

2016 -- S 2187

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO INSURANCE - PENSION PROFIT SHARING OR ANNUITY PLANS

Introduced By: Senators Walaska, and McCaffrey

Date Introduced: January 27, 2016

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 27-32 of the General Laws entitled "Pension, Profit Sharing or
2 Annuity Plans" is hereby amended by adding thereto the following section:

3 **27-32-10. Pension de-risking transactions.** -- (a) Any annuity issued by an insurance
4 company licensed to do business in this state which sells an annuity intended to provide pension
5 benefits to retirees of any company, corporation, limited liability company, association or other
6 entity shall include the following provisions, including, but not limited to:

7 (1) Mandatory disclosures, regulatory approval and an opportunity to challenge or opt out
8 of any pension de-risking transaction that attempts to transfer retiree benefits from a Federal
9 Employee Retirement Income Security Act ("ERISA") 29 U.S.C. §1001 et seq., protected plan to
10 a substitute benefit provider not covered under ERISA;

11 (2) Supplemental protections in the form of a third-party guarantee or reinsurance
12 contract so as to equal the scope of coverage offered by the Pension Benefit Guaranty
13 Corporation ("PBGC") after an annuity provider insolvency and subsequent determination of any
14 shortfalls that might arise after contributions are determined so select retirees within a plan are
15 not unfairly discriminated against;

16 (3) The provision of additional protections including, but not limited to, mandatory
17 disclosures by the transferring entity and the substitute pension benefit provider, uniform
18 fiduciary standards and disclosures, uniform and equivalent protection from creditors and
19 bankruptcy trustees;

1 (4) Allowing retirees receiving pension benefits the option to request a lump sum cash
2 out option subject to certain mandatory disclosures regarding the tax consequences and
3 dissipation risks associated with lump sum distributions and independent legal or financial
4 advisor oversight;

5 (5) That all de-risking transactions be vetted and approved by an independent third party
6 created by and with the approval of the commissioner; and

7 (6) That all subsequent transfers of group annuity contracts be vetted and approved by an
8 independent third party created by and with the approval of the commissioner.

9 (b) The commissioner shall promulgate any necessary rules or regulations necessary for
10 the implementation of this section.

11 SECTION 2. This act shall take effect upon passage and shall apply to all policies and
12 contracts issued, renewed, modified, altered or amended on or after the effective date.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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1 This act would provide protection to retirees whose pension plans are divested of ERISA
2 protections as a result of the sale of a group annuity by an insurance company.

3 This act would take effect upon passage and would apply to all policies and contracts
4 issued, renewed, modified, altered or amended on or after the effective date.

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