



DIRK KEMPTHORNE
President & Chief Executive Officer

October 29, 2014

The Honorable Ron Wyden
United States Senate
221 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Tom Harkin
United States Senate
731 Hart Senate Office Building
Washington, DC 20510

Dear Senators Wyden and Harkin,

Your recent letter to Secretary Lew, Secretary Perez, Director Cordray, and Acting Director Maroni raised concerns with the transfer of pension liabilities to insurance companies. You noted that there are some pension de-risking practices that are “win-wins” for both employers and their employees and retirees. Transferring pension liabilities through the purchase of annuities from life insurance companies is, in fact, a “win-win” practice.

Congress has long recognized the purchase of private annuities as a way to ensure that plan participants receive the benefit payments promised to them. With the Employee Retirement Income Security Act, Congress ensured that employers could continue to fulfill their pension benefit obligations by purchasing annuities. To protect retirees, it added stringent requirements on employers when they select an annuity provider for their pension obligations, known as the “safest available annuity standard.”

Life insurers are subject to a robust, modern regulatory regime that holds them to their commitments. The state insurance departments, which have a unique role in the oversight of life insurers, exercise their responsibilities in part through the imposition of the National Association of Insurance Commissioners' uniform rules for the establishment of reserves, the valuation of assets and liabilities, and the satisfaction of risk-based capital and other capital requirements. Life insurers are required to hold assets well in excess of liabilities. The state insurance departments conduct routine reviews of the financial strength of each insurer and its ability to meet its commitments. State insurance departments have the power to intervene when necessary to protect policy holders.

Annuities enable plan sponsors to manage pension funding volatility. With annuities, payments are made to retirees for life regardless of the health of the plan sponsor's business. Retirees are afforded the same bankruptcy protections under federal law as those receiving payments directly from a pension plan or the Pension Benefit Guaranty Corporation (PBGC).¹ Insurers issuing group annuities are required to follow the qualified pension plan rules, including spousal protections and the anti-assignment and

¹ 11 U.S.C. Section 522(b)(4)(C)

Senators Wyden and Harkin

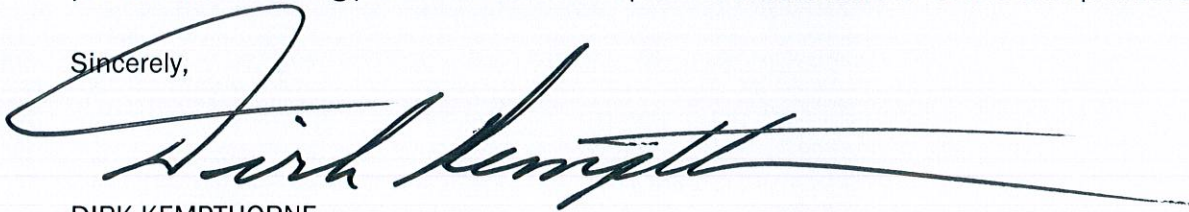
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alienation requirements.² Retirees receive their promised payments for life without risk to the PBGC or U.S. taxpayers. It's a clear "win-win."

We would be pleased to provide additional details regarding the valuable service that our members provide and the strong protections that are in place to ensure retirees receive their promised benefits.

Sincerely,

A handwritten signature in black ink, appearing to read "Dirk Kempthorne". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

DIRK KEMPTHORNE

cc: The Honorable Jacob Lew
The Honorable Thomas Perez
Director Richard Cordray
Acting Director Alice Maroni

² See IRS General Counsel Memorandum 39882 (May 27, 1992)