

NCCMP Annual Conference

Impact of COVID Pandemic on Multiemployer Pension Plans

October 13, 2020

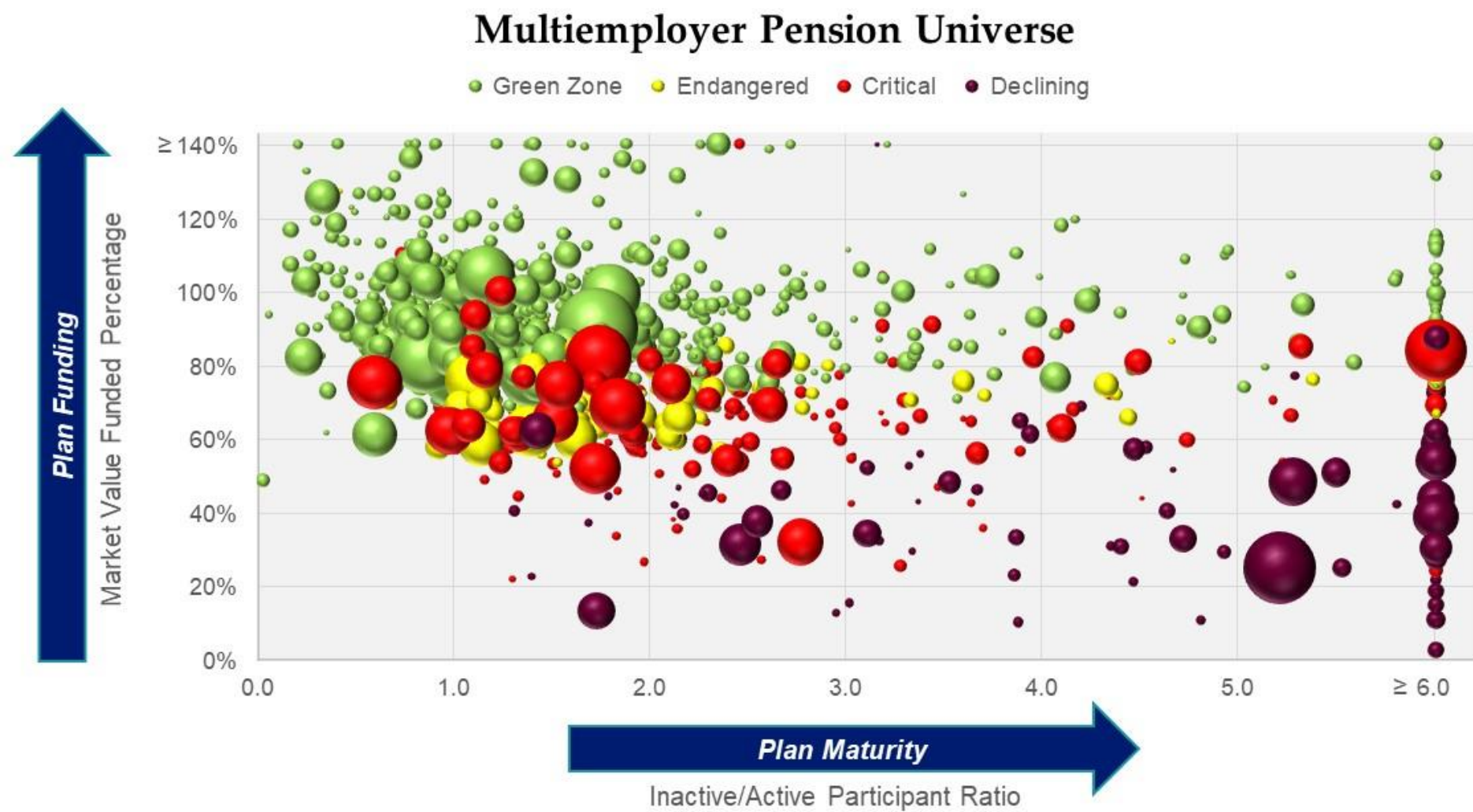
Chris Brockmeyer | Broadway League

Jason Russell | Segal



Pre-Pandemic Environment

Multiemployer Universe: Funding vs. Maturity

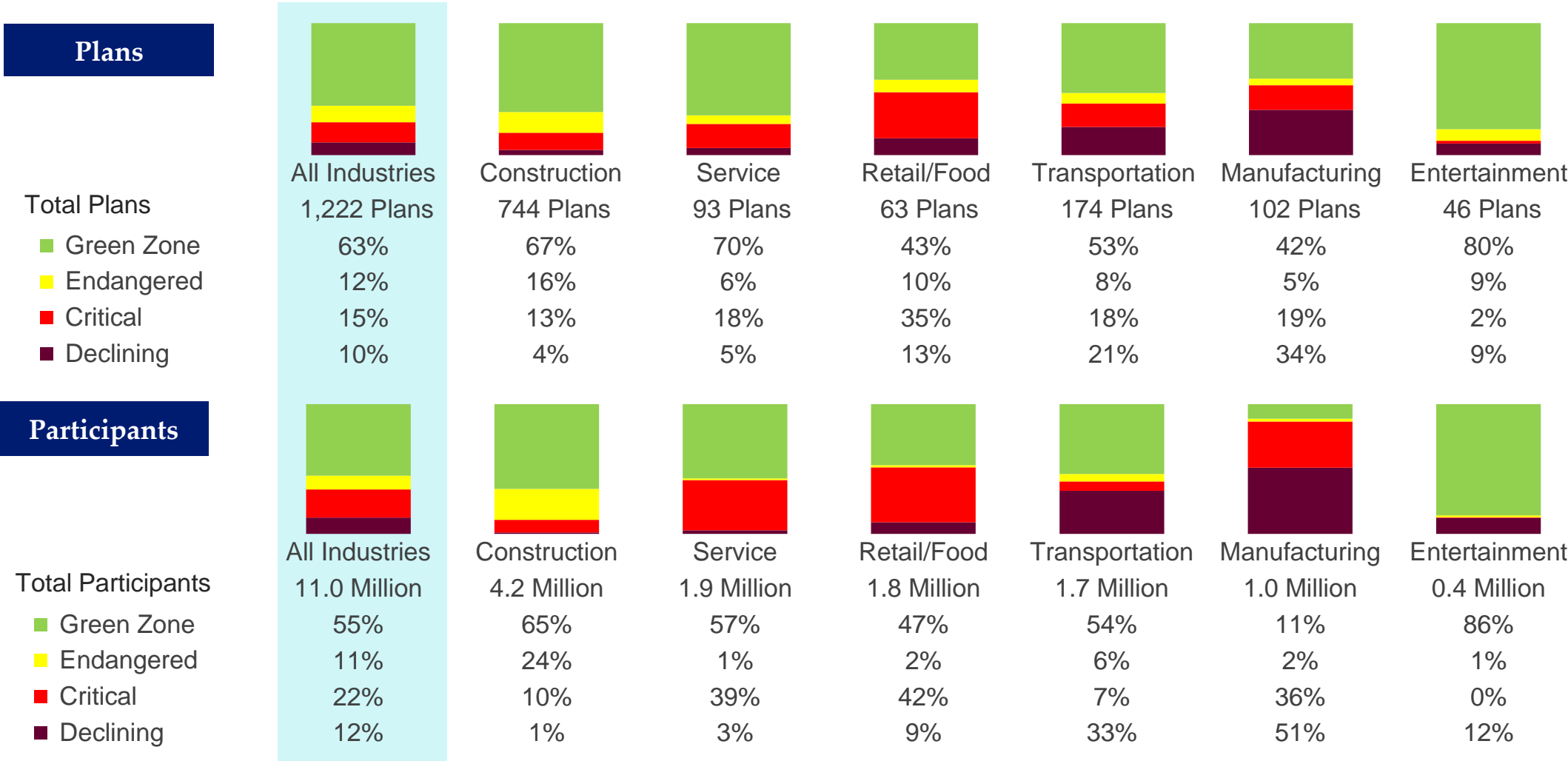


Plan Count: 1,222 | Total Participants: 11.0 Million

Source: Segal analysis of Form 5500 data for plan years ending in 2018

Zone status for plan years ending in 2019; percentages may not add, due to rounding

Multiemployer Universe by Industry



Source: Segal analysis of Form 5500 data for plan years ending in 2018
Zone status for plan years ending in 2019; percentages may not add, due to rounding

