

data

Survey of Plans' Zone Status

The zone provisions initially defined by the Pension Protection Act of 2006 (PPA'06) were made permanent, and expanded, with the enactment of the Multiemployer Pension Reform Act of 2014 (MPRA).¹ Segal Consulting's *Survey of Plans' Zone Status* presents the most recent data available: 2015 results for plans with zone certifications filed in the third quarter of 2015. It also presents results for all Segal client plans with zone certification filing deadlines in the 12 months between October 1, 2014 and September 30, 2015.

The key findings are:

- Nearly two-thirds of plans are in the green zone.
- About one-half of all participants are in plans in the red zone and nearly one-half of these red-zone participants are also in plans that are considered to be "critical and declining,"² based on filings between October 1, 2014 and September 30, 2015.
- The ratio between the number of active and inactive participants is a key indicator of red-zone status, but not a key indicator of yellow-zone status.
- The average PPA'06 funded percentage is 85 percent for plans with zone certifications filed in July, August and September of this year; and 87 percent for plans with zone certification filing deadlines between October 1, 2014 and September 30, 2015.

The new certification data for plans with a filing date in July, August and September of 2015 is based on 75 multiemployer plans covering approximately 820,000 participants with combined assets of nearly \$50 billion. There are nearly 400 plans covering 3.8 million participants and with combined assets of nearly \$190 billion with zone certification filing deadlines in the 12 months between October 1, 2014 and September 30, 2015. A review of previous survey results for Segal clients and Form 5500 reports for all multiemployer plans indicates that Segal clients' zone status by number of plans are representative of that universe as a whole.



¹ For a summary of MPRA, see Segal's [December 2014 publication](#). Under the funding provisions of PPA'06 and MPRA, trustees must review projections of the financial status of multiemployer plans at least annually in order to identify emerging funding challenges. The plan's actuary must prepare a zone certification no later than 90 days after the beginning of the plan year. (For example, for the plan year that began on May 1, 2015, certification was required by July 29, 2015).

² MPRA defined a secondary classification for plans in the red zone: "critical and declining." These are plans with a projected inability to pay benefits within 15 or 20 years.

Zone-Status Statistics by Number of Plans

Of the plans with third quarter filing dates, 65 percent are in the green zone. Sixty-four percent of plans with certification filing deadlines in the 12 months ending September 30, 2015 are in the green zone.

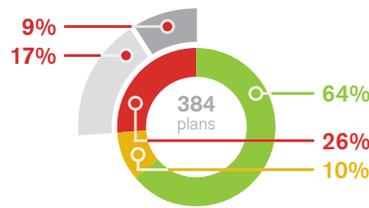
Of the 102 plans in the red zone with certification filing deadlines in the 12 months from October 1, 2014 to September 30, 2015, one-third of them (34 plans) were classified as critical and declining. MPRA provides additional corrective options for critical and declining plans, specifically the eligibility to apply for benefit suspensions³ and possible eligibility for partitions and Pension Benefit Guaranty Corporation (PBGC) financial assistance for mergers.

Breakdown of Plans' Zone Status by Percentage of Plans in Each Zone

Plans with Certification Filing Deadlines in July, August and September 2015



Plans with Certification Filing Deadlines in the 12 Months Ending September 30, 2015



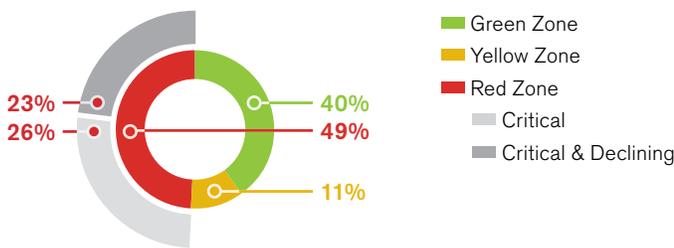
- Green Zone
- Yellow Zone
- Red Zone
- Critical
- Critical & Declining

“ Although only 26 percent of plans...are in the red zone,...
49 percent of participants are in red-zone plans.”

