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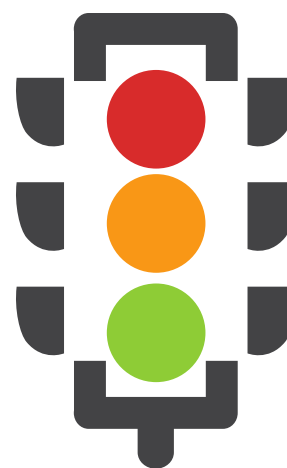
Survey of Plans' Zone Status

The zone provisions initially defined by the Pension Protection Act of 2006 (PPA'06) were made permanent 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 calendar-year plans. It also presents results for all Segal client plans for zone certification filing deadlines between April 1, 2014 and March 31, 2015.

The key findings are:

- A majority of plans are in the green zone.
- The ratio between the number of active and inactive participants is a key indicator of zone status.
- The average PPA'06 funded percentage is 88 percent for 2015 calendar-year plans and 87 percent for plans with zone certification filing deadlines between April 1, 2014 and March 31, 2015.

The 2015 certification data for calendar-year plans is based on 215 multiemployer plans covering 2.3 million participants with combined assets of more than \$100 billion. There are nearly 400 plans covering 3.5 million participants and with combined assets of more than \$180 billion in the group with zone certification filing deadlines between April 1, 2014 and March 31, 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.



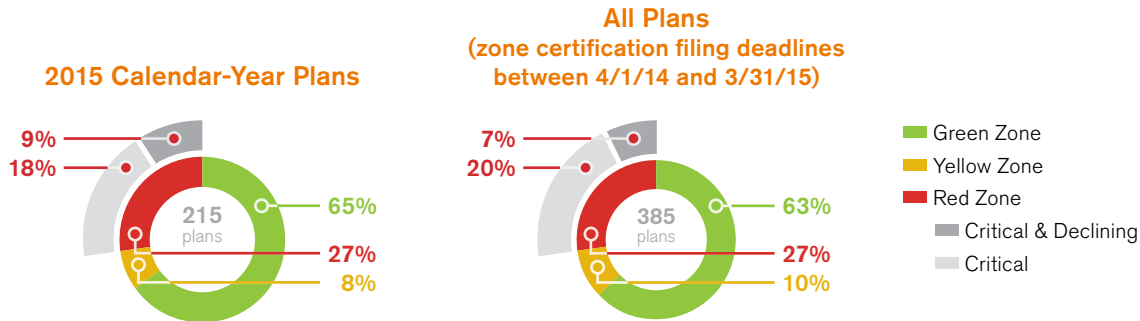
¹ For a summary of MPRA, see Segal's [December 2014 publication](#). Under the funding provisions of PPA'06 and MPRA, trustees must review projections of the financial status of multiemployer plans at least annually in order to identify emerging funding challenges. The plan's actuary must prepare a zone certification no later than 90 days after the beginning of the plan year. (For example, for the plan year began on January 1, 2015, certification was required by March 31, 2015).

Zone-Status Statistics

Of the 2015 calendar-year plans, 65 percent are in the green zone. A similar percentage (63 percent) of plans in the larger group is also in the green zone.

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. Of the 2015 calendar-year plans in the red zone (59), about one-third (20) were further classified as critical and declining. MPRA provides additional corrective options for these plans, specifically eligibility to apply for benefit suspensions,² partitions, and PBGC financial assistance for mergers.

Breakdown of Plans’ Certified Zone Status by Percentage of Plans in Each Zone



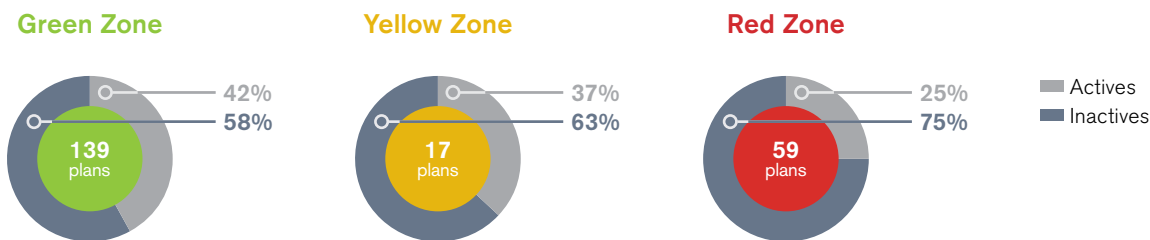
MPRA also requires plans that are not in the red zone to project whether the plan will be in critical status in any of the next five years. If projected to be in the red zone in the next five years, the trustees may elect to be in critical status in 2015 in order to make immediate use of the special rules available to plans in the red zone. Of the plans that are certified as “green” or “yellow,” fewer than 5 percent (seven 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. There were no 2015 calendar-year plans where this provision was applicable.