The Hard Road Already Traveled

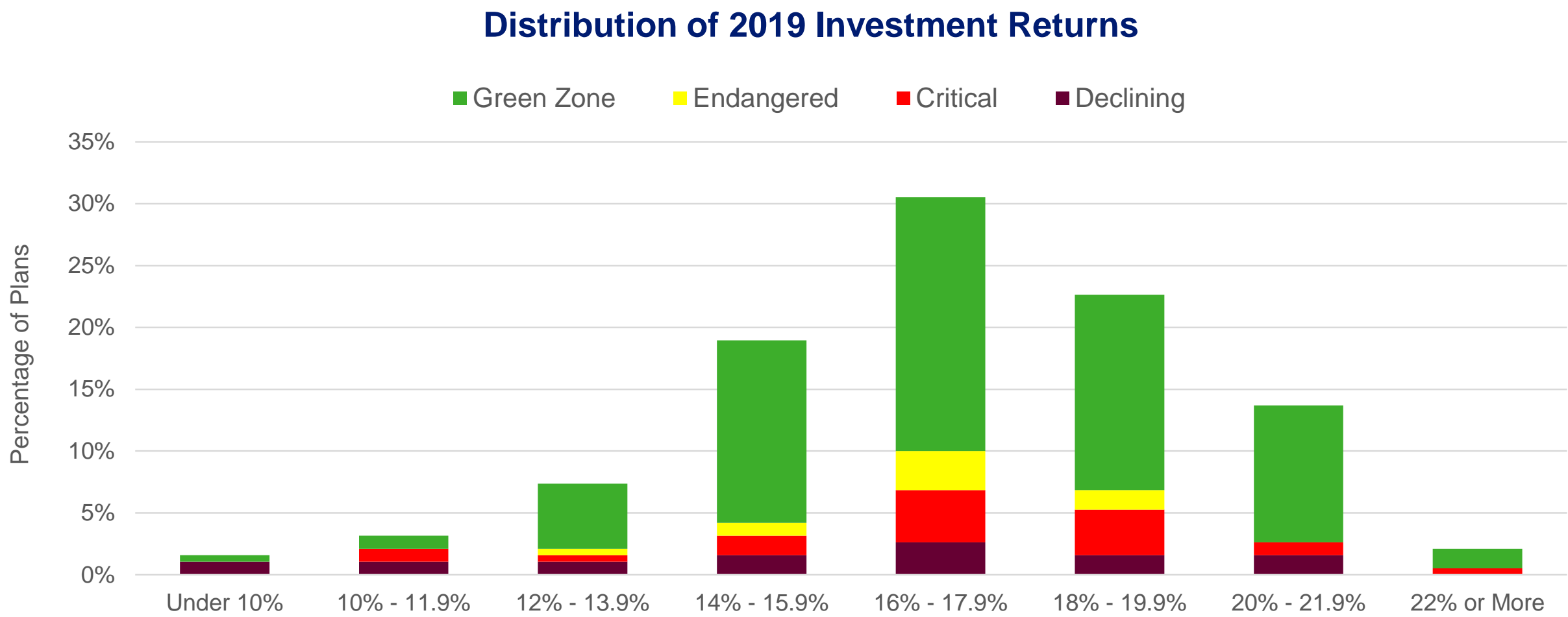
Median Results for Multiemployer Pension Plans

Zone Status for 2019	Plan Count	<i>Funded Percentage</i>		<i>Maturity Ratio</i>		Contribution Rates 2008 to 2018
		2007	2018	2007	2018	
All Plans	1,222	88%	84%	1.1	1.6	x 1.8
Green Zone	766	92%	92%	1.0	1.4	x 1.7
Endangered	152	78%	72%	1.2	1.6	x 2.1
Critical	186	86%	67%	1.4	2.3	x 2.1
Declining	118	83%	45%	2.6	7.3	x 1.9

Source: Segal analysis of Form 5500 data for plan years ending in 2018
 Zone status does not take into account changes after January 1, 2019
 Funded percentages and maturity ratios are as of the end of the plan year

