
Chester S. Labeledz, Jr.

74D Valley Green Court ~ North Providence, RI 02904

Telephones: 401.524.7711; 401.353.9124

Email clabeledz@gmail.com

Employee Benefits Expertise

Chet Labeledz developed extensive employee benefits expertise in five years of private legal practice, 15 years at Textron's Corporate Office and an operating Division, and later with NStar corporation. His employee benefits responsibilities included all forms of qualified plans, the entire breadth of welfare benefits plans, and non-qualified plans for key executives, outside Directors and other highly compensated individuals.

Private practice experience in the early ERISA years focused on effective retirement planning for small- and medium-sized businesses. Chet drafted, amended, qualified and communicated to employees scores of defined contribution plans (profit sharing, money purchase, Keogh) and a few defined benefit plans, and he drafted master IRA agreements for bank trustees. He also successfully represented a mid-sized firm in an IRS challenge to the operation of its plan vesting provisions, and another in obtaining a prohibited transaction exemption for a construction loan from its plan to the business.

Moving to Textron, Chet saw a complete reversal in the mix of plans under his care. As a Fortune 100 multi-industry company, with operations in the aircraft, financial services and insurance, industrial components, consumer products, automotive and defense industries, Textron provided a rich, complex, sophisticated benefits practice. Although Textron had about a dozen defined contribution plans, it also offered from 50 to 70 defined benefit plans during his tenure. Over the decades, Textron had grown to cover 50,000 or more employees through repeated acquisitions of businesses. The diversity of plan design, both defined benefit and defined contribution, reflects this history and suggests the breadth of experience Chet gained:

- final- and career-average pay formulae for defined benefit calculations
- dollar multiplier formulae for collectively-bargained plans, and in "mirror" plans for nonunion hourly workers
- contributory and non-contributory defined benefit and defined contribution plans
- step rate excess (fixed dollar and indexed percentage) and offset integration provisions with respect to Social Security benefits
- hours-of-service-based, as well as "points"-based, plan accrual and employer contribution features
- modified W-2, as well as annualized non-calendar year, compensation provisions
- subsidized, actuarial equivalent, and special incentive factors for early annuity payments

- “level income supplemental allowance” and other “pop-up” early payment provisions
- “closed”, grandfathered plan eligibility and benefit features
- subsidized or non-subsidized “single sum” payout provisions, as permanent or temporary plan features
- pre-tax and post-tax contributions, and corresponding hardship provisions, in DC plans
- plan loans
- immediate, schedule, and cliff vesting provisions

Initial Textron responsibilities included amendment, qualification and communication of all plans to meet the requirements of TEFRA, DEFRA and REA. In addition, Chet amended the company’s main savings plan, which owned approximately 20% of Textron, to include section 401(k) features, and communicated the plan changes in print and audiovisual media late in 1983. Later, he amended this plan to become a leveraged ESOP as well, and helped to obtain a technical correction to the statute, permitting the Textron plan to enjoy grandfathered status.

Chet was Textron’s senior staff leader beginning in 1983 in its design, documentation and roll-out of its initial suite of executive benefits, reporting first to the General Counsel and the Chief Financial Officer, and later to the Chief Human Resources Officer: deferred income, executive death benefits, executive severance benefits, “top hat” plans, in excess of ERISA limitations, for key executives and other highly-compensated employees, incentive compensation (cash, stock options and stock equivalents), and the outside directors’ pension program.

Textron’s frequent acquisitions and dispositions of business units brought much due diligence experience with respect to all kinds of employee plans. Following major acquisitions of Avco, Ex-Cell-O, Cessna, and Acustar Plastics, Chet dealt with significant plan merger, employee equity, plan termination and unfunded retiree medical liability issues. Sales and closings of units brought even more extensive experience in buyer-seller benefits negotiations leading to plan spin-offs, plan asset valuations and transfers, accrual “freezes”, analysis of the applicability of WARN provisions, multiemployer plan withdrawal, and prior notice issues relating to the IRS and PBGC. A failed sale led to negotiations with the Pension Benefit Guaranty Corporation and the reacquisition of two transferred pension plans. Demands for accruals following a pre-Textron sale led to extensive private letter ruling negotiations with the IRS and negotiations with the AFL-CIO, regarding application of the “same desk rule”.

Chet made regular presentations to three of Textron’s Chief Executive Officers over the years and to its senior management committees, and also presented to the Pension Committee of Textron’s Board of Directors. During this period, he obtained an LL.M. degree in Taxation from Boston University, to aid in his benefits and compensation roles.

Chet played an active role in Washington benefits policy circles through Textron’s membership in the ERISA Industry Committee. As chairman of its Title IV Task Force, he testified six times in appearances before Congressional committees on matters involving plan terminations,

surpluses, and insurance premiums. Chet was elected by his colleagues a member of ERIC's Board of Directors, and served on the association's retirement security, health and welfare and legal committees. He has also served as ERIC's representative in joint presentations with the US Chamber of Commerce and the National Association of Manufacturers.

