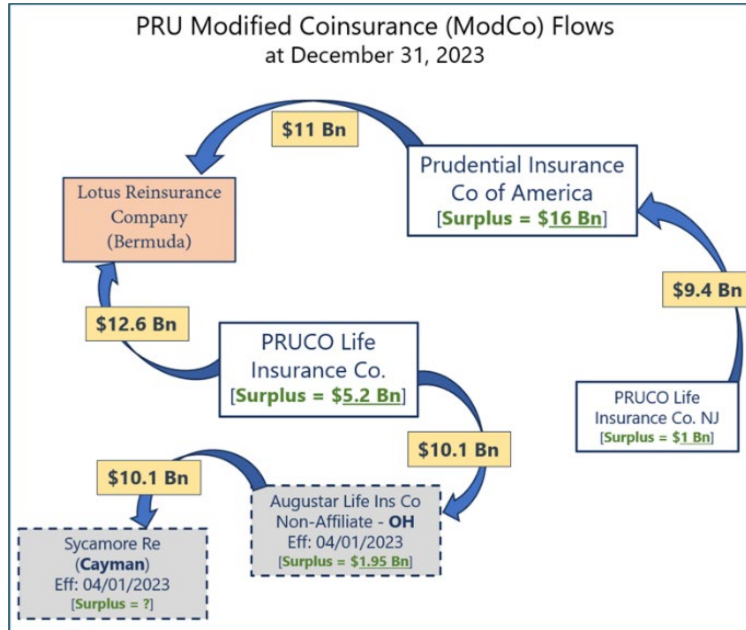
1	2	Codes		5	6	Fair Value		9
		3	4			7	8	
CUSIP Identi-fication	Description	Code	For-eign	Number of Shares	Book/ Adjusted Carrying Value	Rate Per Share Used to Obtain Fair Value	Fair Value	Actual Cost
74408#-10-9	PRUCO Life Insurance Company			250,000.000	5,160,579,278	20,642.000	5,160,579,278	6,033,948,757
000000-00-0	Prudential Legacy Insurance Company of New Jersey			5,000,000.000	227,127,252	45.000	227,127,252	172,220,809
74435S-24-4	Prudential Realty Securities, Inc.			92.000	569,307,672	6,188,127.000	569,307,672	570,506,541
000000-00-0	Prudential Retirement Insurance and Annuity Company			25,000.000	0	0.000	0	0
000000-00-0	Prudential Arizona Reinsurance Universal			1,000.000	0	0.000	0	0
000000-00-0	Prudential Arizona Reinsurance Term Company			1,000.000	0	0.000	0	0
000000-00-0	Prudential Arizona Reinsurance Captive Company			1,000.000	0	0.000	0	0
000000-00-0	Prudential Universal Reinsurance Company			1,000.000	0	0.000	0	0
000000-00-0	Gibraltar Universal Life Reinsurance Company			1,000.000	0	0.000	0	0

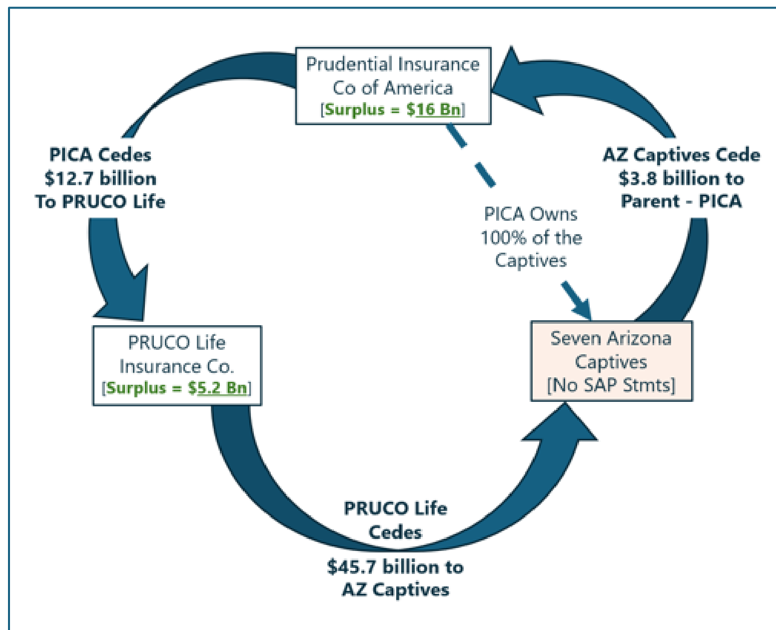
Captives

107. Simply stated, if the value of the Arizona Captives identified above is zero, they cannot conceivably have the financial wherewithal to make good on their IOU's, which include tens of billions of dollars in reinsurance payables to PICA. *See* Gober Decl. at ¶ 15.

108. In addition to the hundreds of billions of liabilities ceded to the Arizona Captives and newly created Bermuda reinsurers, PICA also entered into a significant number of highly opaque ModCo transactions. *See* Gober Decl. at ¶ 15.

109. PRU affiliates have more than $33 billion in seemingly circular ModCo transactions. It is circular and highly suspect for PICA to assume billions in ModCo from PRUCO Life Insurance Company of New Jersey, its wholly owned subsidiary while also ceding billions in ModCo to Pruco Life Insurance Company (AZ), another PICA affiliate located in Arizona. *See* Gober Decl. at ¶ 37.