*Note: Analysis does not
show declines in future
benefit accrual rates.*

2019 Investment Returns

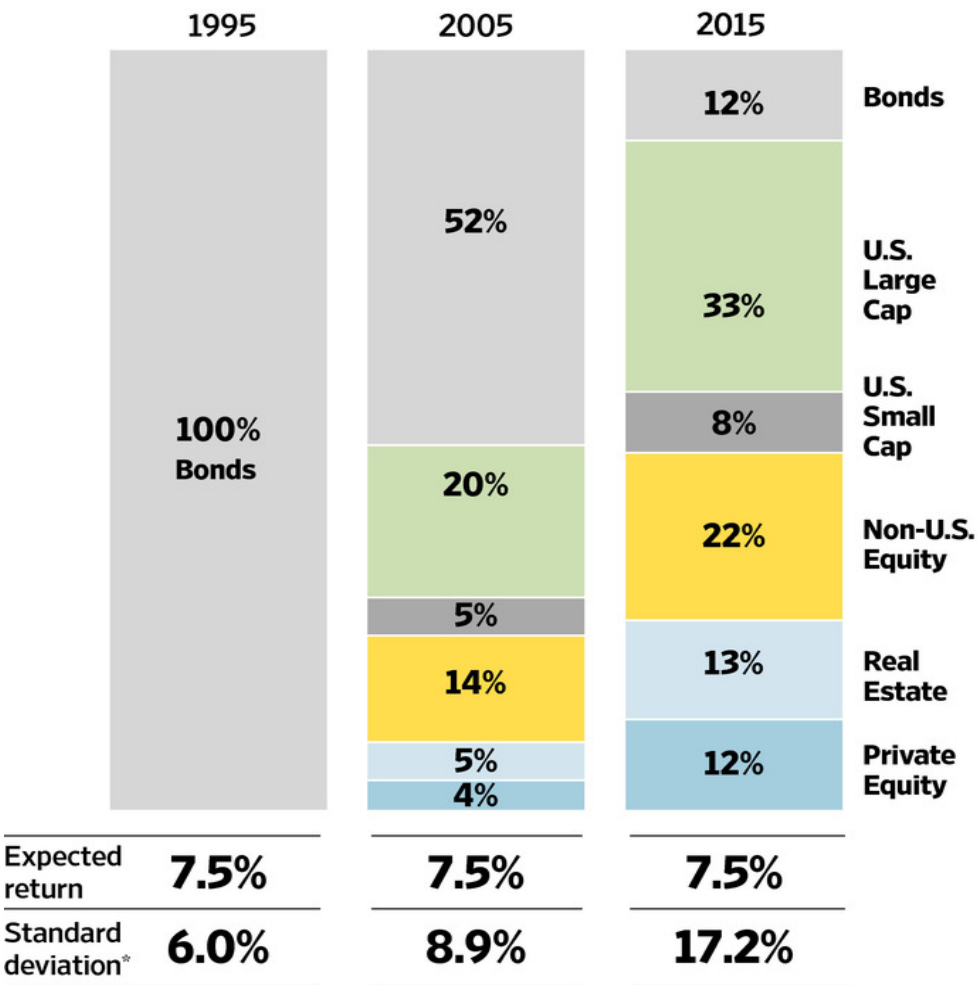


Source: Segal analysis of 190 client plans with calendar plan years

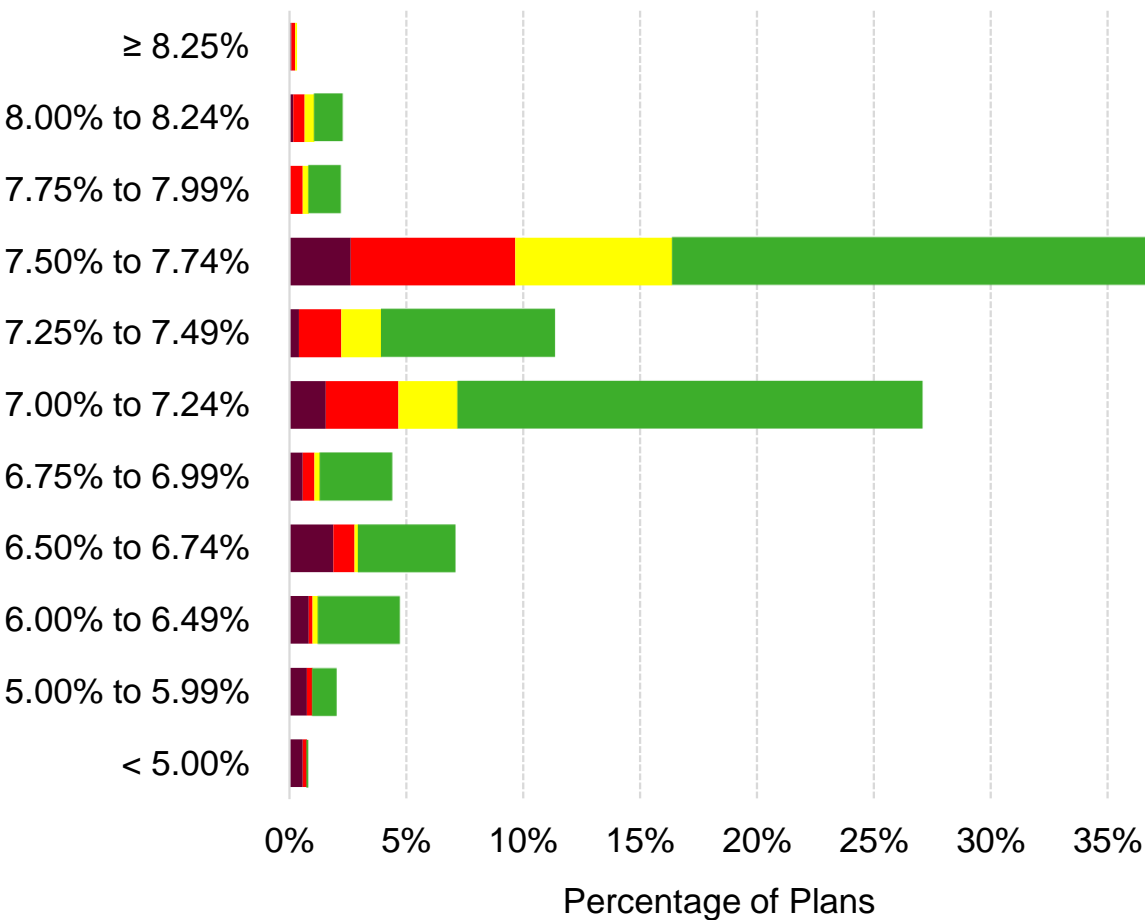
Investment Return Expectations

Pre-COVID Return Expectations

Estimates of what investors needed to earn 7.5%



Distribution of Interest Rate Assumptions: 2018



Source: Segal analysis of Form 5500 data for plan years ending in 2018
