

**TESTIMONY OF MICHAEL M. SANDER,
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TEAMSTERS PENSION PLAN**

**Hearing on “Assessing the Challenges Facing Multiemployer Pension Plans,”
Before the Health, Employment, Labor, and Pensions Subcommittee of the House
Education and the Workforce Committee**

June 20, 2012

Chairman Roe, Ranking Member Andrews, and Members of the Subcommittee, thank you for inviting me to testify today about the Western Conference of Teamsters Pension Plan. My name is Mike Sander, and I am the Administrative Manager of the Plan.

The Western Conference Plan, the largest multiemployer pension plan in the country, provides secure retirement benefits to over 500,000 active and inactive vested employees and retirees. Over the life of the Plan since 1955, we have provided retirement benefits to over 300,000 additional retirees and their families. The Plan covers the 13 western states -- Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. Plan assets exceed \$30 billion, and annual employer contributions total \$1.3 billion. Last year, we paid \$2.2 billion in benefits to plan participants in all 50 states and the District of Columbia.

Almost 1,700 employers, engaged in over 50 different industries, participate in the Plan. We continue to add new employers and employee groups. These large and small employers are engaged in a variety of industries: grocery and food distribution, package delivery, manufacturing, clerical, beverage bottling, law enforcement, entertainment, waste disposal, health care and others. Some of them will be familiar to you: United Parcel Service, Safeway, Coca-Cola, and Waste Management. Others are not household names because they are small businesses, like W.W. Clyde & Company in Orem, Utah, McGree Contracting Company in Butte, Montana, and Whitewater Building Materials in Grand Junction, Colorado. Over 74 percent of employers that participate in the Western Conference are small businesses with 50 or fewer employees.

The Western Conference Plan is designed to accommodate a mobile workforce, providing pension portability to participants who may find it necessary to seek employment in a different industry or elsewhere in the 13 western states, or even beyond. A recent analysis of our active workers reveals that over 25% of participants over the course of their career have worked for two or more contributing employers. Participants work in a host of occupations, including as truck drivers, nurses, clerks, warehouse workers, food processors, police officers, highway maintenance workers, and construction workers.

The Western Conference Plan distributes a specified, regular amount of funds to retirees, determined by historical employer contribution rates, age, length of service, and other factors. Because retirees are guaranteed a certain level of retirement income, the Plan provides certainty and stability to retirees, even in unpredictable economic times. The Plan limits risk to both participants and employers by pooling contributions from a variety of companies and industries.

Our Plan's goal is full funding. The trustees have always used a conservative investment strategy and benefit plan design. The Plan has been in the "green zone," as defined by the Pension Protection Act, since that law was passed in 2006. At the start of 2008, just before the market crash, the Plan's funded percentage was a robust 97.1%.

The Plan's management and labor trustees have a long history of working together to strengthen the plan and promote the well-being of participants. The trustees take their responsibilities for funding very seriously. After the dot-com market drop in 2002, for example, the trustees agreed to cut benefit accruals by one-half to get back to full funding. Over the many decades the Plan has operated, the management and labor trustees have worked well together, resolving differences through a rational decision-making process focused on how best to achieve the key objective of providing retirement security to the hundreds of thousands of employees who participate in the Plan.

Like all institutional investors, the Western Conference Plan was harmed by the unprecedented collapse of the markets worldwide in 2008. Our asset values dropped by 20%, over \$6.2 billion. Congress passed common sense legislation in 2010 to allow plans to spread those losses over a longer period of time. These important changes came at no cost to taxpayers or the government. Despite the 2008 crash, the Western Conference Plan's funded status for 2012 is projected to be 90.3%.

The Western Conference Plan strongly supports transparency. Financial information about the Plan, including our audited financial statements, Form 5500s, actuarial reports, annual funding notices, and other documents, is readily available for all to see. We encourage employers, participants and others to review our financial data at <http://www.wctpension.org/downloads/downloads.html>.

The trustees strive to maximize operational efficiencies. Through investments in technology and a streamlined processing system, computers now automate much of daily processing. Employers can report their monthly hours activity over the internet and send their contributions electronically to a clearing house where available funds are swept daily into investment vehicles. The Plan uses only seven cents of every contribution dollar to fund all Plan operations, leaving 93 cents of contributions and 100% of the investment income to support funding levels.

Since 1995, the Plan has provided an annual personal benefit statement to each active participant. The statement shows the participant's total accrued benefits and the amount earned in the previous year, an itemization of hours worked and employer contributions for that year, and beneficiary information. This gives participants an important retirement planning tool.

The Plan investments are made in accordance with an asset allocation model designed to provide strong returns consistent with a variety of economic environments. The Trust uses indexing strategies to provide effective diversification within the portfolios, while keeping net investment costs low. The Plan leverages its asset size into advantageous pricing. Manager selection is done with an eye to proven long-term results. Strong returns from proven asset managers at low net cost supports the highest benefit levels prudently possible.

Thank you for your consideration of our views. The Western Conference Plan is a long-term enterprise. We have been successful for over 50 years, and we intend to provide substantial retirement security for the next 50 years and beyond. We look forward to working with you, and I would be happy to answer your questions.