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CIGNA Workers' Pensions Restored

Rehired Employees Win Standard Plan

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CIGNA Corp., vanquished in court last fall, has notified 178 current and former employees that they will be switched back to a traditional pension plan - a victory that could restore millions of dollars in benefits to them.

The affected workers were those who left the company but were rehired between Jan. 1, 1998, and Dec. 21, 1998, and were transferred from the traditional pension plan to a new "cash balance" plan.

Cash balance plans can significantly reduce benefits of older, longer-service employees, and have sparked controversy and major lawsuits across the nation as workers and retirees fight to protect the pension benefits they were promised.

In letters received this week, CIGNA explained to the plan members - many of them in Connecticut - that their benefits are being recalculated in light of a federal appeals court ruling last November.

"It's a big win for the wee folk over the big conglomeration," said John Lamb of Winsted, a former CIGNA employee, who does not know yet what the increase in his pension will be.

"This case is a by-product of corporate America's recent effort to curb costs by scaling back the benefits provided under pension plans," the court decision said.

In cash balance plans, the employer typically promises to contribute an annual percentage of salary, plus a fixed percentage of interest. Traditional plans are based on final years of pay, which benefits older workers with more years of service.

Under the traditional CIGNA plan in question, the formula was 2 percent of final average pay for each year of service, minus an offset for Social Security.

Plaintiff John Depenbrock's pension will more than double as a result of a switch back to the traditional pension, said Stephen R. Bruce, one of his attorneys.

One of CIGNA's actuaries had estimated Depenbrock would lose $800,000 in pension benefits because of his transfer to the cash balance plan, according to the appeals court opinion.

Bruce estimated it will take $10 million to $20 million to correct pension benefits for all 178 people. But

CIGNA spokesman Joe Mondy said the estimate is "well off the mark" and the actual figure will probably be "a fraction" of that amount.

A person will have the choice of staying in the cash balance plan if in that person's case the cash balance plan offers higher benefits than the old plan, Mondy noted.

The affected people include some who worked in CIGNA's retirement services division, which was sold to Prudential Financial last April.

The court case did not rule on the merits of traditional pension vs. cash balance plans. Instead, it came down to a matter of timing and workers' rights.

On Nov. 4, 1997, CIGNA proposed amendments to its pension plan to take effect Jan. 1, 1998. One of the proposed changes was that long-term employees who left the company and were re-hired after Dec. 31, 1997, would be transferred to the cash balance plan.

However, CIGNA did not formally adopt the new rules until Dec. 21, 1998, when the chief executive signed off on them, the appeals court decision says.

Depenbrock quit CIGNA Jan. 2, 1998, and was rehired Nov. 30 that year. So he argued the new rules did not apply to him because their formal adoption came 22 days after he returned to CIGNA.

CIGNA, though, considered the effective date of the new rule on rehired workers to be Jan. 1, 1998.

Depenbrock sued CIGNA in U.S. District Court in Philadelphia in December 2001, alleging the company violated the federal Employee Retirement Income Security Act. The court sided with CIGNA in July 2003. The plaintiff appealed and won the 3rd Circuit Court of Appeals decision last November.

The Depenbrock case was not a class action. However, a class action is pending in U.S. District Court in Hartford accusing CIGNA of discriminating against older workers in the way it converted its pension plan.