MEMORANDUM

TO: Principal Officers of All Local Unions

FROM: James P. Hoffa, General President, Teamsters Union

DATE: Sept. 15, 2017

RE: IBT Pension Legislation Proposal

Attached please find a summary of legislation that would establish a federal loan program called the "Pension Rehabilitation Administration" under the purview of U.S. Treasury to assist troubled multiemployer pension plans.

The legislation is the result of a cooperative effort between the Teamsters Union and key members of Congress. We anticipate that this legislation will be introduced in Congress within the next few weeks.

The International will be releasing the details for a national conference call that will take place early next week to review this program with local officers.
IBT Congressional Proposal for Establishing a Federal Loan Program for Troubled Multiemployer Pension Plans

➢ New law creates the Pension Rehabilitation Administration (PRA), a new agency in the U.S. Treasury Department, which is authorized to issue Federally guaranteed bonds for the sole purpose of financing loans to critical status and critical and declining PPA status plans.

➢ The PRA will administer the Pension Rehabilitation Fund (PRF). The PRF is a separate U.S. Treasury fund that will hold the proceeds of PRA issued bonds. Use of PRF assets is restricted to PRA loans to multiemployer pension plans and PRA operating expenses. PRA loan repayments are deposited in the PRF. PRF assets are invested based on Treasury Department discretion.

➢ PRA loans have a term of 30 years, and are interest only for the first 29 years, with interest and principal due in year 30 plus a premium of 20 to 50 basis points. PRA bonds are comparable to similar term U.S. Treasury securities.
The amount of the PRA loan equals the cost to defease (fully fund) the plan’s retiree and beneficiary liability, using the loan interest rate, at the time the loan is made. Plans that receive PRA loans are required to invest the loan assets conservatively in an insurance company annuity contract, a duration matching portfolio, or cash matching portfolio. The plan will account for the PRA loan portfolio separately from other plan assets. The PRA will have oversight powers over the defeasement strategy selected by the plan unless it is the insurance company annuity.

Plans that apply for PRA loans must demonstrate that:

1. The loan will defease the plan’s retiree liability, and the plan will avoid insolvency during the term of the loan.
2. The plan is reasonably expected to pay its benefit obligations, loan interest payments, and accumulate sufficient assets to repay loan principal.

If the retiree liability defeasement does not result in the Plan avoiding insolvency in 30 years, PBGC financial assistance may be required. The PBGC assistance will equal the percentage of inactive
liabilities necessary to maintain solvency for a 30 year period, not to exceed the value of the PBGC benefit guarantee. Assistance is only available to Critical and Declining plans.

➢ The PRA loan is conditioned on:

1. Adopting a new benefit design for future service accruals that minimizes future underfunding. This may be defined as variable annuity plans or adjustable pension plans.
2. Plans are prohibited from increasing benefits during the loan term.
3. Plans are prohibited from accepting collective bargaining agreements that reduce contributions during the loan term.
4. Employers cannot withdraw from the Plan for the period of the loan.
5. Withdrawal calculations follow mass withdrawal terms, PBGC valuation assumptions and no 20-year cap on employer payments