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The Law: Changes in Retirement Plans

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'It still makes me so angry,' says Gisela Broderick about the loss of pension benefits from her former employer,

Cigna. Photo by Joshua Lutz/Redux

The issue: Is an employer liable if employees don't understand changes in retirement plans?

Retirement was rarely a worry for Gisela Broderick. She thought her employer, Cigna, had her covered—that is, until she actually retired in December 2004.

But Cigna had changed its retirement plan in 1998. Broderick, 64, of Tolland, Conn., had left the company for three years before returning in 2000. She says the company did not properly notify her of the plan change, as required by the Employee Retirement Income Security Act (ERISA). In fact, her retirement benefit dropped dramatically. Now she and 27,000 similarly affected Cigna workers have gone to court seeking lost benefits.

"It was so unfair, and it still makes me so angry," says Broderick. "The company was deceptive. I fight on not just for myself but for the thousands of other employees who probably still have no idea what Cigna has done."

Broderick worked as a project manager for Cigna's information technology department from 1980 to 1997, and was covered by a traditional defined benefit pension plan. She returned to Cigna in 2000 and worked four more years before retiring. But she was not grandfathered into the old plan, as she expected. Nor was she notified when Cigna rehired her in 2000 that the pension program had changed.

Her new plan is a cash-balance plan, and it operates more like a 401(k) with employer contributions accumulating into a lump-sum cash disbursement when the employee retires. Unlike younger workers, older workers like Broderick who are switched from a defined benefit plan to a cash-balance plan generally face a significant decrease in benefits as a result.

In e-mails sent to employees and in its court filings, Cigna has insisted that all of its employees were treated "fairly and appropriately."

But in February a federal judge ruled that Cigna had misled Broderick and the other employees and eventually awarded them \$94 million, less than one-third the amount sought by the former employees. Both the company and the employees are appealing the ruling.

"This issue directly affects our members and their retirement security," says Mary Ellen Signorille, senior attorney for AARP Foundation Litigation, which filed a friend of the court brief. "Employees in midcareer have to be able to count on what their retirement incomes will look like."

What it means to you: Employers must clearly communicate changes in employee retirement plans. If you're confused, take the initiative and contact your company's human resources officer.

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