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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

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April 22, 2016

Mr. Thomas C. Nyhan
Executive Director and General Counsel
Central States, Southeast and Southwest Areas Pension Fund
9377 West Higgins Road
Rosemont, IL 60018

Dear Mr. Nyhan:

I write regarding the benefit suspension plan that the Central States, Southeast and Southwest Areas Pension Plan (Central States) filed with the Department of the Treasury on September 25, 2015, to reduce pension benefits under the Multiemployer Pension Reform Act of 2014 (MPRA).¹ As you know, May 7, 2016 is the deadline for the Department of the Treasury to approve or deny the plan.² Although retirees 80 years of age and older and participants with disabilities will not be affected by the cuts, other retirees have learned that the Central States plan would cut their benefits—some by as much as seventy percent.³ In Wisconsin, around 25,000 Central States participants, including both current and retired workers, are deeply concerned about possible cuts to future benefits.⁴ I request your help in addressing concerns that my constituents have raised with the plan structure and the decision-making approach taken by Central States.

Central States participants from Wisconsin have informed me that when considering all available resources identified by Central States, they are unable to identify how Central States applied the benefit reduction formula. These participants have also identified examples of benefit reductions that appear illogical. While all individual notices of benefit reductions are transmitted privately, some Wisconsin retirees have compared benefit reductions and were confused as to how two individuals close in age who worked the same number of years at the same company could have significantly different benefit reductions.

Because the decisions made by Central States in developing the plan affect the lives of the participants, it is important that they receive complete and clear information. While some of the criteria for determining cuts are identified in the plan materials, the plan does not fully explain the rationale for the selection of these criteria and does not clearly detail how such

¹ See Multiemployer Pension Reform Act of 2014, Pub. L. No. 113-235, Div. O, 128 Stat. 2130, 2773 (to be codified in scattered sections of 26 U.S.C. and 29 U.S.C.).

² The Rescue Plan, Rescue Plan Components explanatory page, available at <http://www.cspensionrescue.com/the-rescue-plan/>.

³ See *supra* note 1.

⁴ Central States Pension Fund, *Central States and Wisconsin, Pensions by the Numbers*, 2014 (on file with Sen. Johnson's office).

criteria will be applied to individual Central States participants. Accordingly, to better understand the Central States plan and the Department of the Treasury's review of it, I request the following information and material:

1. Please identify and explain all of the factors that influenced the benefit reduction formula developed by Central States and how each of these factors was applied.
 - a. Other than of the requirements of MPRA, please explain why Central States selected each factor and how it determined to weigh each factor.
 - b. The application submitted by Central States to the Department of the Treasury included a list of factors affecting benefit reductions but the explanation of the factors' application was unclear. Please provide unambiguous examples of how the formula is applied to workers in different tiers and of different ages.
2. Please explain how Central States arrived at this particular benefit suspension plan.
 - a. Please provide a timeline of the process by which Central States arrived at this particular benefit suspension plan.
 - b. Central States has indicated that the Board of Trustees based decisions regarding equity in structuring the benefit reduction formula specifically on past changes to the plan structure. Did the Board of Trustees consult retired participants in making this decision? If so, how did the Board of Trustees consult retired participants?
3. I have heard anecdotes that similarly situated participants—similar ages, who worked for the same company for the same number of years—are receiving significantly different benefit reductions. Please provide all possible explanations to account for these disparities.
4. The application that Central States filed with the Department of the Treasury included information about subsidized benefits that came into existence because of previously made changes to the plan. Please explain why subsidized benefits were established and how they influenced the benefit suspension plan. Please also identify the number of participants who are affected by this aspect of the plan.

Please provide this information as soon as possible, but by no later than April 29, 2016.

The Committee on Homeland Security and Governmental Affairs is authorized by Rule XXV of the Standing Rules of the Senate to investigate “the efficiency, economy, and effectiveness of all agencies and departments of the Government.”⁵ Additionally, S. Res. 73 (114th Congress) authorizes the Committee to examine “the efficiency and economy of all

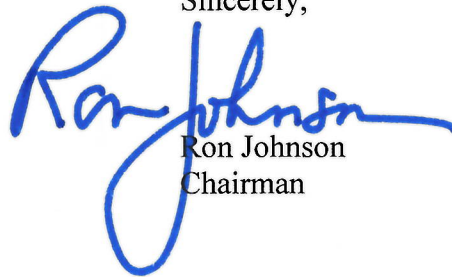
⁵ S. Rule XXV(k); *see also* S. Res. 445, 108th Cong. (2004).

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branches and functions of Government with particular references to the operations and management of Federal regulatory policies and programs.”⁶ The information requested is critical in light of the Department of the Treasury’s ongoing review of Central States’ MPRA benefit suspension plan.

Thank you for your cooperation and prompt assistance with this matter. If you have any questions about this request, please contact David Brewer of the Committee staff at (202) 224-4751.

Sincerely,



Ron Johnson
Chairman

cc: **Employee Trustees**
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⁶ S. Res. 73 § 12, 114th Cong. (2015).