Demographic Characteristics

The ratio between the number of active and inactive participants in a plan is a key indicator of its zone status. The charts below illustrate that, in general, green-zone plans have a higher percentage of active participants while red-zone plans have a higher percentage of inactive participants.

2015 Distributions by Type of Participant and Zone

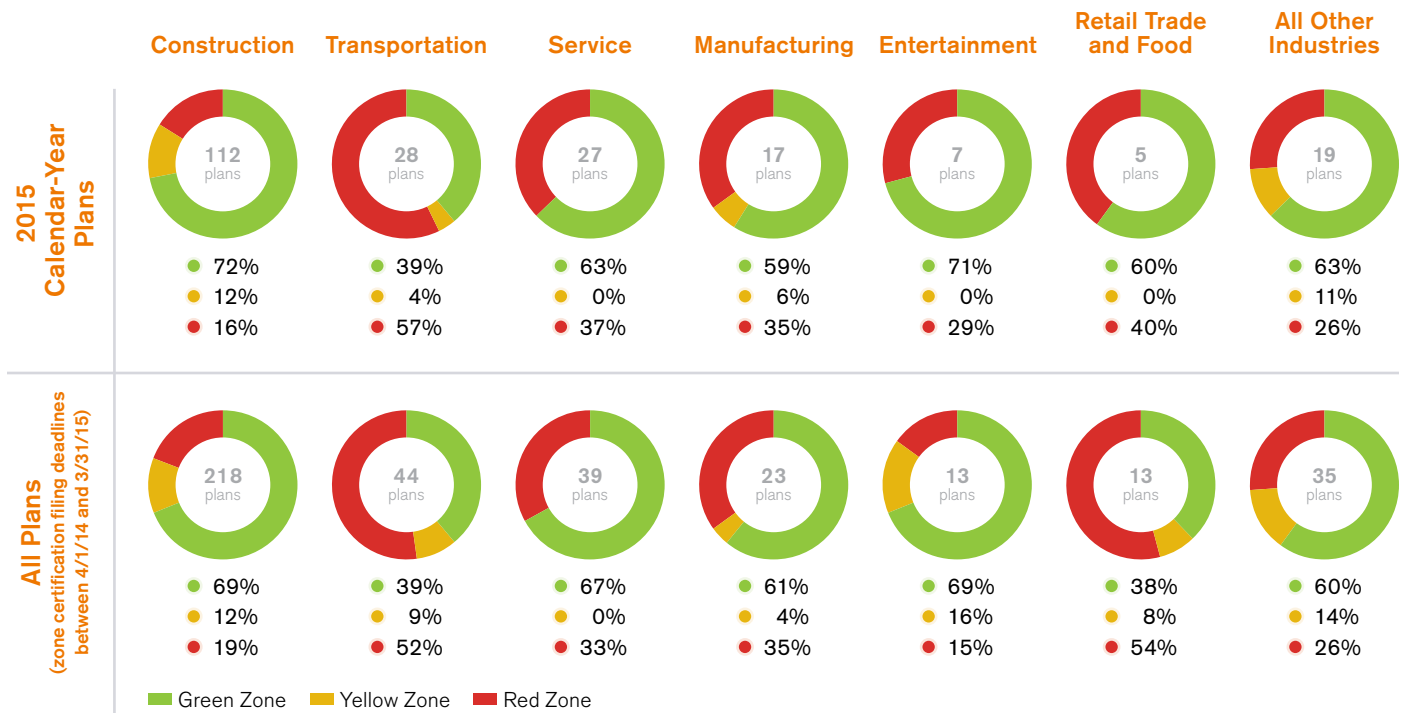


² Suspension refers to the temporary or permanent reduction of a portion of accrued benefits. For information about those conditions, refer to the publication noted in footnote 1.

Industry Variations

In 2015, a majority of plans in all but one industry (transportation) are in the green zone, and at least one-quarter of plans in all but one industry (construction) are in the red zone. The survey results by industry for 2015 calendar-year plans and all plans with zone certification filing deadlines between April 1, 2014 and March 31, 2015 are summarized below.