Zone-Status Statistics by Number of Participants

Although only 26 percent of plans (102) are in the red zone, several of those plans are larger than average such that 49 percent of participants are in red-zone plans. Of those 102 red-zone plans, 34, or about 9 percent of plans in the survey are also in critical and declining status. These critical and declining plans cover 23 percent (approximately 857,000) of the total number of participants (3.8 million) in the survey. As noted above, given their status as critical and declining plans, these plans are eligible to apply for benefit suspensions and they may be eligible for partitions and PBGC financial assistance for mergers.

Breakdown of Zone Status by Number of Participants in Each Zone for Plans with Certification Filing Deadlines in the 12 Months Ending September 30, 2015



³ Suspension refers to the temporary or permanent reduction of a portion of accrued benefits. For information about suspensions, refer to the publication noted in footnote 1.

Results on Plans Projected to Become “Red” and on Yellow-Zone Plans Eligible to Be “Green”

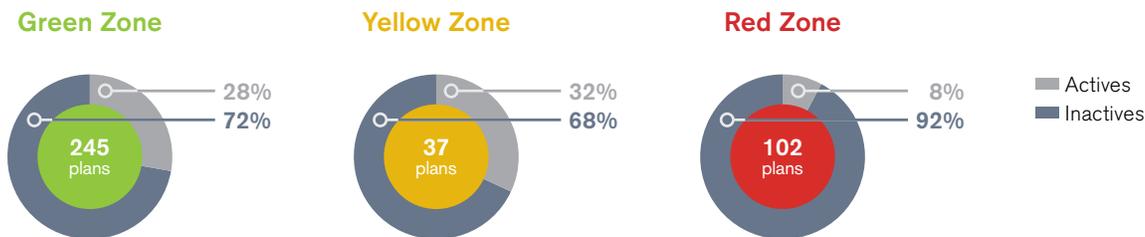
MPRA also requires projections for plans that are not in the red zone to determine whether the plan will be in critical status in any of the next five years. If projected to be in the red zone in the next five years, the trustees may elect to be in critical status in the current year, in order to make immediate use of the special rules available to plans in the red zone. Of the plans with certification filing deadlines in July, August and September of 2015 that were certified as “green” or “yellow,” none were projected to be “red” in the next five years. Overall, for plans with certification filing deadlines in the 12 months ending September 30, 2015, eight “green” or “yellow” plans were projected to be “red” in the next five years. The trustees of two of these plans elected to be “red.”

Lastly, MPRA allows certain plans that were in the green zone in the prior year, and that would otherwise be in the yellow zone this year, to remain in the green zone. As of the end of September 2015, there were no plans for which this option was applicable.

Demographic Characteristics

The number of active participants compared to the number of inactive participants in a plan is one indicator of its zone status. The charts below illustrate that, in general, red-zone plans have a much higher percentage of inactive participants.

Distribution of Plans with Certification Filing Deadlines in the 12 Months Ending September 30, 2015 by Type of Participant* and Zone



* This is based on an average of active and inactive participant counts among plans with certification filing deadlines in the 12 months ending September 30, 2015.