Zone status for plan years ending in 2019

*Likely amount by which returns could vary
Source: Callan Associates

Declining Return Expectations

Horizon Survey Averages: Probabilities of Meeting 7.0% Benchmark Return

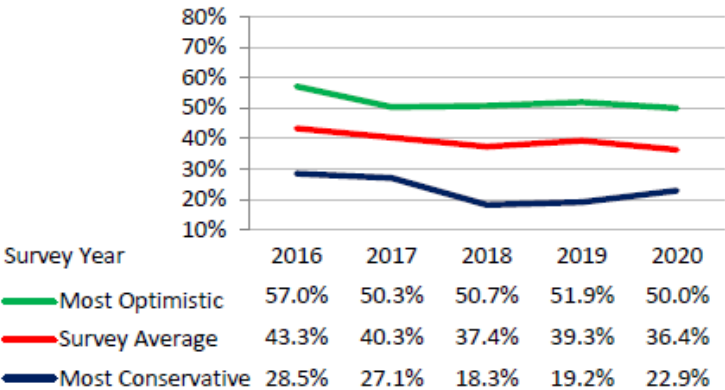
Survey Year	2014	2015	2016	2017	2018	2019	2020
10-Year Horizon	46.3%	43.4%	43.3%	40.3%	37.4%	39.9%	36.4%
20-Year Horizon	58.3%	53.9%	57.0%	54.6%	52.0%	50.1%	44.5%

Source: Survey of Capital Market Assumptions by Horizon Actuarial Services, LLC: 2018 and 2020 Editions

