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The Honorable Steven Mnuchin
Secretary of the Treasury
Department of the Treasury, MPRA Office
1500 Pennsylvania Avenue NW, Room 1224
Washington, DC 20220
Attn: Eric Berger

Re: New York State Teamsters Conference Pension and Retirement Fund
MPRA Application Dated May 15, 2017

Dear Secretary Mnuchin:

The International Brotherhood of Teamsters ("IBT") is submitting these comments asking you to reject the Multiemployer Pension Reform Act of 2014 ("MPRA") suspension of benefits application submitted by New York State Teamsters Conference Pension and Retirement Fund ("New York Teamsters" or "Fund") on May 15, 2017. The IBT submitted comments on November 14, 2016 in response to New York Teamsters' original MPRA suspension of benefits application, dated August 31, 2016. In our view, New York Teamsters' new application does not in any way alter the IBT's original conclusions. The assumption changes asserted by New York Teamsters in its new application do not improve the likelihood of projected solvency of this Fund. The suspension of benefits and the assumptions proposed by New York Teamsters in their current application fail to meet the standards set by MPRA to maintain the Fund's solvency.

The New York Teamsters' application itself validates the IBT's position. Specifically, the various sensitivity tests prepared by the Fund as required by Section 6.04 of Revenue Procedure 2016-27, indicate without a doubt that if the Fund does not meet its application assumptions exactly, the Fund will become insolvent during the solvency period (30 years). As the IBT asserted in its first public comment letter, the New York Teamsters' application has no margin of error. The Fund's own statutory sensitivity analysis is sobering:

1. The contribution base test where employer contributions are modeled to decline 4.45% annually based on prior history shows the Fund going insolvent in the year ending

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December 31, 2030, or the 13th year of the projection. (See Projection 3 in Exhibit 13, which is on the page numbered 4 of the Horizon report that makes up that exhibit.)

2. The contribution base test in #1 above reduced by 1.0% shows the Fund going insolvent in the year ending December 31, 2029, or the 12th year of the projection. (See Projection 4 in Exhibit 13, which is on the page numbered 5 of the Horizon report that makes up that exhibit.)

3. The investment return assumption projection reduced by 1.0% makes the Fund insolvent in the year ending December 31, 2042, in the 25th year of the projection. (See Projection 1 in Exhibit 13, which is on the page numbered 2 of the Horizon report that makes up that exhibit.)

4. The investment return assumption reduced by 2.0% makes the Fund insolvent in the year ending December 31, 2036, in the 19th year of the projection. (See Projection 1 in Exhibit 13, which is on the page numbered 3 of the Horizon report that makes up that exhibit.)

The above tests reflect significant changes from the Fund's original application. The current application reduced the original 8.5% investment return assumption to 6.75% through 2025 and 7.5% thereafter. The current application, like the original application, assumes the active plan population decreases by 2% per year, but optimistically assumes that UPS, ABF and YRC actives will remain at 2016 levels. The current application assumes larger increases in employer contributions for the first four years (3.5%) compared to the original application for purposes of projecting that the plan will become insolvent without the cuts, the same 3% annual increases for the next five years, and zero contribution increases thereafter.¹ In total, these assumption changes produced a 52% probability of avoiding solvency throughout the extended period under Revenue Procedure 2016-27, Section 4.02. This key MPRA test result actually demonstrates a lower probability of success compared to the original application's 55% probability. This fact further supports the IBT argument that New York Teamsters' current application has no margin of error and that financial and economic reality will ultimately defeat it.

New York Teamsters solvency sensitivity is best described in the details of its Revenue Procedure 2016-27, Section 3.02 projection (plan year by plan year projection of available resources). After suspending active participants' benefits by 18% and inactive participants' benefits by 29%, which acts to remove \$670 million of benefit liability, the Fund is still only 43.44% funded in 2018. During the next 23 years, that funded ratio declines to 30.53% in 2040, and recovers to 42.03% in 2049. (See Exhibit 4, specifically the table on page 3 of the Horizon report that makes up that exhibit.) The above scenario is essentially a best case, with the Fund meeting every assumption in the current application in each and every year. The best we can expect is that New York Teamsters will remain a highly-troubled plan on the verge of insolvency even if the application is granted.

¹ Curiously, for purposes of demonstrating that the cuts will prevent insolvency, both the initial application and the current application assume 3.5% increases in contributions for the first four years. Compare Exhibit 3 with Exhibit 4 in each application.

Finally, the New York Teamsters' application is predicated on a risky investment strategy that is subject to a number of questionable outcomes. The current target allocation has 34% of assets exposed to private illiquid markets (private equity, real estate, natural resources, and infrastructure). Based on the Fund's MPRA application, this illiquid private market exposure will grow to 50% of plan assets (assuming an asset level of \$1 billion) by 2023, even as the Fund trims the target private equity allocation by 5%. In effect, New York Teamsters is betting that private market distributions continue to remain positive and indeed increase, and that private market valuations will continue to move upward even though valuations in private equity and real estate are considered frothy by many market commentators. In addition, because of the nature of these private market allocations, the Fund is currently committed to raise additional capital to fund private market commitments equal to 15-20% of plan assets according to Appendix B: Revenue Procedure 2016-27, Section 3.02. If these overly optimistic assumptions prove incorrect, New York Teamsters' MPRA application implodes. (See Appendix B of Exhibit 4, and specifically, page 17 of the Horizon report that makes up that exhibit.)

In conclusion, for the above stated reasons as well as those set forth in our November 14, 2016 public comments, the IBT believes the case against the New York Teamsters MPRA application is overwhelming and conclusive. Therefore, Treasury should reject the revised application. New York Teamsters cannot cut benefits enough, nor realistically increase employer contributions enough, nor invest its remaining assets in a way that will maintain its solvency. Unfortunately, this plan is in a death cycle that MPRA cannot fix. Congress will have to devise other viable solutions if plans like New York Teamsters are to be saved.

Respectfully,

A handwritten signature in black ink that reads "John F. Murphy". The signature is written in a cursive, flowing style.

John F. Murphy
Vice President at Large