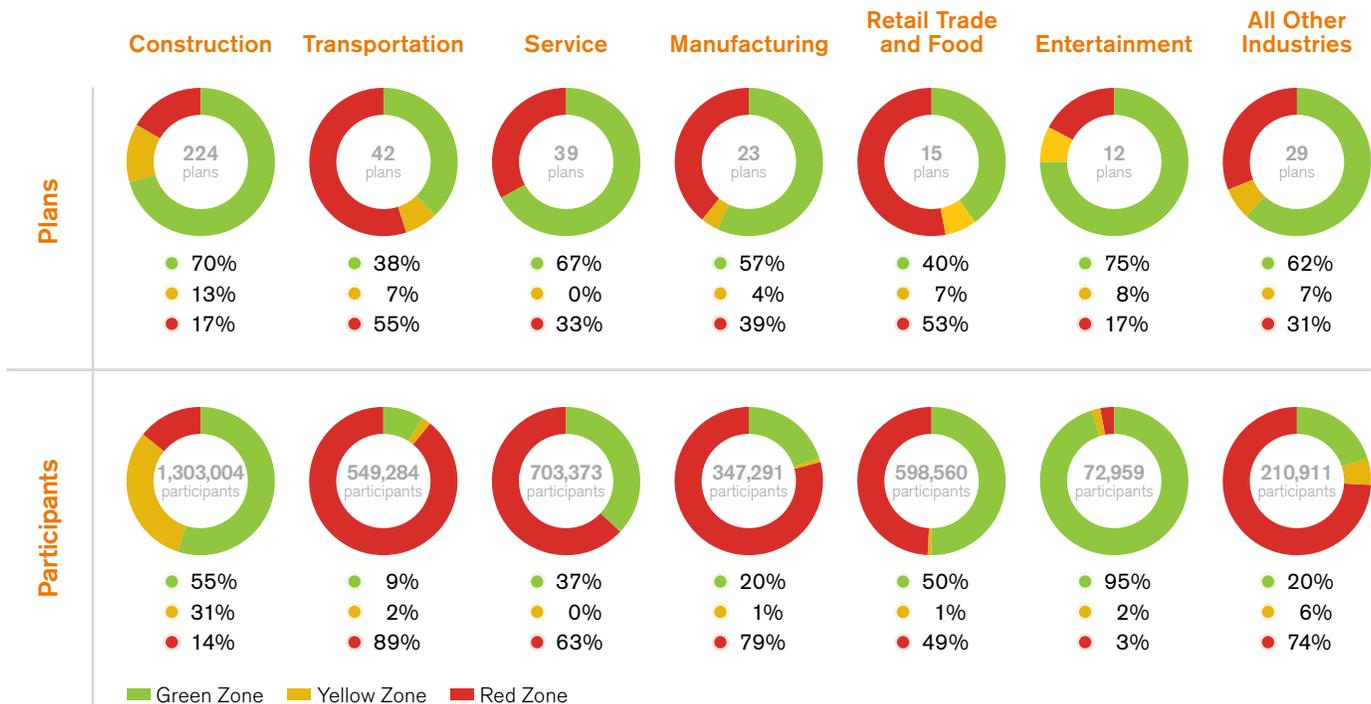
“ In general, red-zone plans have a much higher percentage of inactive participants. ”

Industry Variations

For plans with certification filing deadlines in the 12 months ending September 30, 2015, a majority of plans in all but two industries (Transportation and Retail Trade & Food) are in the green zone. At least one-quarter of plans in all but two industries (Construction and Entertainment) are in the red zone.

However, more than half of participants in four industry groups are in the red zone. The percentage of participants in plans in the red zone is greatest in the Transportation, Manufacturing and All Other industry groups. The percentage of participants in plans in the green zone is greatest in the Entertainment, Construction and Retail Trade & Food industries. The survey results by industry for plans with zone certifications filed in the 12 months ending September 30, 2015 are summarized below.

Industry Breakdown of Zone Status by Plans and by Participants for Plans with Certification Filing Deadlines in the 12 Months Ending September 30, 2015*