Exhibits from 2020 Horizon Survey

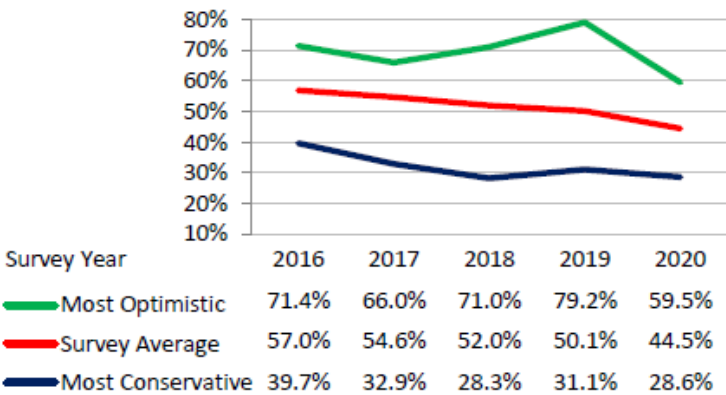
Probability of Meeting 7.00% Benchmark
Hypothetical Multiemployer Pension Fund

10-Year Horizon



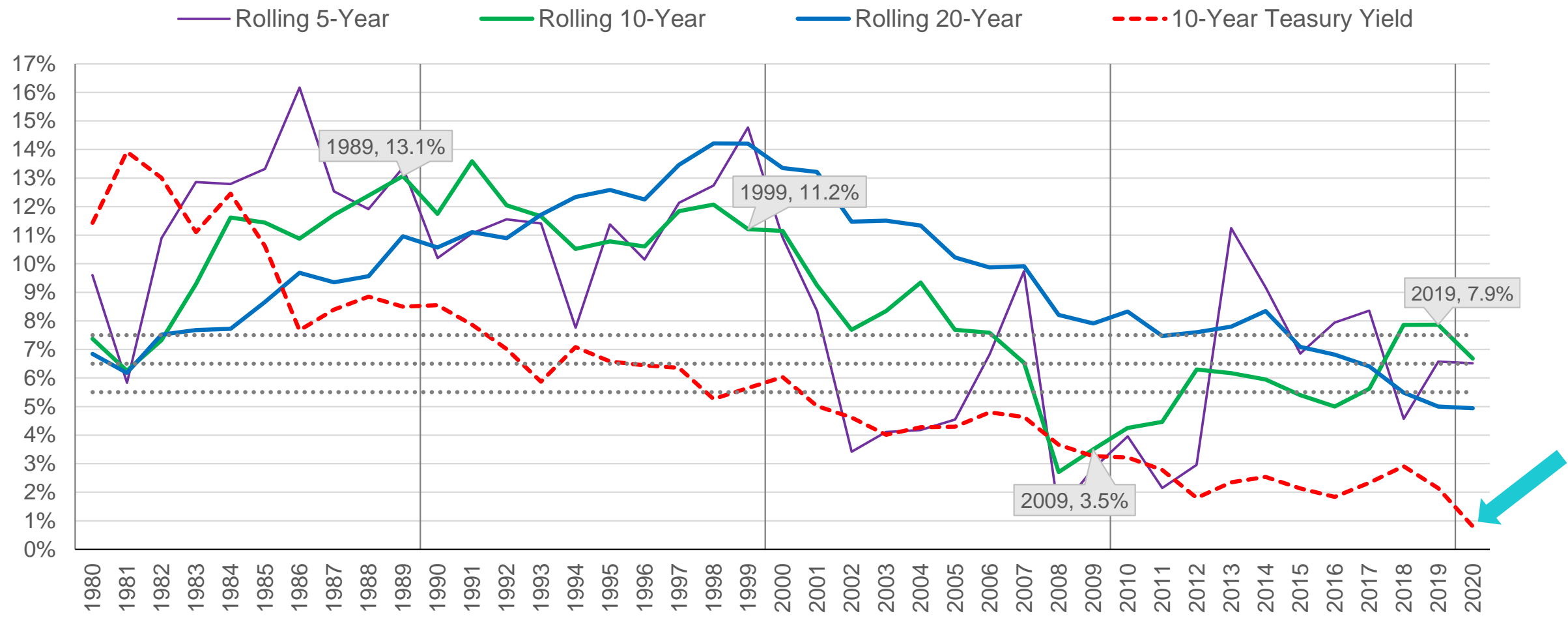
Probability of Meeting 7.00% Benchmark
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20-Year Horizon



