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August 10, 2021

RE: PENSION BENEFIT GUARANTY CORPORATION
(SPECIAL FINANCIAL ASSISTANCE BY PBGC)
REGULATION IDENTIFIES NUMBER: RIN 1212-AB53

COMMENTS OF TRUCKING EMPLOYEES OF NORTH JERSEY PENSION FUND
EIN: 22-6063702

The Board of Trustees of the Trucking Employees of North Jersey Pension Fund (“TENJ Pension Fund”) appreciates the opportunity to provide comment regarding the Interim Final Rules and Regulations of the PBGC for implementation of the American Rescue Plan Act of 2021.

The TENJ Pension Fund is a multi-employer employee retirement defined benefit plan. The Plan currently has 389 active participants for whom contributions are being made but, as it is a very mature plan, has 4,155 participants in active retirement status and 1,648 non-active vested, for a total vested population of 6,192. The TENJ Pension Fund has been in critical and declining status for many years and effective June 30, 2021 became insolvent. With the occurrence of the insolvency, pursuant to PBGC rules, the pension benefits of the retirees in pay status had pensions reduced to the PBGC maximum of \$35.75 per credit guaranteed amount. The TENJ Pension Fund has been recognized to be within Priority One to receive Special Financial Assistance (SFA) under the program for financially troubled multi-employer plans and the Plan expects to be found eligible for SFA as to be determined by the PBGC in accordance with Section 4262.3(d) of the regulation. The Trustees recognize that within such determination, the regulation incorporates actuarial assumptions for determining the funding amount (Section 4262.4). The value of the Plan obligations, pursuant to the regulations, will be calculated by

the present value of the specified benefit payments plus administrative expenses. As made clear in the PBGC Executive Summary, the SFA amount is to be calculated using the long-term rate that was used for the Plan's funding standard account purposes and the Plan's actuary projections that are part of the certification of the Plan's most recent certification of the Plan's status prior to January 1, 2021.

The Trustees' motivation for submitting comments concerns of the imbalance of the interest rate required under Section 4262.4(e)(1) and the projected interest rates for the Permissible Investments, as Section 4262.14 requires that SFA funds be invested in investment grade bonds or other investments permitted by the PBGC. The Trustees consulted their investment advisor, Morgan Stanley, to receive financial projections for United States Taxable Investment Grade Bonds. While long duration projections have inherent uncertainties, since the ARPA provides for thirty (30) year protections, all calculations must accept the potential deviation from the projections. The most recent Morgan Stanley report¹ projects U.S. Taxable Fixed Income (investment grade bonds) on a seven (7) year projection to be 1.1% annualized, and on a twenty (20) year projection to be 3.4% annualized.

By restricting investment of SFA provide assets to the projected low interest returns of investment grade bonds, the discounted lump sum amount of SFA assistance will unquestionably prove to be inadequate. The discount rate needs to be in balance with the expected investment return rate. Due to the imbalance of the discount interest rate to the projected investment grade bond interest rate, each year of experience will erode the ability of the provided funding to obtain sufficient earnings upon which benefits can be paid through 2051. This erosion can be expected to be experienced in the first several years of investment earnings as the projected interest rates for investment grade bonds are at the low 1.1%. As the yearly deficiency between the realized investment rate and that of the discount rate used for the lump sum calculation will compound year after year, the ever increasing erosion of

¹ Morgan Stanley Wealth Management Special Report, March 31, 2021 "Annual Update of Global Investment Committee Capital Market Assumptions."

funded assets will grow and hasten the depletion of assets as benefits are paid out. The previous experience of the critical and declined pension fund “death spiral” will be revisited.

While the Trustees acknowledge the regulation’s stated purpose of protecting the SFA assets which were provided by Congress, by requiring this regulatory imbalance of interest rates the purpose and mission of this rescue legislation is in jeopardy. The history of investment experience of multi-employer pension funds demonstrates successful returns have been accomplished with prudent decision making by Trustees adhering to and respecting their fiduciary duties. Placing restrictions against generally recognized prudent retirement fund investment decisions does a disservice to Plan participants, but also to the general taxpayer as the funding of the rescue program will prove to be inadequate and the promises of the rescue plan will not be able to be met. The mathematical calculations and conclusions produced by the imbalance in interest rates is not reasonably subject to question.

Respectfully,

TENJ BOARD OF TRUSTEES

By: Robert Blumenfeld

Robert Blumenfeld
Administrator