110. Similar to the concerns expressed above about the shadow insurance transactions using Arizona Captives, it seems highly unlikely that the affiliate ModCo transactions are legitimate, and they are most certainly not arm's length. At the very least, it seems highly unusual for Prudential to use ModCo for more than $33 billion in related party transactions as these transactions involve little more than a swapping of IOUs for insurance risks that were underwritten and assumed at the regulated insurance company levels. There is no legitimate reason for swapping so much risk with wholly owned affiliates other than to avoid reporting requirements and artificially enhance risk-based capital ratios. Using and abusing circular ModCo to game RBC levels and thereby reduce minimum required surplus is directly contrary to the intended purpose of establishing minimum capital standards to reduce insolvency risk.

111. The Arizona Captives that maintain secret financial records are on the hook for a substantial portion of the **$133** billion that they will never be able to pay. More importantly, a significant amount of the **$133** billion that PRU insurers claim to be owed from affiliates and the Arizona Captives has already been up-streamed to PRU for non-policyholder purposes, including management fees, investment fees, affiliated reinsurance premiums, and dividends leaving the PRU regulated insurers dramatically under-reserved. In 2023 alone, PRU spent more than $1 billion on stock buy-back transactions. *See* Gober Decl. at ¶ 39.

112. PICA's captive reinsurance companies in Arizona are allowed to replace real assets with "hollow assets" for reserving purposes including conditional letters of credit, circular parental guarantees, complex surplus notes, including credit linked surplus notes and other collateral of speculative value such as assets identified only as "LOC-like" on statutory financial statements. These type of "hollow assets" are not considered proper assets for an insurance company regulated in New Jersey or in any jurisdiction that adheres to the NAIC Accounting Practices & Procedures

Manual, NAIC Model Holding Company Act (NAIC Model Insurance Laws, Regulations and Guidelines, NAIC Model Act #440) and the NAIC Annual Statement Instructions. *See* Gober Decl. at ¶ 40.

113. Based on a forensic review of public filings, as of year-end 2023, expert Certified Fraud Examiner Tom Gober was able to identify a staggering number of circular related-party transactions as set forth in the chart below.

See Gober Decl. at ¶¶ 41,42.

114. Through a detailed review of the entire PRU Holding Company System it becomes clear that there is a dangerous level of interdependence among the myriad affiliates. They reinsure each other, invest in each other, pay dividends to each other, pay management fees to each other and guarantee each other. The interdependence among affiliated entities is glaring, the movement of assets and liabilities circular and the risks far greater to pensioners than what prudence and loyalty permits of Plan fiduciaries such as Verizon and State Street. All of the above information

about PICA and its affiliates can be found in publicly available Statutory Financial Statements available from PICA itself and also available by request made to the New Jersey Insurance Department and the NAIC. Had Verizon and State Street done even a fraction of the analysis that Plaintiffs did before filing the instant action, they could not possibly have reasonably concluded that the PICA/RGA transaction was consistent with their fiduciary duty under ERISA – the highest fiduciary duty in the land. In fact, given the scope and magnitude of PICA's and RGA's suspect transactions with wholly owned captives and affiliates, both on-shore and off-shore, to conclude that PICA and RGA were secure stewards of Plaintiffs' pensions defies all logic and reeks of self-dealing.

115. Even PICA's reported use of "unaffiliated reinsurers" does not appear to be accurate. By way of example, in 2023, PICA entered into a new reinsurance transaction of approximately $10 billion ($9.97 billion) with a newly formed offshore reinsurer, Prismic Life Reinsurance, Ltd. of Bermuda ("Prismic"). However, in Schedule S – Part 3, (Reinsurance Ceded) PICA reported Prismic as non-affiliated even though PRU (PICA's ultimate parent) is listed as one of two lead investors in Prismic. Another PRU affiliate, PGIM (PRU's principal asset manager) provides asset management services to Prismic and PRU executives sit on the Prismic board of directors in order to "oversee its long-term strategy." It is simply not reasonable to describe PICA's reinsurance relationship with Prismic as unaffiliated. Yet that is exactly how PICA describes it in public filings. *See* Gober Decl. at ¶¶ 43,44.

116. Related party reinsurance requires mandatory additional regulatory scrutiny and the NAIC Model Holding Company Act, which has been adopted by all fifty states specifically requires that all transactions within an insurance holding company system shall be on terms that are "fair and reasonable." N.J. Stat. § 17:27A-4. In addition, the Model Holding Company Act

requires that books and records be so maintained as to clearly and accurately disclose the true nature and details of the transactions in question. Yet PICA reports to US state regulators under SAP and the Arizona captives do not make their financial statements publicly available at all and the Bermuda affiliates report under a different accounting regime known as generally accepted accounting principles ("GAAP"). Plaintiffs do not believe that Defendants conducted a thorough and complete inquiry as to the true nature and details of the affiliated party transactions at issue in this case – both with respect to PICA and RGA.

117. Defendants' failure to reconcile massive, related party transactions that go directly to PICA and RGA's ability to make pension payments to Plaintiffs for decades is at the heart of this case.

118. Also of note is the fact that Prismic reports under Bermuda GAAP and not SAP like PICA. This reporting discrepancy alone adds to the overall lack of transparency within the complex PRU holding company system. All of this suspect reporting on publicly filed statutory financial statements should have raised red flags for fiduciaries tasked with choosing safe and secure annuity contracts to replace ERISA protected defined benefit plan obligations. How State Street could have ignored all of this publicly reported information and still chosen PICA and RGA as suitable annuity providers for Verizon plan participants defies logic.

119. PICA also ceded over $2.29 billion to an affiliated Bermuda based reinsurer called Lotus Reinsurance Company Ltd. ("Lotus"). According to Lotus' own public filings, effective February 1, 2022, Lotus became a wholly owned subsidiary of Prudential International Insurance Holdings, Ltd. ("PIIH"), which in turn is a direct wholly owned subsidiary of PRU. Prior to February 1, 2022, Lotus was wholly owned by PICA. Lotus has extensive related party transactions with PRU, PICA, Prudential International Insurance Service Company, LLC and other

PRU affiliates and PGIM provides discretionary investment advisory services to Lotus. *See* Gober Decl. at ¶ 46.

