Graphic Communications Conference of the
International Brotherhood of Teamsters
NATIONAL PENSION FUND
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BY ELECTRONIC MAIL
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Members of the United States Senate &
United States House of Representatives
Joint Select Committee on Solvency
of Multiemployer Pension Plans
219 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Graphic Communications Conference of the International Brotherhood of Teamsters National Pension Fund

Dear Ladies and Gentlemen,

We serve as the Board of Trustees of the Graphic Communications Conference of the International Brotherhood of Teamsters National Pension Fund (GCC/IBT-NPF or Plan). We write on behalf of the GCC/IBT-NPF, a nationwide Taft-Hartley, multiemployer pension plan that provides pension benefits to 33,965 active, deferred vested and retired participants and their beneficiaries.

GCC/IBT-NPF BACKGROUND

The participants in the GCC/IBT-NPF are primarily pressmen, lithographers and other workers who work or worked for printing, publishing, newspaper and graphic companies. As technology, consolidation and other changes have come to the printing, publishing and newspaper industries, the number of retired and inactive participants has grown as the number of active participants has contracted. According to the GCC/IBT-NPF's Actuarial Valuation as of May 1, 2017, there are over 25 retirees and inactive participants to every one (1) active participant in the Plan.

The GCC/IBT-NPF's 33,965 participants and beneficiaries reside in all 50 States and the District of Columbia:

Alabama	117	Illinois	4771	Montana	13	Rhode Island	186
Alaska	5	Indiana	1053	Nebraska	274	South Carolina	124
Arizona	379	Iowa	363	Nevada	152	South Dakota	12
Arkansas	880	Kansas	411	New Hampshire	45	Tennessee	245
California	172	Kentucky	752	New Jersey	783	Texas	953
Colorado	174	Louisiana	13	New Mexico	34	Utah	24
Connecticut	227	Maine	10	New York	2155	Vermont	16
Delaware	84	Maryland	877	North Carolina	186	Virginia	221
District of Columbia	28	Massachusetts	435	North Dakota	4	Washington	553
Florida	963	Michigan	1305	Ohio	2170	West Virginia	189
Georgia	271	Minnesota	2505	Oklahoma	40	Wisconsin	2655
Hawaii	236	Mississippi	76	Oregon	578	Wyoming	2
Idaho	22	Missouri	2533	Pennsylvania	1895		

The GCC/IBT-NPF provides an extremely modest pension benefit to its participants. The average monthly pension benefit awarded to the Plan's participants and beneficiaries, after adjustment for optional forms of payment, is $441.60 per month.

The Board of Trustees of the GCC/IBT-NPF has also taken aggressive steps to shore-up the Plan's funding including eliminating the supplemental benefit, the pre-retirement death benefit and the disability pension benefit, modifying the early retirement reduction factors (including using actuarially equivalent early retirement reduction factors for deferred vested participants), capping the accrual rate at 1% for specified Plan participants, and increasing participating employers' contribution rates by 10% in conjunction with the Plan's 2008 Pension Protection Act (PPA) Rehabilitation Plan and 2010 PPA Amended Rehabilitation Plan. Between Plan years 2010 and 2018, the GCC/IBT-NPF's invested assets returned 9.56% net of fees annually on average. The Plan's assumed rate of return is 6.5%.

Despite the Trustees' efforts and solid investment returns, the GCC/IBT-NPF is in critical and declining status due to the lack of new active employees joining the Plan, bankrupt and out-of-business employers who cannot pay withdrawal liability and the residual effects of the 2008-2009 stock market crash. The Plan is projected to become insolvent during the GCC/IBT-NPF's Plan year ending April 30, 2023, at which time it will not be able to meet its benefit obligations. For the 2017 Plan year, the GCC/IBT-NPF's PPA funded percentage was 34.5%. During the 2017 Plan year, when the GCC/IBT-NPF's invested assets returned 11.9%, the GCC/IBT-NPF's benefits expenses of $105.3 million exceeded the Plan's employer contributions, withdrawal liability collections and investment income by $38.0 million.

Through no fault of their own, the participants and beneficiaries of the GCC/IBT-NPF are facing their pension plan becoming insolvent in less than five years. Despite annually paying its premiums to the Pension Benefit Guaranty Corporation (PBGC), the PBGC's Multiemployer Insurance Program is projected to become insolvent in 2025. If no legislative action is taken by Congress to shore up critical and declining status multiemployer plans and the PBGC's funding, the 33,965 participants and beneficiaries in the GCC/IBT-NPF will see their pension benefits reduced to virtually zero beginning in or around 2025 after the PBGC runs out of money.