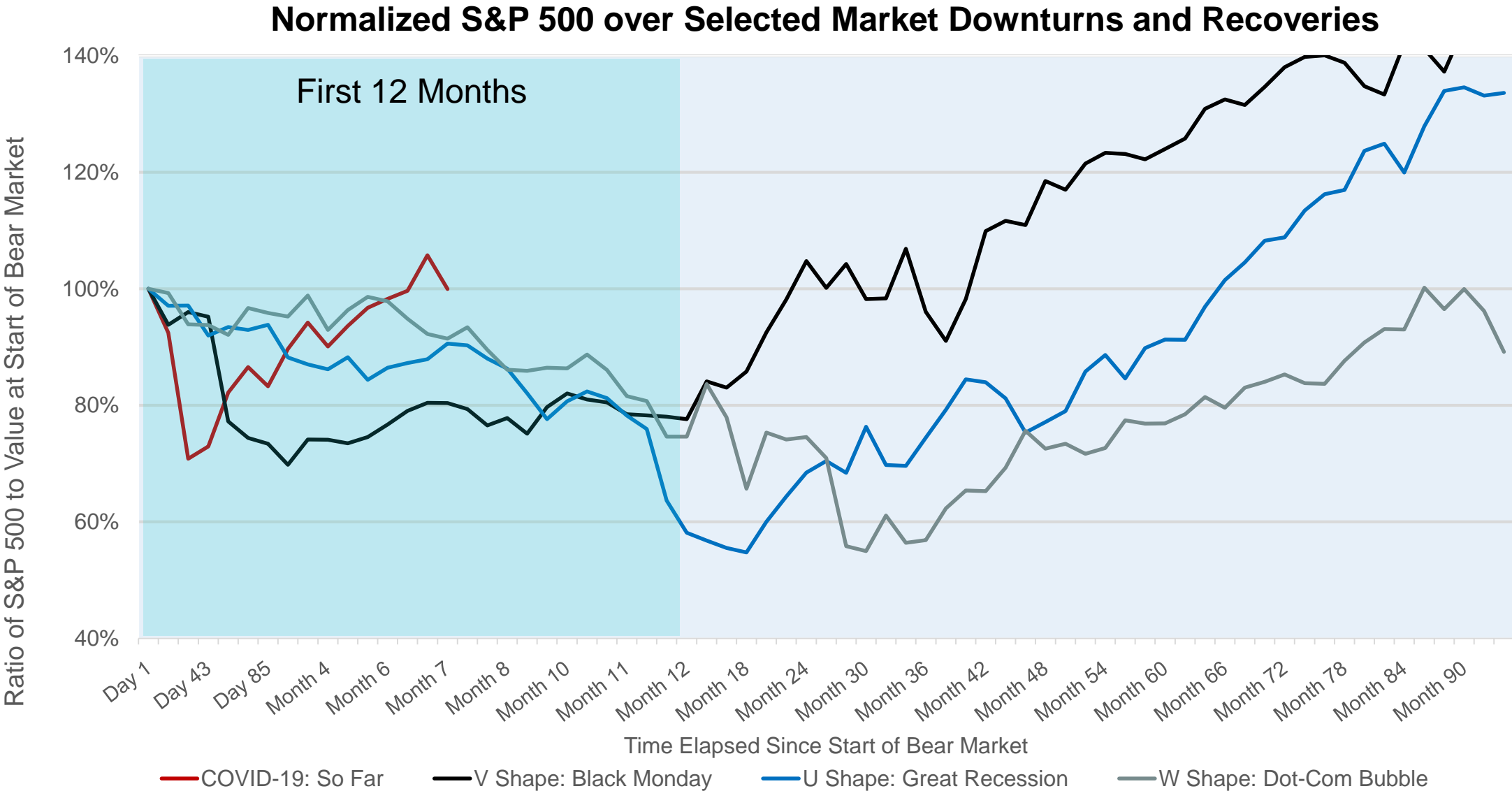
Historical Investment Returns

Average Investment Returns for Multiemployer Pension Plans



For 2020, chart assumes 0% investment return and 0.8% 10-year Treasury yield
Investment returns through 2019 are based on a Segal Marco Advisors study and Form 5500 data

What Will the Recovery Look Like?