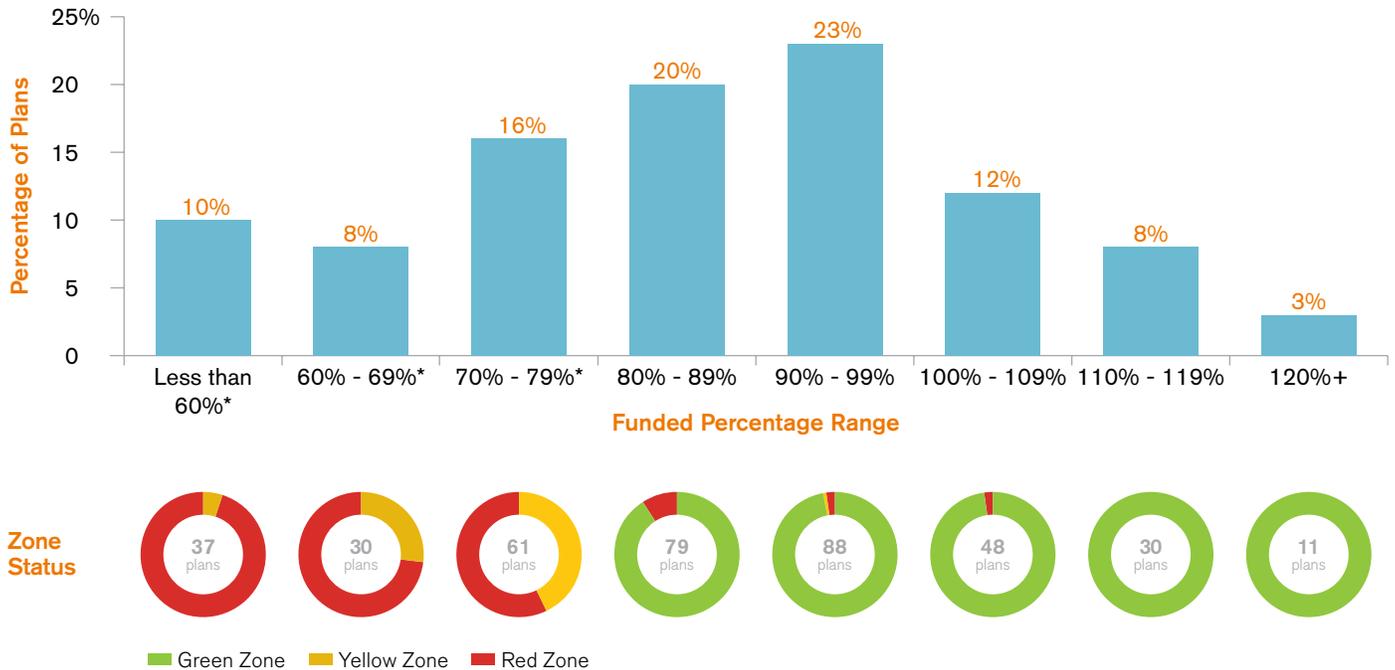
* The fewer the number of plans in a given industry, the less likely the results are to be indicative of an industry's overall status.

“A majority of plans in all but two industries... are in the green zone. ...However, more than half of participants in four industry groups are in the red zone.”

Funded Percentage

The average PPA'06 funded percentage⁴ for the plans with zone certifications filed in the third quarter of 2015 is 85 percent. The average PPA'06 funded percentage for plans with zone certification filing deadlines in the 12 months between October 1, 2014 and September 30, 2015 is 87 percent. The graph below shows a breakdown of the plans with zone certification dates in the most recent 12 months by their PPA'06 funded percentage and their zone status. This data underscores that that no single measurement is sufficient to determine a plan's zone status under PPA'06.

Percentage, Zone Status and Number of Plans with Certification Filing Deadlines the 12 Months Ending September 30, 2015 by PPA'06 Funded Percentage Range



* A funded percentage less than 80 percent is one of the primary criteria for determining yellow-zone status.

⁴ The PPA'06 funded percentage is based on a ratio of assets to accrued benefits, measured using the plan actuary's assumptions and the actuarial asset valuation method.

Questions? Feedback? Contact Us.

Consultants and actuaries from Segal Consulting, together with investment consultants from Segal Rogerscasey (the SEC-registered investment solutions member of The Segal Group), can be of assistance in developing the appropriate strategies for maintaining and enhancing benefit security. For information about our strategic consulting services, contact your Segal consultant, the [nearest Segal office](#) or one of the following experts:

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