A LOAN PROGRAM CAN SAVE TROUBLED MULTIEMPLOYER PLANS

The Trustees of the GCC/IBT-NPF believe that the only realistic, viable plan for saving critical and declining status multiemployer pension plans and preventing the insolvency of the PBGC is through a loan program to critical and declining status pension plans. If the loan program is properly structured over a thirty-year period, there will be a high probability that the loans will be repaid with little to no impact on the Treasury and the taxpayers. In thirty years, the problems of insolvency being faced by multiemployer pension plans will be greatly diminished due to the proposed loan program and a loan program will allow the PBGC to remain solvent to address those remaining solvency problems that continue to exist down the line.

The GCC/IBT-NPF serves as an example of how a well-designed loan program can save a multiemployer pension plan from insolvency. The GCC/IBT-NPF's actuary has performed high level modeling to assess the viability of the Plan remaining solvent indefinitely based on receipt of a loan from the federal government sufficient to provide all benefit payments to participants and beneficiaries in payment status as of the loan date.

In the actuary's study, the loan assets are assumed to be dedicated for either purchasing annuities or for providing benefits through structuring a dedicated cash-flow/duration matching bond portfolio on a risk free basis (annuity purchase) or on a significantly risk-reduced basis (investment grade bonds).

In their modeling, the GCC/IBT-NPF's actuary applied the following assumptions:

- **Benefits Provided:** There will be no reduction in participants/beneficiaries' benefits.

- **Loan Amount:** The amount of the loan will be equal to the cost of purchasing annuities for those participants/beneficiaries in payment status as of the loan date, or the amount needed to structure a cash-flow/duration matching bond portfolio utilizing investment grade fixed income instruments that will provide benefits to those in payment status as of the loan date.

- **Loan Terms:**
  Year of Loan: 2018
  Period: 30 years
  Interest: Paid annually at a rate of 1%, 2% or 3%
  Principal: Repaid at the end of 30 years

- **Return on Dedicated Assets/Cost of Annuities:** 3% per year.

- **Return on Non-Dedicated Assets (Plan assets at time of loan):** 6.5% per year.

Based on these assumptions, the Plan is projected to remain solvent indefinitely, provided that, in addition to the loan, PBGC assistance is provided. For the GCC/IBT-NPF, Plan solvency is attainable even if PBGC assistance is subtracted from the amount of the loan as provided for in the *Butch Lewis Act*. However, eliminating the requirement that a federal loan be offset by the amount of PBGC assistance would greatly broaden the effectiveness and scope of the loan program and enable additional critical and declining status plans to remain solvent. We therefore urge that the offset provision of the *Butch Lewis Act* be omitted from the legislation. In any event, the PBGC assistance required would not exceed the present value of the current PBGC guaranteed benefits for all participants, assuming the Plan becomes insolvent on the date of the loan.

The combination of PBGC assistance (already guaranteed under law to GCC/IBT-NPF participants in the event of insolvency) and a loan from the federal government equal to the amount needed to purchase annuity contracts or to implement a cash-flow/duration matching bond portfolio sufficient to provide benefits of participants and beneficiaries in pay status at the time of the loan will allow the GCC/IBT-NPF to remain solvent indefinitely, provide all guaranteed and promised benefits and repay the loan, assuming conservative assumptions are achieved.

Therefore, on behalf of its 33,965 participants and beneficiaries, and the hundreds of thousands of participants and beneficiaries of other troubled plans, the Trustees of the GCC/IBT-NPF encourage this Committee to support legislation to enact a federal government loan program that will allow critical and declining status pension plans to utilize a federal loan and PBGC assets to obtain and maintain solvency and satisfy their benefit obligations.

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The 33,965 retired, active and inactive participants and beneficiaries of the Graphic Communications Conference of the International Brotherhood of Teamsters National Pension Fund are indebted to you for your efforts to preserve the modest pension benefits that they have spent their entire working lives to secure.

We are available to answer any questions related to your efforts to preserve the benefits of participants and beneficiaries in critical and declining status pension funds.

Respectfully submitted,

Union Trustees	Management Trustees
George Tedeschi, Co-Chairman	Malcolm Pritzker, Co-Chairman
Kurt Freeman	Robert Lindgren
Paul Mancillas	Jim Kyger

The Board of Trustees
of the Graphic Communications Conference
of the International Brotherhood of Teamsters
National Pension Fund