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## United States Senate

COMMITTEE ON HEALTH, EDUCATION,  
LABOR, AND PENSIONS

WASHINGTON, DC 20510-6300

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<http://help.senate.gov>

May 17, 2013

Attorney General Douglas Gansler  
President  
National Association of Attorneys General  
2030 M Street, NW  
8<sup>th</sup> Floor  
Washington, DC 20036

Dear Attorney General Gansler:

We are writing to request information from the National Association of Attorneys General (NAAG) about a relatively new financial product where investors make a lump sum payment in exchange for an interest in retirees' pension benefits. Recent news reports indicate that companies that provide this service may be hiding the terms of these agreements, such as interest rates as high as 35%, and may be targeting retirees and military veterans who have met financial hardship during the recession.<sup>1</sup> We believe that such arrangements could threaten the retirement security of middle class Americans, and we write to request your assistance in addressing the potential problem.

Pensions are an important component of retirement security for millions of Americans. They can help ensure that, after a lifetime of hard work, people are able to retire with financial independence. Pensions play a critical role in ensuring financial security at retirement, and Congress has afforded them certain unique legal protections. For example, pensions are generally exempt from the claims of creditors in bankruptcy, and pension benefits cannot generally be assigned. Virtually every state has enacted similar protections for state and local pension benefits.

Despite those protections, recent news reports indicate that some companies may be looking to take advantage of financially distressed retirees by offering lump sum payments with potentially illegally high rates of repayment interest. Some of the arrangements appear to come with extraordinarily high fees, yet it is unclear whether these fees are disclosed to retirees who might later find their long-term economic security compromised. There also appears to be a requirement to purchase other financial products like life insurance simultaneously with the pension assignment at potentially exorbitant rates. Similarly, we are interested in whether innocent investors who may purchase the rights to the pensions believing them to be a worthy and legal investment are being misled or defrauded by the companies involved in brokering these agreements.

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<sup>1</sup> See, e.g., "Loans Borrowed Against Pensions Squeeze Retirees," *New York Times*, April 27, 2013.

As Chairman and Ranking Member of the Senate Committee with jurisdiction over pension issues, we have initiated a joint investigation in order to learn more about this serious public policy issue. As an initial matter we are seeking NAAG's assistance in identifying the number of victims of improper and/or deceptive pension purchasing schemes and information about any enforcement actions taken. We also seek NAAG's assistance identifying which companies are offering these products and where they are incorporated as well as how these arrangements are structured. Respectfully, we ask you to please reach out to your membership to determine if any state Attorneys General have information that would be relevant to our inquiry.

Given our mutual interest in protecting the nation's retirees, we also want to make certain that your members are aware that we are here as a resource to you as well and hope we can start a collaborative process to examine whether these arrangements are being used deceptively or fraudulently, whether these arrangements violate any state or federal laws, and, if so, how to address those problems.

Thank you for all that your members do in service to your states. We look forward to working with you to protect our veterans' and retirees' pension benefits.

Sincerely,



Tom Harkin  
Chairman



Lamar Alexander  
Ranking Member