The major changes made to qualified plans rules, and threatened by IRC section 89 with respect to welfare plans, in the Tax Reform Act of 1986 presented the largest challenges in Textron's benefits practice from 1986 through 1991. Textron's multi-industry mix of hourly and salaried plans, its decades-old grandfathered formulas, and its need to "solve" the TRA '86 puzzle to withstand acquisitions and especially dispositions of plans, created a highly complex challenge to maintaining legal compliance. Chet led a task force that included three leading benefits actuarial firms and prominent Washington counsel in a multi-year process to define and acquire necessary data, identify and analyze all qualified plan features, formulae and options, test for compliance, and recommend appropriate plan changes for senior management approval. During the same period, he led another group in identifying, analyzing and collecting data on the innumerable employee welfare "plans" which section 89 threatened to visit upon Textron's compliance landscape, before the statute's repeal.

The unfunded retiree medical liabilities which Textron acquired with Avco and Ex-Cell-O prompted extensive legal and benefits planning and analysis efforts in preparation for Textron's adoption of the FAS 106 accounting rules for "other post-employment benefits". Chet first led the legal analysis and editing of plan documentation, employee communications and informal "commitments", aimed at refining the scope of ongoing retiree medical exposure. Then, working with Textron's controller and a leading benefits consulting firm, Chet's team succeeded in reducing both accrued liability and annual expense by 33% (\$500m in APBO) from the initial estimates.

In 1991, Chet was asked to add the responsibility for welfare plans design, administration and accounting (\$250 million, 70,000 employees and retirees) to his legal and benefits compliance duties. During the next 2 ½ years, his two dozen welfare plans professionals greatly improved their management information capabilities (and senior management confidence therein) and their consensus building with Textron's operating units in matters of plan design, carrier selection and administration. They collaborated with the units to design and win employee acceptance of an aggressive, yet fair and stable, point of service medical plan design. Chet and his team solicited bids, interviewed and selected providers of self-insured (and some insured) managed medical care in over a dozen marketplaces. They also designed and implemented a nationwide managed prescription drug program (pharmacy and mail order) on a carved-out basis. By 1994, these efforts not only had eliminated year-to-year medical cost inflation at Textron, but resulted in an absolute reduction of per capita medical expense.

During the same period, senior management directed the outsourcing of benefits administration. Chet co-led a Corporate team that interviewed and selected among leading human resources consulting firms in the creation of an outsourced Textron Benefits Center. The outsourcing design called for phased-in administration of defined benefit and defined contribution plans, flex enrollment, welfare plan eligibility and charge-back validation, retiree medical call center services, and satisfaction of other Corporate HRIS demands (e.g., EEO-1), through benefits

administration modules served by an integrated, relational database. The selected vendor was unable to meet early milestones successfully, but much of this administration is now outsourced among other vendors.

Throughout his tenure, Chet supervised legal compliance of Textron's foreign benefits plans, including hourly and salaried employees' defined benefit and defined contribution plans in Canada, and reviewed book account and pooling implications of acquisitions and dispositions in other nations. He has extensive legal and administrative experience with collectively-bargained pension, savings and welfare plans, including benefits policy discussions at the national level, informational meetings with union committees, "back room" support during labor negotiations, and "at the table" experience as the company's spokesman in negotiations. Finally, he gained operating unit experience and perspective in plan administration and carrier service issues, workplace safety and lost-time benefits, other fringe benefits and working conditions issues, information systems conversion, and overall financial management, during his tenure as Vice President Human Resources and Administration at Textron Systems.

Later, Chet served as head of compensation, employee benefits and HRIS for NSTAR corporation in Boston. While there, he combined the human resources programs and human resources systems of Boston Edison and of Commonwealth Energy, which it had acquired. Chet led the combined companies' human resources merger integration team, and developed an innovative competitive bid process (in which all candidate vendors were paid for phase one work) to source the companies' HR consulting services, entitled "The Right Workforce"TM method. He also led the Boston Edison HR team through a workout of unfavorable audit issues that he inherited, helped to negotiate the HR provisions relating to its disposition of two businesses, and led its selection of PeopleSoft as the replacement HRIS for the merged companies' legacy systems.

During and prior to his Textron service and in consulting engagements thereafter, Chet has been actively involved in fiduciary responsibility and plan investment work as well. He has authored requests for and provided advice on prohibited transaction exemption issues under ERISA, reviewed qualified plan financial performance in support of Board of Directors Investment Committee reviews; represented institutions in commercial lending preparation and review of documentation; and loan workout, corporate reorganization and liquidation matters.

Afterword

I am very grateful to Textron for affording me the opportunity to develop the employee benefits skill and knowledge described above, as well as the "cutting edge" compensation experience and change facilitation skills developed at Textron Systems afterwards. For more information on my post-1993 learning, please ask for the companion pieces: "Executive and Employee Compensation Expertise" and "Change Leadership and Organizational Effectiveness Expertise".

All of the Textron officers mentioned above (with the exception of its current Chief Executive Officer) are now retired. Several of them are my references, and I'm confident that the others would provide useful references too if needed. I can also provide NSTAR references upon request.