

# INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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December 7, 2015

Filed via <http://www.regulations.gov>  
TREAS-DO-2015-0009

The Honorable Jacob J. Lew, Secretary of the Treasury  
Department of the Treasury, MPRA Office  
1500 Pennsylvania Avenue, NW, Room 1224  
Washington, DC 20220  
Attn: Deva Kyle

Dear Secretary Lew:

After extensive review and analysis, the International Brotherhood of Teamsters (“IBT” or “Teamsters Union”) wishes to share its concerns about the Central States, Southeast and Southwest Areas Pension Plan’s (“Central States”) application (“Application”) for reduction of benefits under the Multiemployer Pension Reform Act of 2014 (“MPRA”). Although hundreds of thousands of IBT members are participants in Central States, and therefore affected by the draconian pension cuts proposed, the Union was not consulted on the Application. Because of Central States’ size and high profile and that it predictably presents the first Application to the Department of the Treasury under MPRA, the decision to approve or reject the Application will go a long way towards determining the degree of public trust in and the legitimacy of the MPRA suspension of benefits adjudication process. The document attached hereto presents a technical critique of the Application and concludes that Treasury should reject it.

As background, the Teamsters Union opposed MPRA. Our opposition was twofold. First, we believe that the retirement promises made to millions of workers and their dependents should not be violated because of a crisis that was to a great degree the direct result of Federal government policy. In the specific case of Central States, its financial demise was driven by the deregulation of the trucking industry, which destroyed the contribution base of the plan, and deregulation of the financial sector, which paved the way for two severe financial market collapses in 2000 and 2008 and devastated the plan’s assets. Our view is that the Federal government (including PBGC) has an obligation to protect the retirement security of workers covered by defined benefit pension plans under ERISA. Prior to MPRA, with limited exceptions enacted in the Pension Protection Act of 2006 (“PPA”), ERISA protected such benefits. Once earned, the benefits could never be cut back. Amending ERISA to eviscerate the promise of a defined benefit pension is a dramatic assault by the Federal government on America’s middle class. The fact that this legislation was passed without debate as part of an Omnibus reconciliation bill made it all the more outrageous.

Second, and particularly relevant to Treasury's role and responsibility to enforce the law, the IBT opposed MPRA because we did not believe it would solve the crisis facing Central States and many other pension funds whose out of balance demographics and negative cash flow have undermined previous efforts at self-help enacted in the PPA. We believed that the draconian cuts to retiree benefits that may result from the MPRA's implementation would in many cases not achieve the statute's objective to prevent insolvency. Now that the Central States Application is public, we can say with certainty that our view was correct.

The attached document focuses on the second objection, namely on the serious deficiencies of the Central States Application as an antidote to insolvency. Because of these deficiencies we believe it is incumbent on Treasury to reject this Application. After putting the extraordinarily unrealistic investment and contribution assumptions to a rigorous test, we conclude in the attached analysis that the entire edifice of the Central States Application collapses, and must therefore be rejected.

In the final analysis, we do not believe that Central States can save itself through more intensive cuts or higher employer contributions. The reality is that Central States will become a "zombie" plan – its funding ratio will sink to 40% and its active worker population will decline by two-thirds. If the Federal government is truly concerned with the economic future of Central States' participants, it will find a way to provide direct financial support to the plan and its participants.

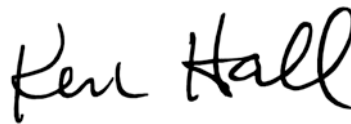
While the IBT is opposed to MPRA, the arguments in the attached analysis represent a response not to MPRA in general, but to the specific impact of its application to the Central States Pension Fund situation. This document is the case against the Central States Application alone. Whether or not it has broader implications is for Treasury to decide.

We support current legislative efforts such as the Keep Our Pension Promises Act and the Pension Accountability Act, and are also actively exploring other potential legislative solutions to the crisis faced by multiemployer pension plans. In conclusion, the Teamsters Union calls on Congress to start over and do whatever it takes through the broad powers and resources of the Federal government to protect the pensions of millions of retirees who had nothing to do with the crisis, but whose burden they are now being asked to bear.

Sincerely,



James P. Hoffa  
General President



Ken Hall  
General Secretary-Treasurer