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# United States Senate

CHARLES E. GRASSLEY

WASHINGTON, DC 20510-1501

February 1, 2016

The Honorable Gene Dodaro  
Comptroller General  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Dodaro:

I am writing to request that the Government Accountability Office (GAO) provide Congress with a report on the Department of Labor's (DOL) oversight of the Central States, South-east and Southwest Areas Pension Fund (hereinafter referred to as Central States).

Central States, along with several other multiemployer pension funds, are projected to become insolvent within the next ten years. Concerns over the solvency of these plans are heightened due to large fiscal deficits currently facing the Pension Benefit Guaranty Corporation's (PBGC) multiemployer guarantee program. As a result, should Central States, or another large plan become insolvent, PBGC would likely not have enough funds to make full guarantee payments to plan beneficiaries who would see much of their retirement savings wiped out.

In response, Congress passed and the President signed into law special legislation at the end of 2014 intended to help severely troubled plans avoid insolvency. Under these reforms, in September of 2015 Central States requested the Department of Treasury approval of a plan that would significantly reduce plan benefits. While Central States is not the only multiemployer pension fund that is facing severe funding issues, what is unique is the role the federal government has played in the operations of the Fund since at least 1982.

For more than three decades, Central States has operated under a federal court ordered consent decree obtained by the DOL following its investigation that found gross mismanagement and self-dealing by fund managers. Among other things, the consent decree granted DOL considerable oversight authority as to the selection of independent fund managers, as well as to changes in investment strategies. DOL was further granted oversight of a Court appointed Independent Counsel that was established to assist in administering the decree.

Committee Assignments:

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AGRICULTURE  
BUDGET  
FINANCE

CO-CHAIRMAN,  
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CONTROL CAUCUS

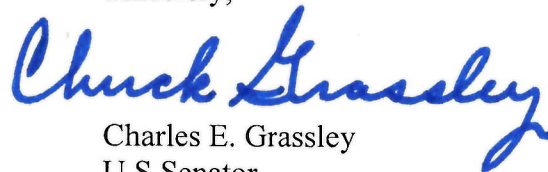
GAO conducted reviews of DOL's initial investigation and implementation of the consent decree in the early to mid-1980s.<sup>[1]</sup> However, I am not aware of any GAO review of DOL's ongoing oversight since 1985. Given the current financial problems facing Central States, and the risk its insolvency poses to the PBGC the time is ripe for GAO to update Congress on DOL's oversight of Central States.

Among other things, the GAO report should help answer the following questions:

- What oversight activities has DOL engaged in since the enactment of the consent decree? Have any other agencies been involved in oversight in coordination with DOL?
- Has DOL been appropriately engaged in reviewing Central States decisions regarding changes in investment managers and investment strategies?
- What role did DOL take in overseeing the investment allocation of the \$6.1 billion withdrawal liability payment from United Parcel Service (UPS) made at the end of 2007? Was this payment allocated in similar fashion as to existing investments?
- Was the allocation of Central States investments consistent with comparable pension plans that have managed to remain solvent, such as Western Conference of Teamster Pension Plan?
- Has DOL maintained appropriate oversight of the Independent Counsel?
- Has DOL taken appropriate actions in its responsibilities under the consent decree particularly in light of solvency issues facing Central States since at least the early 2000s?
- Did requirements of the consent decree and/or DOL actions under the decree in any way inhibit Central States from being able to take timely and necessary actions in the face of growing solvency concerns?
- In light of the passage of time and circumstances, does the 1982 consent decree continue to adequately serve its original purpose?

Thank you for your cooperation and attention in this matter. If you have any questions, please do not hesitate to contact Chris Conlin of my staff at (202) 224-3744.

Sincerely,



Charles E. Grassley  
U.S. Senator

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<sup>[1]</sup> see, GAO, *Government's Investigation of the International Brotherhood of Teamsters' Central States, Southeast and Southwest Areas Pension Fund*, Aug 25, 1980; GAO, *Investigation To Reform Teamsters' Central States Pension Fund Found Inadequate*, Apr. 28, 1982 (HRD-82-13); GAO, *The Department of Labor's Oversight of the Management of the Teamsters' Central States Pension and Health and Welfare Funds*, Jul 18, 1985 (HRD-85-73).