Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington D.C. 20005-4026

Board of Trustees, Road Carriers - Local 707 Pension Fund
14 Front Street, Suite 301
Hempstead, NY 11550

Dear Mr. McCaffrey and the Board of Trustees:

On February 19, 2016, you submitted an application to the Pension Benefit Guaranty Corporation (PBGC) on behalf of the Road Carriers – Local 707 Pension Fund (Plan). The application you submitted (Application) requests a partition under the Multiemployer Pension Reform Act of 2014 (MPRA).

We are writing to notify you of PBGC's decision to deny the Application because the proposed partition fails to satisfy the statutory criteria for approval of a partition.

As you know, the Fund entered the 2016 plan year without sufficient financial resources to pay full Plan benefits. The Plan filed its insolvency notice with PBGC in December 2015, designating February 1, 2016 - January 31, 2017 as its first insolvency year. In February 2016, the Plan reduced benefit payments for retirees and beneficiaries by about 30%, to the "resource benefit level," a level above the PBGC guaranteed benefit level that is supportable by available Plan assets. The Plan will file for financial assistance beginning February 2017, when it's expected to run out of money to pay benefits. At that time, PBGC will extend financial assistance to allow the Plan to pay guaranteed benefits. Due to the Plan's impending insolvency, the Plan's partition Application requests a July 1, 2016 effective date, requiring expedited consideration of the request.

The Application states that insolvency will be avoided if the partition is approved and implemented, along with benefit suspensions, as of July 1, 2016. If the Application (along with benefit suspensions) is approved, the Plan will continue to provide accruals over the long-term for active participants and residual benefits in excess of PBGC-guaranteed benefit levels for all participants. The Application proposes a transfer of 100% of the guaranteed benefit liabilities of retirees, beneficiaries and terminated vested participants to a successor plan that would receive financial assistance from PBGC.

Under section 4233(b)(3) of ERISA, as amended by the MPRA, a plan is eligible for a partition if, among other things, PBGC reasonably expects that (A) a partition of the plan will reduce the corporation's long-term loss with respect to the plan, and (B) a partition of the plan is necessary for the plan to remain solvent. A plan must satisfy the requirements of the Act to be eligible for a partition. PBGC then uses its discretion on whether to order a partition.

After reviewing the Application, PBGC has determined that the Application fails to demonstrate that the Plan would remain solvent following a partition. The contribution base units, active participant counts, and contribution levels projected in the Application are based on unreasonably optimistic assumptions. Because the Application fails to demonstrate the requirement to remain solvent, PBGC did not make a determination as to other statutory criteria for a partition.

The projections in the Application assume a constant level of contribution base units and active participant counts, and steadily increasing contribution rates, throughout the 30-year projection period. After the partition, the Application shows the Plan would continue to have a negative cash flow and declining asset base, even though contributions would increase each year. Assets would be nearly depleted by 2031, but then recover for the remainder of the projection period.

A review of the data and information provided by the Plan shows that contribution base units have declined nearly every year over the past decade, as they have continuously in prior years. The number of active participants, particularly the active count of the dominant contributing employer, has dropped steadily over the Plan's history; although active counts have levelled out in the past few years, they continue to be subject to normal business fluctuations and economic conditions that could themselves tip the plan into insolvency. There is insufficient evidence that this trend will reverse itself for this employer in this market and that contribution base units under the Plan will stabilize. The Plan's weak funded status post-partition and wide disparity in contribution rates among employers adds risk to the Plan and constrains the extent to which contributions may be expected to increase.

In this case, use of an even slightly less optimistic assumption regarding the Plan's contribution base units would cause the Plan to fail to satisfy the statutory requirement that the Plan remain solvent following a partition. Even if the partition were adjusted such that PBGC assumes the maximum amount of the Plan's liabilities allowable under the long-term loss requirement, it would not be reasonable to expect that the Plan would remain solvent under less optimistic assumptions regarding contribution base units.

The Application is based on unreasonably optimistic assumptions related to future contributions and contribution base units, including those of the Plan's dominant employer. Accordingly, the Application is denied because there is insufficient evidence to reasonably expect that the Plan would remain solvent following a partition.

Respectfully,

Pension Benefit Guaranty Corporation