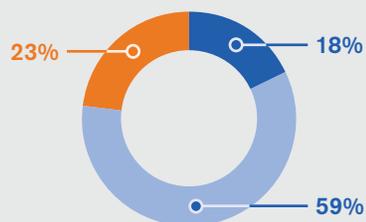


MULTIEMPLOYER DC PLAN DESIGN

Segal's latest *Study of Multiemployer Defined Contribution Plans* found that profit-sharing plans are the predominant plan design (77 percent of plans). There is a roughly even split between multiemployer defined contribution (DC) plans for which trustees direct investments and those that allow participants to do so. Hardship-withdrawal provisions are more common than loan provisions.

Plan Design



- Profit-Sharing Plans with 401(k) Feature
- Profit-Sharing Plans without 401(k) Feature
- Money Purchase Pension Plans

Direction of Investment

52% Trustee Directed **48%** Participant Directed

Permitted Early Withdrawal

58% Hardship Withdrawals **35%** Loans

Source: Data collected from more than 100 Segal client DC plans of all sizes from across the country, including locals and international unions.

INVESTMENT TRENDS

Global events affect the stock market. Some moves appear to be obvious. For instance, after the terrorist attack in Paris, defense stocks rose while stocks related to tourism declined. Less obvious is that the broader indices fell sharply Friday, November 13, prior to the Paris tragedy that unfolded that night, and steeply rebounded the following Monday. History appears to play a role in this behavior. The impact of terrorist attacks on the markets has steadily decreased in recent years, possibly because investors realize they typically do not have long-term effects on the global economy. Other factors, such as slowing growth in China and falling commodities prices, tend to impact markets longer term. In a volatile global environment, with significant events regularly occurring, it is difficult to predict how markets will end each business day.

There is a raft of **investment jargon** for investors to sort through, with managers offering alluring-sounding products such as smart beta and liquid alternatives, and describing concepts such as risk, drawdowns and non-traditional investing. Investors should consider every investment approach or idea free from jargon and in the context of their portfolio needs.

KEY STATISTICS

According to Segal's *Fall 2015 Survey of Plans' Zone Status*, based on data for nearly 400 client defined benefit plans with certification filing deadlines over the year-long period ending September 30, 2015:

- The average Pension Protection Act of 2006 funded percentage is 87 percent.
- Sixty-four percent of plans are in the green zone and 10 percent are in the yellow zone. Of the 26 percent in the red zone, 17 percent are in "critical" status and 9 percent are in "critical and declining" status. (Plans in critical and declining status may be eligible to apply for new remedial options under the Multiemployer Pension Reform Act of 2014, such as benefit suspensions and Pension Benefit Guaranty Corporation (PBGC)-assisted mergers and partitions.)
- About one-half of all participants are in plans in the red zone, and nearly one-half of these red-zone participants are in "critical and declining" plans.

COMPLIANCE NEWS

The PBGC **flat-rate, per-participant premium for multiemployer plans is \$27** in 2016, up from \$26 in 2015.

The Internal Revenue Service (IRS) has indicated it will give **increased attention to multiemployer plan audits** in fiscal year 2016. The IRS says it is targeting these and certain other plan types "because they have a historical pattern of noncompliance and also allow for greater [IRS] coverage of the retirement plan participant universe."

SELECTED STRATEGIES FOR MANAGING MULTIEMPLOYER RETIREMENT PLANS

Mistakes happen even in the best-run multiemployer plans and, unless identified and corrected early, they can result in big problems, including potential plan disqualification. To detect such trouble spots before the IRS does during an audit, trustees may want to work with their consultants and fund counsel to:

- Review plan documents for legal compliance and plan policies and procedures for operational compliance,
- Review trustee compliance with plan governance structure and fiduciary responsibilities,
- Consider regular internal audits of plan transactions, and,
- Review the plan's fiduciary liability insurance and other types of coverage.

Multiemployer DC plan trustees can play a key role in promoting additional retirement saving and preparedness among participants. Some measures to consider taking include:

- For plans with participant-directed investments, simplifying the fund lineup with a smaller, well-diversified selection of investments. These can include age-appropriate target-date funds as elective or default options.
- Reviewing plan communications to ensure they are clear, complete and convey the fund's key messages.
- Providing online tools or live-person resources to help participants plan for retirement.
- Adding a 401(k) feature to existing profit-sharing plans so participants can make tax-advantaged contributions to the plan, in addition to the collectively bargained employer contribution.

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