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Congress of the United States
House of Representatives

March 1, 2016

The Honorable Loretta E. Lynch
Attorney General
U.S. Department of the Justice
950 Pennsylvania Ave. NW
Washington, D.C. 20530-0001

Dear Attorney General Lynch:

I have received correspondence from nearly 200 constituents within my district and an additional 300 letters from residents of 16 other states, while continuing to receive multiple inquiries daily, who have expressed concern with potential sizable cuts to their hard-earned pensions. The Department of the Treasury has received a petition from the Central States Pension Fund and is considering approving changes to beneficiary's monthly pension amounts in order to protect the solvency of the overall fund. The Central States Pension Fund estimates that the Fund will become insolvent in 2026 without cuts to benefits.

In my view, attention should also be focused on whether there was any mismanagement of the fund that led to today's critical status. For this reason, I am requesting the Department of Justice conduct a comprehensive investigation into the management and oversight of the fund to determine whether any criminal misconduct occurred by trustees, and make recommendations to increase and improve federal oversight and prevent future losses.

The Central States Pension Fund has had a history of mismanagement and corruption, leading up to several federal investigations and criminal prosecutions, for a multitude of charges. Ultimately, these charges led to the Department of Justice settling to a consent decree that gave the Department of Labor (DOL) oversight of the Central States Pension Fund. DOL was granted considerable oversight authority as to the selection of independent fund managers and changes to investment strategies. The Department was further granted oversight of a Court-appointed Independent Counsel established to assist in administering the consent decree. Unfortunately, it appears the Department of Labor was focused on mafia-related ties and not equipped to address any potential financial and investment mismanagement.

It is extremely troubling to hear that the fund has an estimated $18 billion in net assets that are sufficient to pay only 53 percent of promised benefits. Central States Pension Fund is one of three major funds that manage the International Brotherhood of Teamsters multi-employer pensions. The Central States fund is currently the only fund, of the three, in such a significant state of disrepair. Despite the effects of deregulation of the trucking industry and a retirement boom, there are significant concerns about the investment practices of the fund managers, directed by its trustees, during the two major recessions since 2000. Recently, the President of the Ohio Conference of Teamsters, and trustee of the Central States Pension Fund, resigned after a federal independent review board investigation revealed that 70% of state

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union dues were spent on items that clearly did not benefit members, including excessive salaries, opulent parties, and golf clubs. These potential lapses in oversight are simply unacceptable.

There are 400,000 retirees that will be dramatically impacted. About 185,000 (almost 40 percent) will receive at least a 30 percent or greater reduction in their benefits. The letters I have received show an estimated loss of 48% of retiree pensions - on average about $1,323.50 per month or a yearly loss of $15,878.90. An immediate investigation should be initiated to fully understand the intricacies of the management of this fund. We must do everything in our power to rectify these oversights as continued losses to pensions across the country further jeopardize the integrity of the Pension Benefit Guaranty Corporation (PBGC). Without proper management and vigilance by fund trustees, a fracture of the public trust will undoubtedly ensue, as will the bankruptcy of protection measures like the PBGC.

As many as 32,000 people within the State of Missouri will be immediately impacted by these cuts. In addition to crippling the financial stability of individuals and their families, these cuts will have a deleterious rippling effect on the State's economy. With a Department of Justice investigation of the Central States Pension Fund, I believe there can be actions taken to address any potential misconduct of the management of the fund. I appreciate your time and consideration of this matter. If you have any questions, please do not hesitate to contact me or my staff.

Sincerely,

Emanuel Cleaver, II
Member of Congress