120. As of year-end 2023 PICA and PRUCO had ceded $4.1 billion in liabilities to Lotus and consummated ModCo transactions totaling $23.6 billion. Yet, Lotus only reported total assets of $1.3 billion and liabilities of only $23.7 million. Any reasonable fiduciary should have questioned the integrity of Lotus's financial reporting. *See* Gober Decl. at ¶ 47.

121. The structure that PRU uses with its affiliated Bermuda Reinsurance Companies (Lotus and Prismic) has been described by investigative journalist and Annuity expert Kerry Pechter as the "Bermuda Triangle" phenomenon.

122. As investigative journalist Kerry Pechter writes in the May 5, 2022, Issue of the Retirement Income Journal ("RIJ"):

> What *RIJ* calls "the Bermuda Triangle" is a synergistic, much-varied business model involving a kind of triple accounting play between:
>
> - A US domiciled life insurer that issues fixed-rate or fixed indexed annuities
> - An asset manager with global reach and expertise in alternative assets and origination of high-yield loans
> - A reinsurer in a jurisdiction (e.g., Bermuda, Cayman Islands, Vermont) that permits the valuation of annuity liabilities according to Generally Accepted Accounting Principles (GAAP) along with or instead of the more conservative Statutory Accounting Principles required of all US life insurers
>
> In the Bermuda Triangle's purest form, all three players belong to the same holding company. They may also have some overlapping ownership, or may be strategic partners. Life insurers who employ all or part of the Bermuda Triangle strategy include leading FA and/or FIA sellers like Athene Annuity & Life, Global Atlantic, AIG, MassMutual, and others. Together, Bermuda Triangle companies accounted for about half of the $116.8 billion in 2021 fixed-rate/fixed indexed annuity sales reported by LIMRA's Secure Retirement Institute."[10]

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[10] Pechter, K. (2022, May 5). *Why RIJ Obsesses over the 'Bermuda Triangle'*. Retirement Income Journal. https://retirementincomejournal.com/article/why-rij-obsesses-over-the-bermuda-triangle/ (Last retrieved on December 27, 2024).

123. A detailed review of PICA's public filings and its overwhelming dependence upon affiliates is exactly the type of analysis contemplated by ERISA in order for an independent fiduciary to choose the "safest available annuity" or even a reasonably secure annuity. Verizon and State Street failed miserably in this regard.

124. Similarly, a detailed review of RGA's exposure to its captive reinsurance affiliate in Missouri and its affiliated reinsurers in Barbados and Bermuda – all of which report under GAAP and not SAP was not something that Plaintiffs believe was undertaken by Defendants in this case despite Defendants fiduciary obligation to do just that. Either Defendants failed to properly analyze the risk associated with RGA's exposure to affiliates in regulation light jurisdictions or Defendants simply turned a blind eye to their fiduciary duty to inquire about material and relevant transactions that put plan participants at risk.

125. Had Defendants considered the quality and diversification of PICA's investment portfolio, they would have known that PICA reported close to $18 billion in investments it lists as "Affiliated Investments" as of year-end 2023 more than 111% of its surplus, PICA has more than $10 billion in investments it simply describes as "Other" Invested Assets, PICA also reported as of year-end 2023 "Other Loan-Backed" investments in the amount of $10,838,636,616 and its exposure to Commercial Mortgages was $16,349,437,360 both as of year-end 2023.

126. Had Defendants considered the level of PICA's capital and surplus they would have known that PICA's Surplus as a percentage of its liabilities was reported at 5.7% as of year-end 2023 and Pruco Life's was at 3.2% - well below industry averages which approximate 7.5%. But this low surplus is, in fact, substantially inflated because it does not account for the sham reinsurance and abusive ModCo transactions described herein.

127. By way of comparison, New York Life's ratio of Surplus to Liabilities was 12.2%

as of year-end 2023, Teachers Ins. & Ann was at 13.8% as of year-end 2023 and Guardian Life was at 12.7%. Clearly, all of these entities are objectively safer annuity providers than PICA/RGA even if Plan fiduciaries claim to have relied on PICA's stated surplus.

128. Had Defendants considered PICA's lines of business and PICA's exposure to liability they would have known that PICA's surplus is dramatically overstated taking into consideration all of the exposure PICA has to Pruco Life and its own exposure to wholly owned captive reinsurance companies in Arizona and affiliates in Bermuda. In 2023 alone, PICA took credit for reinsurance in the amount of $12.5 billion for liabilities ceded to Pruco Life, its wholly owned subsidiary that also cedes to PICA's wholly owned Arizona Captives. There does not appear to be any legitimate business reason for PICA to cede liabilities to wholly owned subsidiaries and when those subsidiaries also cede liabilities to other wholly owned PICA subsidiaries the circular nature of this shuffling around of obligations becomes clear. Unfortunately, circular reinsurance transactions with affiliates undermines policyholder security and puts pensioners at substantial risk that can be best described as "Enronesque."

129. Had Defendants considered the structure of PICA and other indications of PICA's exposure to liability they would have known that PICA is dramatically under reserved.