Breakdown of Zone Status by Industry*

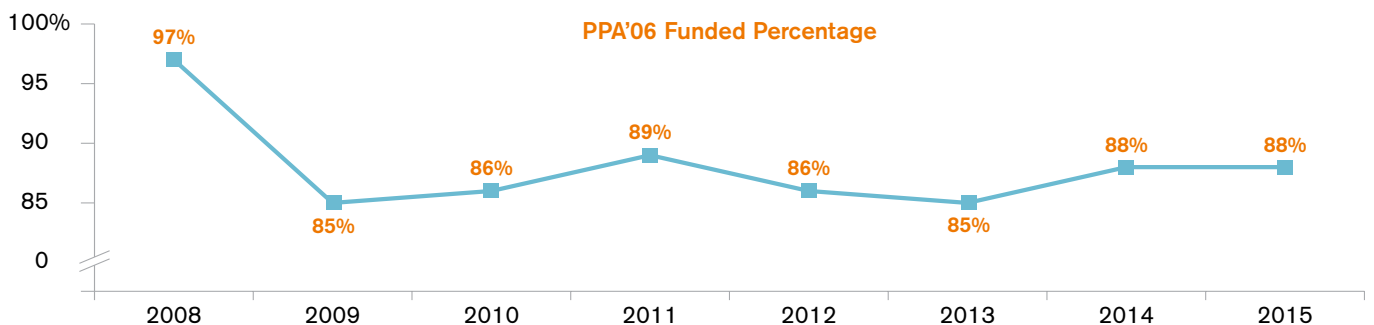


* The fewer the number of plans in a given industry, the less likely the results are to be indicative of an industry's overall status.

Funded Percentage

The average PPA'06 funded percentage³ for the 2015 calendar-year plans is 88 percent, unchanged from 2014 for calendar-year plans. The graph below shows how the funded percentage for calendar-year plans has changed since 2008. The average PPA'06 funded percentage for the larger group of plans is 87 percent, up from 85 percent for the previous 12-month period.

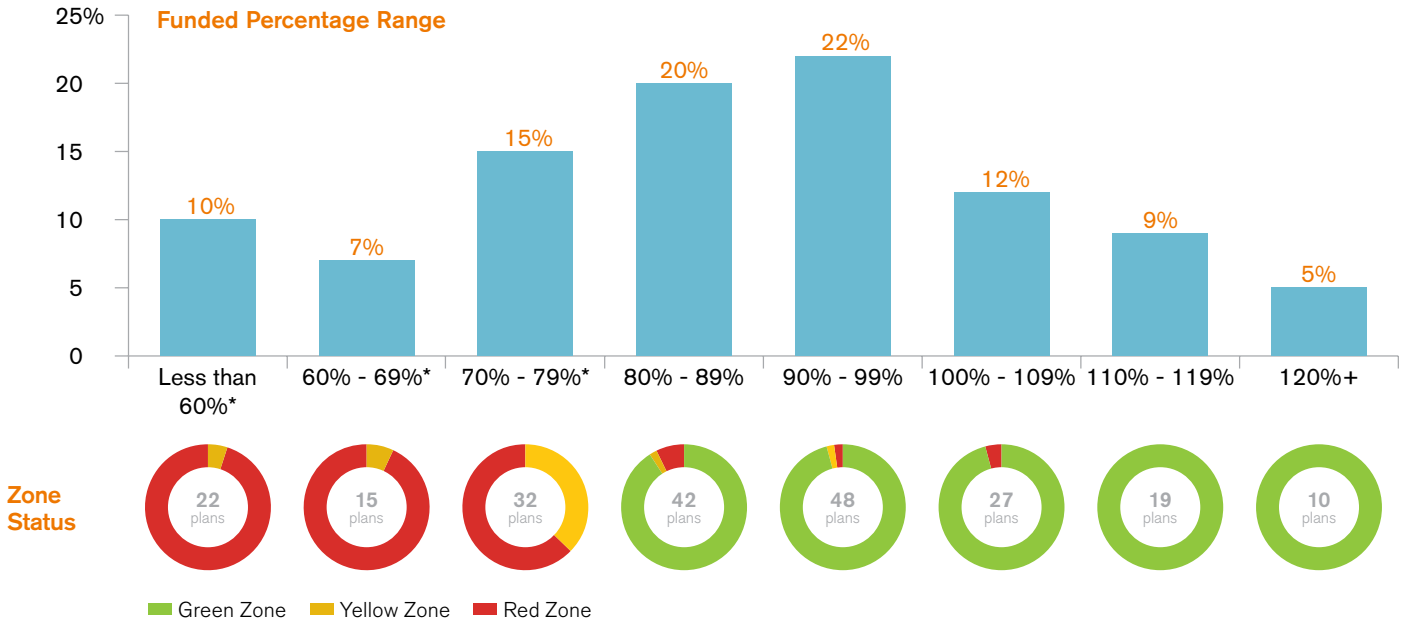
PPA'06 Funded Percentage for Calendar-Year Plans, 2008–2015



³ The PPA'06 funded percentage is based on a ratio of assets to accrued benefits, measured using the plan actuary's actuarial assumptions and the actuarial asset valuation method.

The graph below shows a breakdown of the 2015 calendar-year plans in the survey 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, Number and Certified 2015 Zone Status of Calendar-Year Plans by 2015 PPA'06 Funded Percentage Range



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

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 or one of the following experts:

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