Currents

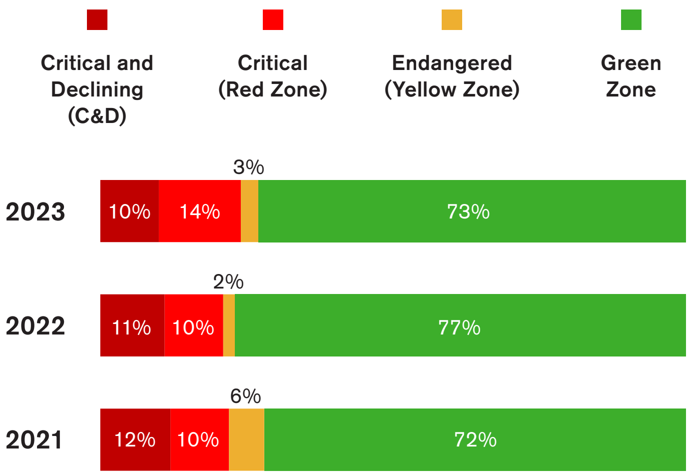
Quarterly Recap for Multiemployer Retirement Plan Sponsors

Third Quarter 2023

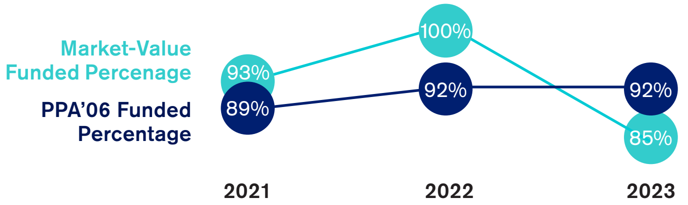
Key statistics

Latest data on zone status and average funded percentages for calendar-year plans

Zone-Status Breakdown, 2021–2023



The Average Pension Protection Act of 2006 (PPA'06) Funded Percentage Remained Level from 2022 to 2023



Source: Segal's 2023 *Survey of Plans' Zone Status*

The percentage of plans in the green zone in our survey is 73 percent, down from 77 percent in 2022, but still up from 72 percent in 2021. Due to recent market fluctuations, the average market-value funded percentage has decreased 15 percent from last year, while the average PPA'06 funded percentage stayed level from last year, due to asset smoothing.

Get an infographic of survey data.

Issues of interest to multiemployer retirement plan trustees

Impact of Special Financial Assistance on public perception of multiemployer plans

The American Rescue Plan Act of 2021 created the Special Financial Assistance (SFA) program administered by PBGC. As of June 30, 2023, almost $42 billion of SFA has been paid to eligible multiemployer plans. In addition, approximately $50 billion more is projected.

In this environment and with that many dollars, greater scrutiny is inevitable. In March 2023, the PBGC Office of Inspector General (OIG) published Report No. EVAL-2023-05 regarding their review of applications and payouts to date. That report recommended stronger initial reviews and a greater focus on ensuring deaths are not included in SFA requests. The SFA application process has subsequently been modified for plans to submit terminated vested participants to the PBGC for them to do an independent death audit prior to submission of a completed SFA application. You can access the full report here.

Recruiting and retaining tradeswomen

The current shortage of construction workers could be met by women if the industry rises to meet the challenges of recruiting and retaining this important segment of the population. The results of a recent building trades member survey indicate that almost three-quarters of respondents consider the biggest obstacle in recruiting women to be the lack of awareness of opportunities within the trades.

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Other impediments were insufficient access to childcare, underrepresentation and the lack of apprenticeship programs.

There are opportunities to address the shortage of construction workers. Hiring more women may be the key. However, education on the advantages of working in the industry, assistance with childcare and specific training programs are needed.

Our insight provides greater detail for consideration.

Investment trends

Securing SFA assets

Approaches to managing SFA assets received by eligible plans have varied among those plans depending on several characteristics, including:

- Plan size
- Funded status
- Ability to tolerate volatility

A recent Segal webinar discussed implications of SFA for both short and long-term solvency of plans, as well as the types of investment strategies that can work best in mature plans with significant cash outflow.

Some plans which have received SFA money are using a cash-flow-matching strategy. With fixed income yields higher than they have been in several years, this strategy allows a plan to lock in high rates and pay benefits for a set number of years, thus reducing the volatility of potential outcomes.

Given the importance of SFA assets to prolonging the life of the plan and thus paying beneficiaries the promised benefits, low risk and safe approaches should be considered. Secondarily, this is an approach that may be beneficial to non-SFA plans.

Listen to the webinar recording.

Environmental, Social and Governance factors in retirement plans' investments

Both DB and DC retirement plans currently face an array of challenges as they integrate environmental, social and governance (ESG) considerations into their investment approaches. A major hurdle still faced by all ESG investors is inconsistent measures and definitions, something that opens the door for so-called "greenwashing": making misleading claims of ESG success.

Initiatives have been proposed by states and at the federal level. Often these have been contradictory.

Notwithstanding the challenges, institutional investors are integrating ESG considerations pragmatically as the global economy and risk environment changes.

For more information on ESG considerations, read a *Benefits Magazine* article by Maureen O'Brien and Julian Regan, Senior Vice Presidents at Segal Marco Advisors.

To discuss the implications for your plan of anything covered here, contact your Segal consultant or get in touch via our website, segalco.com.

This *Currents* was published in August 2023. To see previous issues or other Segal publications, visit the insights page of our website, segalco.com.

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