130. The concerns about the consequences of all of PICA's and RGA's suspect transactions with affiliates are real and imminent. In 2024 alone, several life and annuity issuers were placed into rehabilitation or subjected to regulatory action as a direct and proximate result of imploded affiliated party reinsurance. These entities include the following: Columbian Mutual Life Insurance Company ("Columbian Mutual"), Columbian Life Insurance Company ("Columbian Life"), PHL Variable Insurance Company, 777 Reinsurance Ltd. ("777 Re") and most recently Sentinel Security Life Insurance Company, Haymarket Insurance Company and Jazz

Reinsurance Company (collectively, the "ACAP Companies"). The ACAP Companies were ordered to cease writing new business effective December 31, 2024, because the Utah Insurance Department determined that the ACAP Companies "are in a Hazardous Financial Condition and that such condition presents an immediate and significant danger to the public health, safety, or welfare, and that immediate action is necessary and in the public interest.[11] All of the recent failures had one thing in common: excessive reliance upon non-arm's length reinsurance with affiliates and the exact same type of financial alchemy that plaintiffs complain of in this case.

131. Columbian Mutual was placed into Rehabilitation by the New York State Department of Financial Services on August 13, 2024 following a failed merger and de-mutualization sponsored by Constellation Insurance Holdings, Inc. When the NYS Department of Financial Services conducted asset adequacy testing, it required Columbian Mutual to contribute more than $100,000,000 to its asset adequacy reserves. This took Columbian Mutual's surplus from $25 million to negative $88 million overnight. This led to an immediate ratings downgrade and regulatory action by the State of New York Department of Financial Services and parallel regulatory action by the Insurance Commissioner of the State of Illinois where Columbian Life Insurance Company, an affiliate of Columbian Mutual, is domiciled. While both Columbian Mutual and Columbian Life went from positive to negative surplus in short order, the adjustments to surplus have not yet taken into account the fact that Columbian Life ceded liabilities in the amount of $587 million to Columbian Mutual – liabilities that neither entity has the financial wherewithal to meet. Policyholders have been and will continue to be impacted as two separate state mandated Rehabilitation proceedings erode estate assets while regulators and their appointees

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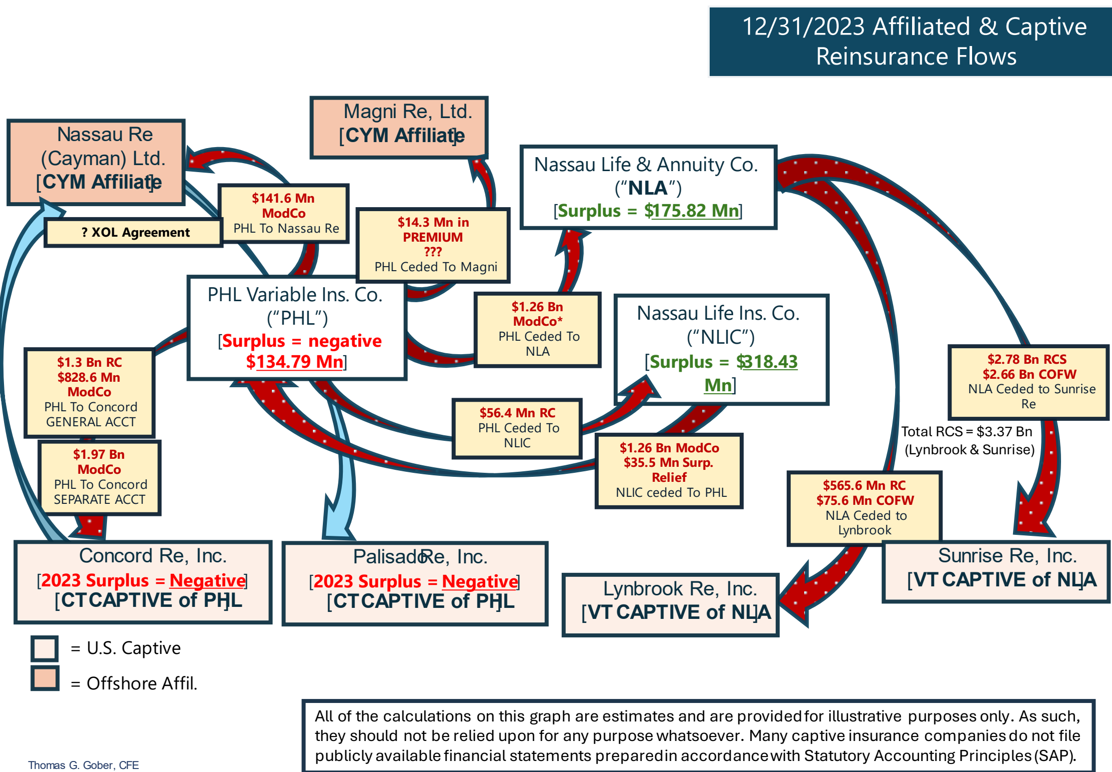
[11] https://insurance.utah.gov/wp-content/uploads/4699EmergencyOrder.pdf (last retrieved on April 15, 2025).

sort through the mess.

132. PHL Variable Insurance Companies and its subsidiaries, Concord Re, Inc. and Palisado Re, Inc. ("PHL") were ordered into Rehabilitation on May 20, 2024. In connection with the PHL Rehabilitation, the Connecticut Insurance Commissioner determined that "further transaction of business would be financially hazardous to its policyholders, creditors and the public. Many of the reasons for PHL's rehabilitation can be traced to non-arm's length reinsurance transactions with affiliates. The chart below bears a striking similarity to the PICA chart set forth herein at paragraph 113.



133. As depicted above, PHL is heavily dependent upon reinsurance with affiliates and captives located in Connecticut and the Cayman Islands and reinsurance with another affiliate

Nassau Life & Annuity Co. ("Nassau") and circular reinsurance and suspect ModCo transactions with other Nassau and PHL affiliates.

134. As a result of the rehabilitation, the PHL Rehabilitator issued a Temporary Moratorium Order effective May 20, 2024 limiting policy withdrawals, surrenders and death benefit payouts to certain guaranty association cap limits. Policyholders were immediately impacted by the Moratorium Order that was made permanent on June 25, 2024 and continues to this day.

