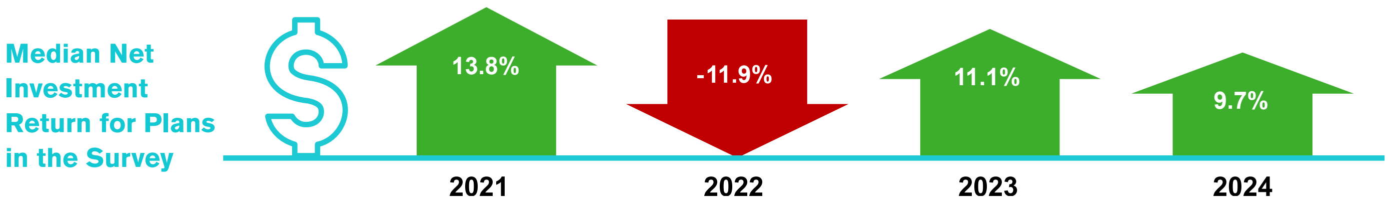
Most Plans Remain Green as 2025 Brings Market Uncertainty

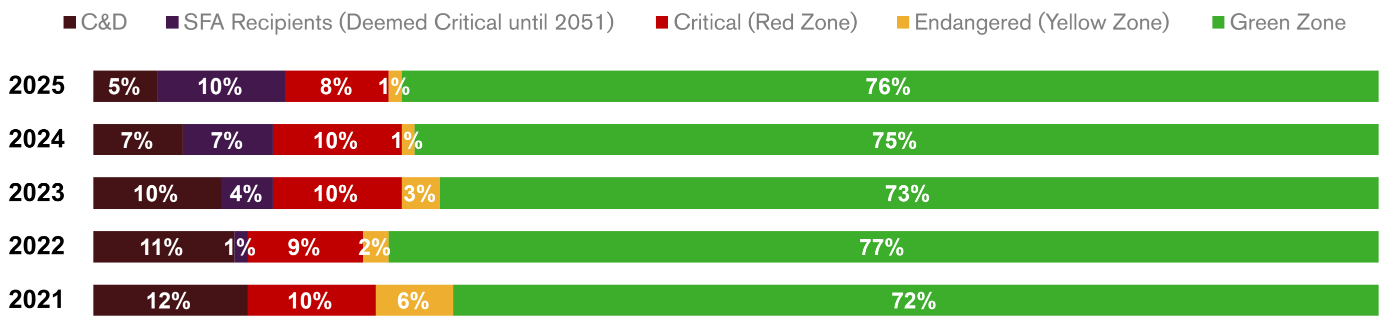
Three-quarters of all multiemployer pension plans in Segal's latest survey are in the green zone following steady 2024 investment performance.

Investment volatility and PBGC Special Financial Assistance (SFA) impact zone status



For the second consecutive year, investment returns exceeded the median valuation assumption of 7 percent.

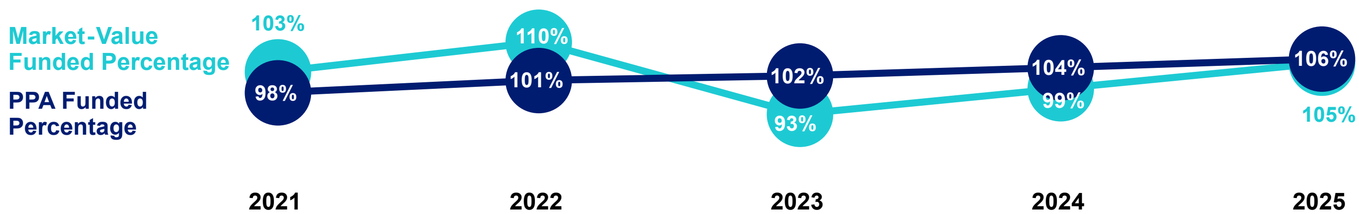
In 2025, there was slight improvement in the percentage of green-zone plans. In addition, there are fewer plans in critical and declining (C&D) status in 2025 since more critical and declining plans have applied for and received SFA.



Effects of asset smoothing on funded percentages

The **market-value** funded percentage fluctuates each year based on investment performance. Between 2021 and 2025, the average percentage has ranged from a high following 2021 gains to a low following 2022 losses.

The funded percentage used to determine zone status under the Pension Protection Act of 2006 (PPA) is based on the **actuarial value** of assets, which typically smooths investment gains and losses over five years. The asset smoothing method has resulted in a gradual increase in the average PPA funded percentage over the same period. Investment gains in 2023 and 2024 have helped to offset the continued recognition of 2022 investment losses. However, with the average market-value and PPA funded percentages nearly equal, plans have a reduced cushion to absorb potential 2025 investment losses.



Note: SFA plans (those that have received SFA as of January 1, 2025 or are expected to receive SFA) have been excluded to avoid distorting the results.

Segal

The importance of "burn rate" during market volatility

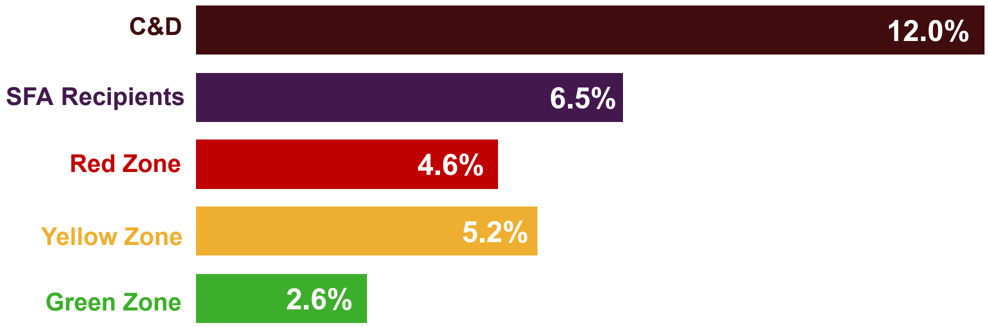
Mature plans usually have negative cash flows, because they are paying out more in benefits than they are receiving in contributions. Plans with significantly negative cash flows are more susceptible to investment volatility. In a market downturn, plans that have negative cash flow generally must realize investment losses and sell assets at a discount to cover benefit payments, reducing the opportunity for assets to recover — unless they are protected by a benefits-driven investment strategy. See our March 2024 article and October 2024 webinar on de-risking.

A plan's net negative cash flow, which we refer to as its "burn rate", is expressed as a percentage of plan assets and excludes investment income.

Burn Rate =
(Benefits + Expenses − Contributions) ÷ Assets

Plans with lower burn rates are usually better positioned to withstand market downturns. To achieve asset growth, a plan's annual investment return must exceed its burn rate.

In the 2025 survey, the median burn rate for C&D plans is more than twice that of red-zone plans. In addition, while plans that have received SFA see improvements in their burn rates (i.e., lower rates) due to the inclusion of SFA in total assets, they remain mature and continue to have high burn rates.



Looking ahead

Over the next few years:

- We expect C&D plans will continue to apply for and receive PBGC SFA and will improve their funded status.
- Plans should monitor their current and projected burn rate and consider investment strategies that may mitigate market downturns.

About the survey

The **181 plans** included in this survey are those with plan years beginning January 1, 2025.

As a group, these plans:

Have **$185 billion in assets**

Provide benefits to just over **2.7 million participants**

We can help you manage your plan's zone status and monitor investment risk.

Ask us to run projections that can help you plan for the future with confidence.

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