135. Similarly, the recent regulatory action by the Utah Insurance Department and the South Carolina Insurance Department directed at the ACAP Companies stems from highly suspect affiliated party transactions that the ACAP insurers entered into with captives and affiliates to allow the regulated insurance companies to avoid scrutiny. All of this started to unwind when scandals surfaced related to 777 Partners, LLC, the direct parent company of 777 Re. 777 Re assumed billions in opaque Modco liabilities from the ACAP entities. 777 Re surrendered its reinsurance license to the Bermuda Monetary Authority on October 8, 2024, and the ACAP insurers recaptured all of the ceded ModCo liabilities. Now those liabilities (that never left the ACAP Companies in the first place) are in the hands of the Utah and South Carolina Departments of Insurance.

136. All of the recent regulatory events highlight just how suspect and opaque affiliated party reinsurance and ModCo transactions can be and just how risky this type of financial alchemy is for unsuspecting policyholders including pensioners like putative class members herein.

137. Based on the information set forth in this complaint, a reasonable independent fiduciary acting in the best interests of Plan Participants in accordance with ERISA's requirements could not possibly have chosen the PICA/RGA structure for Plaintiffs and other putative class

members.

<u>Verizon's and State Street's choice of PICA and RGA was motivated by financial self-interest and was therefore disloyal and the transactions were prohibited by ERISA</u>

138. In choosing PICA for one of the two annuity transactions at issue in this case, State Street systematically ignored red flags like affiliated party reinsurance, high concentrations of risky assets and circular ModCo transactions as set forth in paragraphs 69, 70, 81, 108-110, 120, *supra*. State Street's reasons for doing so are suspect given its own substantial financial interests in both PICA (through PRU) and Verizon.

139. State Street is also one of the largest shareholders in PRU, PICA's direct parent holding shares valued at more than $2 billion and State Steet also owns millions of shares of RGA's common stock, valued at more than $479 million.

140. State Street's significant holdings in PRU and RGA are only outdone by its holdings in Verizon, which were recently valued at a staggering $7,705,192,743.00.

141. Yet, despite obvious conflicts of interest, State Street claims to have acted as an "independent fiduciary" when it came to the choice of PICA and RGA for the instant Verizon transaction and State Street further claims that its choice of annuity provider was undertaken in the best interests of plan participants.

142. If an Article III Judge owned billions in common stock in Prudential, RGA and Verizon, she would be duty bound to recuse herself from this case. State Street's claim to have acted solely in the best interests of plan participants, even when it directly benefitted from Verizon off-loading liabilities to PICA and RGA doesn't pass the laugh test.

143. Plaintiffs maintain that Defendants intentionally failed to conduct an independent and impartial investigation when selecting PICA and RGA for the instant annuitization

transactions. Plaintiffs further maintain and will prove that State Street was hired to provide "cover" for Verizon's choice of PICA and RGA and to give the appearance of legitimacy to a process that was fatally flawed and contrived from the outset.

144. Just prior to the Pension Risk Transfer to PICA and RGA, PICA valued its liabilities to the impacted plan participants at $5.9 billion yet Verizon only paid $5.7 billion to PICA and RGA resulting in an immediate profit of $200 million to Verizon. Said another way, $200 million in assets that were supposed to be invested for the sole and exclusive benefit of plan participants directly benefitted Verizon at plan participants' expense.

145. The detailed data contained herein, all of which is publicly available, shows that PICA and RGA are entirely dependent upon affiliates domiciled in secrecy jurisdictions to make good on their liabilities to Plaintiffs. The interdependence among affiliates within the same controlled group of companies, and the excessive amounts of sham reinsurance with captives and affiliates located in Arizona, Bermuda, Barbados and Missouri would have led a loyal and prudent fiduciary to conclude that PICA and RGA were not safe annuity providers for the 56,000 hard earned pensions that were dumped on them by Verizon with State Street's blessing.

146. The deal with PICA and RCA immediately reduced the value of Plaintiffs pension benefits. At the same time, by offloading liabilities to PICA and RGA, Verizon improved its own financial position to the delight of one of its largest institutional investors- State Street. This type of self-dealing turns fiduciary duties on their head and is not permitted under ERISA.

147. The selection of PICA and RGA took away all of the uniform protections intended by Congress under ERISA and reduced earned benefits to which Plaintiffs were entitled to benefits that are substantially and quantifiably less valuable.

148. Plaintiffs did not choose PICA or RGA and Plaintiffs had no say in any aspect of

Verizon's decision to kick them out of the Plans. Plaintiffs are also stuck as certificate holders under a group annuity contract they do not control and cannot surrender or exchange for an individual annuity contract with a better capitalized mutual insurance company owned by policyholders rather than shareholders like State Street.

CLASS ALLEGATIONS

149. Plaintiffs bring this action as a class action under Federal Rule of Civil Procedure 23. They seek to represent the 56,000 Plan participants and beneficiaries ejected from the Plan by the PICA and RGA transactions (the "Class").

150. Plaintiffs are empowered to bring this action under 29 U.S.C. § 1132(a)(2), (a)(3) and (a)(9).

151. Numerosity: The 56,000 member Class is so numerous that joinder of all members is impracticable.

152. Commonality: There are questions of law and fact common to the class because class members' claims are identical to one another and predicated on the common contention that they were injured by the transfer of their pension liabilities to PICA and RGA in violation of ERISA. Proceeding as a class action will generate answers to common questions that are apt to drive resolution of the litigation. Such common questions include:

(i) Did Verizon breach its fiduciary duties when they selected PICA and RGA as annuity providers?

(ii) Did State Street breach its fiduciary duty when it assisted Verizon in entering into, and itself entered into, the transaction?

(iii) Was the transaction *per se* unlawful under ERISA?

(iv) Did Verizon and State Street engage in impermissible self-dealing?

(v) Did the analysis performed by Verizon and State Street that led Verizon and State Street to select PICA and RGA as annuity providers satisfy those entities' fiduciary obligations?

(vi) Should the Court order injunctive relief that ensures Plaintiffs will be able to obtain their full retirement benefits?

(vii) Should the Court order Verizon to disgorge the hundreds of millions in profit that it secured by breaching its fiduciary duty, including, but not limited to the $200,000,000.00 in immediate profit that Verizon realized by improperly transferring $5.7 billion in plan assets to cover $5.9 billion in associated liabilities from the Plans, plus pre and post judgment interest?

(viii) Should the Court require Verizon to pay the amount it will save in annual PBGC premiums (fixed and variable rate premiums) into a fund for the benefit of de-risked plan participants?

153. Typicality: The named plaintiffs' claims are typical of the Class's claims. The named plaintiffs' claims arise from the same conduct, and seek to redress the same legal violations, as the Class's claims.

154. Adequacy: The named plaintiffs will fairly and adequately protect the interests of the Class. The named plaintiffs have no interest antagonistic to those of the other members of the Class. The named plaintiffs are committed to the vigorous prosecution of this action. They have retained counsel who specialize in the substantive law of ERISA and pension plans, and who are experienced and competent in the prosecution of large class actions, including those arising under ERISA.

155. Rule 23(b)(1): The prerequisites for a (b)(1) class are satisfied. Prosecution of

separate actions by Class members would risk establishing incompatible standards of conduct for Defendants. Additionally, adjudications as to individual Class members would, as a practical matter, dispose of the interests of other members of the Class and substantially impair their ability to protect their interests.

156. Rule 23(b)(2): The prerequisites for a (b)(2) class are satisfied. Defendants' misconduct was generally applicable to the Class. The injunctive relief that Plaintiffs seek affects the Class as a whole. Individual Class members do not have an interest in prosecuting their claims in this action individually because Class members' claims are identical, and the injunctive relief sought will affect each Class member equally.

157. Rule 23(b)(3): The prerequisites for a Rule 23 (b)(3) class are satisfied because common questions of law and fact predominate and are susceptible to class-wide proof. Class-wide litigation of this action is also superior to individual litigation because there are no difficulties in managing this case as a class action and there is a strong need to concentrate the Class members' claims in one action.

COUNT I: BREACH OF FIDUCIARY DUTY

Against Verizon

158. The foregoing allegations are incorporated by reference herein.

159. Verizon was, at all relevant times, a fiduciary with respect to the Plans.

160. Under 29 U.S.C. § 1104(a)(1), they were thus required to "discharge [their] duties with respect to a plan solely in the interest of the participants and beneficiaries" and "for the exclusive purpose of (i) providing benefits to participants and their beneficiaries; and (ii) defraying reasonable expenses of administering the plan." This duty requires that ERISA plans be operated for the "exclusive benefit" of plan participants, and ERISA relatedly provides that, except in limited circumstances inapplicable here, "the assets of a plan shall never inure to the benefit of any

employer." 29 U.S.C. § 1103(c)(1). Verizon was also required to act "with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." 29 U.S.C. § 1104(a)(1)(B).

161. Verizon breached these fiduciary duties of loyalty and prudence when they selected PICA/RGA as the annuity providers to receive Plaintiffs' pension assets and take on the corresponding liabilities, thereby enabling Verizon to receive hundreds of millions of dollars in ill-gotten gains.

162. Neither PICA, nor RGA was a safe, or a reasonable choice of annuity provider, and there were far safer available annuities at the time of the transactions.

163. In order to satisfy their fiduciary duties under ERISA, plan fiduciaries must take steps to obtain the safest annuity available, which requires an objective, thorough search to determine which annuity provider is best for plan participants.

164. PICA and RGA were not the safest annuities available, its selection was not in Plaintiffs' best interest, and Verizon did not take the necessary steps to obtain the safest annuities available as required by ERISA.

165. The transfer of Plaintiffs' pension liabilities to PICA/RGA has caused Plaintiffs immediate and irreparable injury – notably the loss of ERISA's uniform protections and the financial backstop provided by the PBGC.

166. As a result of the PICA/RGA transaction, the overall value of Plaintiffs' pension benefits decreased using objective and calculable metrics. Overall, Plaintiffs' benefits were reduced by the annuitization transactions, and their pension benefits are far less secure as a result of the transaction. Plaintiffs are also subject to a materially increased and substantial risk that they

will not receive the full earned retirement benefits to which they are entitled, and that their receipt of periodic benefits will be disrupted and delayed.

167. In addition, by transferring $200 million less in assets to support the $5.9 billion in liabilities that were transferred to PICA and RGA, Verizon put its own financial interest in front of the interest of plan participants in violation of ERISA.

168. The Verizon Defendants valued plan liabilities for the 59,000 impacted plan participants at $5.9 Billion just prior to the purchase of the Group Annuity Contracts at issue in this case from PICA and RGA.

169. Yet, Verizon only transferred $5.7 Billion in plan assets to PICA and RGA and recorded a net pre-tax settlement gain of $200,000,000 as a result of the pension annuitization transactions described herein.

170. In other words, instead of using the appropriate amount of plan assets to cover plan liabilities, Verizon and State Street orchestrated a transaction that directly benefitted the Verizon Defendants at plan participants' expense.

COUNT II: BREACH OF FIDUCIARY AND CO-FIDUCIARY DUTIES
Against State Street

171. Paragraphs 1 – 157 are incorporated by reference.

172. As a fiduciary, State Street was, like Verizon, required to "discharge [its] duties with respect to a plan solely in the interest of the participants and beneficiaries." 29 U.S.C. § 1104(a). It was also required to act "with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." 29 U.S.C. § 1104(a)(1)(B).

173. As a fiduciary, State Street also is liable for "the acts of another fiduciary with respect to the same plan" in the following circumstances:

(i) if it participated knowingly in, or knowingly undertook to conceal, an act or omission of such fiduciary, knowing such act or omission was a breach;

(ii) if, by its failure to comply with 29 U.S.C. § 1104(a)(1) in the administration of its specific responsibilities which gave rise to its status as a fiduciary, it has enabled such other fiduciary to commit a breach; or

(iii) if it had knowledge of a breach by such other fiduciary, unless it made reasonable efforts under the circumstances to remedy the breach.

174. State Street breached these duties through its participation and assistance in Verizon's unlawful annuity transaction with PICA/RGA on behalf of the Plans.

175. State Street's actions did not comply with ERISA's "prudent person" standard of care.

176. State Street knowingly participated in, enabled, and made no reasonable efforts to remedy Verizon's fiduciary breaches, including Verizon's prohibited transactions with State Street and PICA/RGA.

COUNT III: KNOWINGLY PARTICIPATING IN A BREACH OF FIDUCIARY DUTY

Against All Defendants for the Selection of PICA and RGA

177. Paragraphs 1 - 157 are incorporated herein by reference.

178. Sections 1132(a)(3) and 1132(a)(9) not only empower individuals to bring actions when their status as plan participants is terminated by annuitizations that violate ERISA, it also imposes substantive duties on certain non-fiduciaries.

179. Specifically, it creates liability for non-fiduciaries who knowingly participate in a fiduciary breach in violation of ERISA, 29 U.S.C. § 1104.

180. Plaintiffs thus allege, in the alternative to Counts I and II, that, even if any of the Defendants were non-fiduciaries for the purpose of the annuitization, those Defendants are liable under Sections 1132(a)(3) and 1132(a)(9) for participating in a fiduciary's ERISA violation. Among other things, all Defendants knew of the circumstances that rendered the other's conduct a breach of fiduciary duty and participated in that breach.

181. Specifically, Verizon ostensibly engaged State Street for the purpose of selecting an annuity provider; yet Verizon knew that State Street was one of Verizon's largest institutional shareholders; knew that State Street's investigation of available annuity providers could not be objective or sufficiently thorough and reeked of self-dealing; knew that the deficient selection of PICA and RGA instead of a prudent alternative annuity provider would generate a massive corporate benefit for Verizon and State Street; and knowingly accepted those benefits by entering into the annuitizations with PICA and RGA that were "recommended" by State Street.

182. Moreover, the Verizon Defendants had actual or constructive knowledge that the amounts that were transferred from the Plans to PICA and RGA were insufficient to secure the liabilities, and the Verizon Defendants had knowledge of each entity's fiduciary and/or party-in-interest status.

183. Likewise, State Street knew or should have known that the consideration paid to PICA and RGA was $200,000,000.00 less than the present value of the liabilities associated with the off-loaded plan participants. State Street also had knowledge of each entity's fiduciary and/or party-in-interest status.

COUNT IV: PROHIBITED TRANSACTION

Against Verizon; State Street as party in interest

184. Paragraphs 1 – 157 are incorporated by reference herein.

185. Under ERISA, a plan fiduciary may not "cause the plan to engage in a transaction" if the fiduciary "knows or should know that such transaction constitutes a direct or indirect . . . furnishing of services between the plan and a party in interest." 29 U.S.C. § 1106(a)(1)(C).

186. Verizon was at all times a fiduciary to the Plan.

187. Verizon caused the Plan to engage in the annuity transaction with actual or constructive knowledge that the transaction constituted a direct or indirect furnishing of services between State Street and the Plan.

188. When Verizon caused the Plan to engage in the annuity transaction, State Street was a party in interest, including because State Street was a fiduciary of the Plan and a person providing services to the Plan. 29 U.S.C. § 1002(14). Verizon knew of that fact when they caused the Plan to engage in the annuity transaction.

189. Even if Verizon were not a fiduciary with respect to the relevant conduct, it is liable under 29 U.S.C. § 1132(a)(3) as a nonfiduciary party in interest, including because it knowingly participated in the breach or violation of other persons, including State Street.

COUNT V: PROHIBITED TRANSACTION

Against State Street; Verizon as party in interest

190. Paragraphs 1 – 157 are incorporated by reference herein.

191. State Street was at all relevant times a fiduciary to the Plan.

192. State Street caused the Plan to engage in the annuity transaction with actual or constructive knowledge that the transaction constituted a direct or indirect (i) exchange of property between the Plan, on one hand, and Verizon, on the other hand; (ii) furnishing of services between the Plan and Verizon; and (iii) the transfer to, or use by or for the benefit of Verizon, of Plan assets.

193. When State Street caused the Plan to enter into the annuity transaction, Verizon and State Street were parties in interest, including because they were fiduciaries of the Plan and persons

providing services to the Plan. 29 U.S.C. § 1002(14). State Street knew of these facts when it caused the Plan to engage in the annuity transaction.

194. Even if State Street were not a fiduciary with respect to the relevant conduct, it is liable under 29 U.S.C. § 1132(a)(3) as a nonfiduciary party in interest, including because it knowingly participated in the breach or violation of other persons, including State Street.

COUNT VI: PROHIBITED TRANSACTION

Against Verizon and State Street; PICA as party in interest

195. Paragraphs 1 – 157 are incorporated by reference herein.

196. Under ERISA, a plan fiduciary may not "cause the plan to engage in a transaction" if the fiduciary "knows or should know that such transaction constitutes a direct or indirect . . . furnishing of services between the plan and a party in interest." 29 U.S.C. § 1106(a)(1)(C).

197. Verizon and State Street were at all times fiduciaries to the Plan.

198. Verizon and State Street also caused the Plan to engage in the annuity transaction with actual or constructive knowledge that the transaction constituted a direct or indirect (i) exchange of property between the Plan (on one hand) and PICA (on the other hand),; (ii) furnishing of services between the Plan and PICA,; and (iii) transfer to, or use by or for the benefit of PICA, of Plan assets, *see* 29 U.S.C. § 1106(a)(1)(A), (C), (D);

199. When Verizon caused the Plan to engage in the annuity transaction, PICA was a party in interest, including because PICA was a person providing services to the Plan. 29 U.S.C. § 1002(14). Verizon and State Street knew of that fact when they caused the Plan to engage in the annuity transaction.

200. Even if either Verizon or State Street was not a fiduciary with respect to the relevant conduct, the nonfiduciary entity would be liable for knowingly participating in the other entity's breach and failing to make any reasonable effort under the circumstances to remedy the breach.

COUNT VII: PROHIBITED TRANSACTION

Against Verizon and State Street; RGA as party in interest

201. Paragraphs 1 – 157 are incorporated by reference herein.

202. Under ERISA, a plan fiduciary may not "cause the plan to engage in a transaction" if the fiduciary "knows or should know that such transaction constitutes a direct or indirect . . . furnishing of services between the plan and a party in interest." 29 U.S.C. § 1106(a)(1)(C).

203. Verizon and State Street were at all times fiduciaries to the Plan.

204. Verizon and State Street also caused the Plan to engage in the annuity transaction with actual or constructive knowledge that the transaction constituted a direct or indirect (i) exchange of property between the Plan (on one hand) and RGA (on the other hand); (ii) furnishing of services between the Plan and RGA; and (iii) transfer to, or use by or for the benefit of RGA, of Plan assets, *see* 29 U.S.C. § 1106(a)(1)(A), (C), (D);

205. When Verizon caused the Plan to engage in the annuity transaction, RGA was a party in interest, including because RGA was a person providing services to the Plan. 29 U.S.C. § 1002(14). Verizon and State Street knew of that fact when they caused the Plan to engage in the annuity transaction.

206. Even if either Verizon or State Street was not a fiduciary with respect to the relevant conduct, the nonfiduciary entity would be liable for knowingly participating in the other entity's breach and failing to make any reasonable effort under the circumstances to remedy the breach.

COUNT VIII: PROHIBITED TRANSACTION

Against All Defendants

207. Paragraphs 1 - 157 are incorporated by reference herein.

208. The annuity transaction between Verizon and PICA and the annuity transaction between Verizon and RGA was prohibited under 29 U.S.C. § 1106(b).

209. By using Plan assets to purchase the PICA annuity and the RGA annuity, instead of safe annuities, so as to increase Verizon profits, the Defendants and State Street dealt with the assets of the Plans assets in their own interest or for their own account; and acted on behalf of parties (Verizon, PICA, RGA, and State Street) whose interest in using a risker, lower-cost annuity provider were adverse to the interests of Plan participants and their beneficiaries in obtaining a safe annuity. 29 U.S.C. § 1106(b)(1)-(2).

PRAYER FOR RELIEF

Plaintiffs pray that judgment be entered against Defendants on all claims and request that the Court:

A. Certify the Class under Federal Rule of Civil Procedure 23, appoint Plaintiffs Maureen Dempsey, Heinz E. Schlenkermann,, Chris Shelton, and Diana Vargas as Class representatives and appoint their attorneys as Class counsel to represent the members of the Class;

B. Order the Defendants to guarantee the annuities purchased from PICA/RGA through the purchase, at their expense, of appropriate guarantees from reliable re-insurers selected at arm's length through appropriate procedures or the posting of appropriate security, such as a surety bond;

C. Order Verizon, through Plan amendment or otherwise, to place the group annuity contracts inside the Plan as a Plan asset and to return the Class members to their former status as Plan participants;

D. Order Verizon to remain secondarily liable for Plaintiffs' pension benefits in the event of a PICA insolvency or impairment;

E. Order Verizon and State Street to disgorge the profit that they earned from the unlawful transactions, plus interest dating back to July 1, 2024;

F. Order that Verizon contribute the amount it would have been required to pay to the PBGC in the form of fixed rate and variable rate premiums into a fund for the benefit of all impacted plan participants and their spouses and/or beneficiaries;

G. Order any appropriate and further relief that this Court deems just, proper and equitable.

Plaintiffs also seek pre-judgment and post-judgment interest, plus an award of attorneys' fees and costs pursuant to 29 U.S.C. § 1132 (g) and/or the common fund doctrine.

Dated: April 25, 2025

/s/ Edward S. Stone
Edward S. Stone, Esq. (NY Bar #2259489)
EDWARD STONE LAW P.C.
575 Lexington Avenue, 14th Floor
New York, NY 10022
Tel: (203) 504-8425 / Fax: (203) 348-8477
eddie@edwardstonelaw.com
Mailing Address:
175 W. Putnam Ave., 2nd Floor
Greenwich, CT 06830

Elizbeth Hopkins, Esq. (*pro hac vice*)
Samantha L. Brener, Esq.
KANTOR & KANTOR, LLP
9301 Corbin Avenue, Suite 1400
Northridge, CA 91324
Telephone: (877) 783-8686
Facsimile: (253) 285-1849
ehopkins@kantorlaw.net
sbrener@kantorlaw.net
Attorneys for Plaintiffs