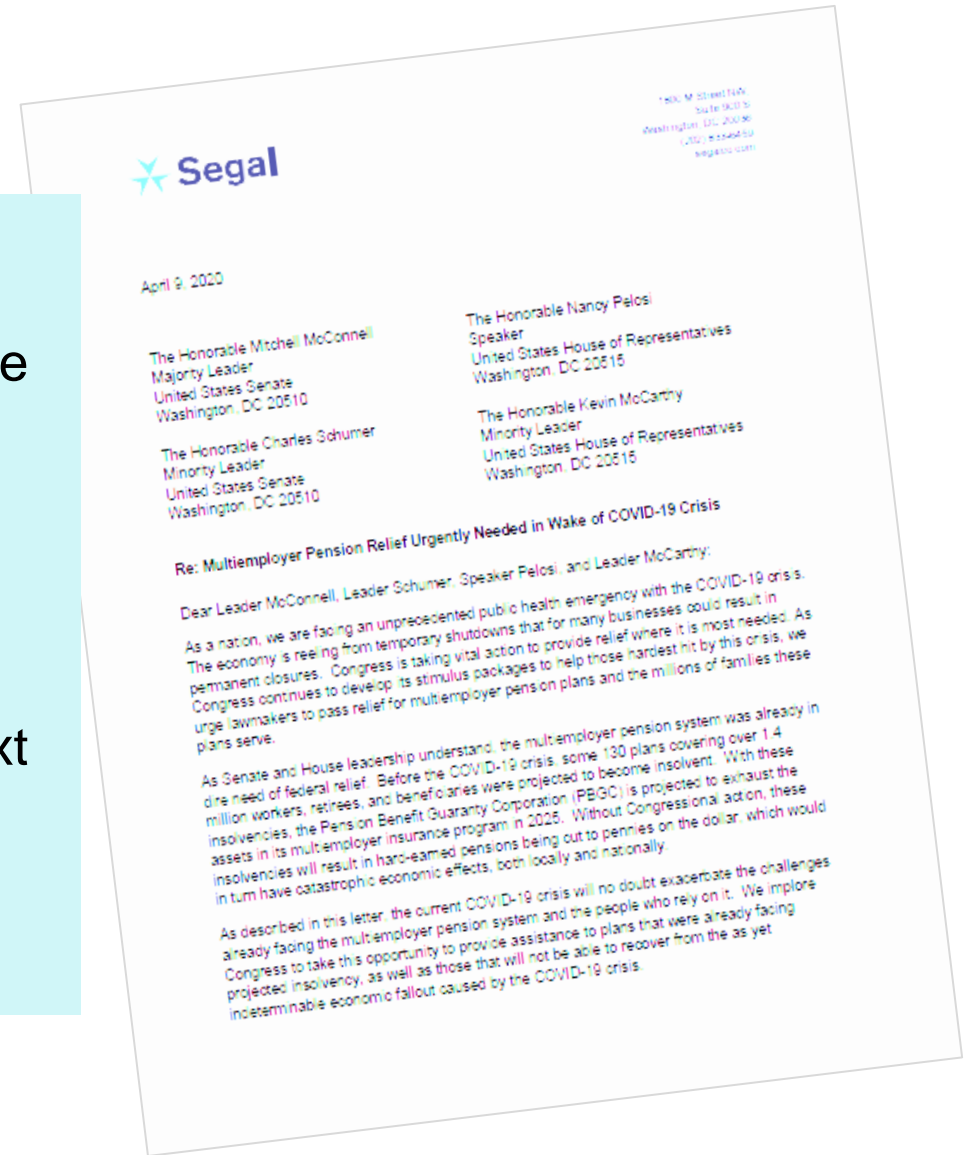


Assessing the Impact of the Pandemic

Impact on Multiemployer Solvency Crisis

Segal Letter to Congressional Leadership, April 9, 2020

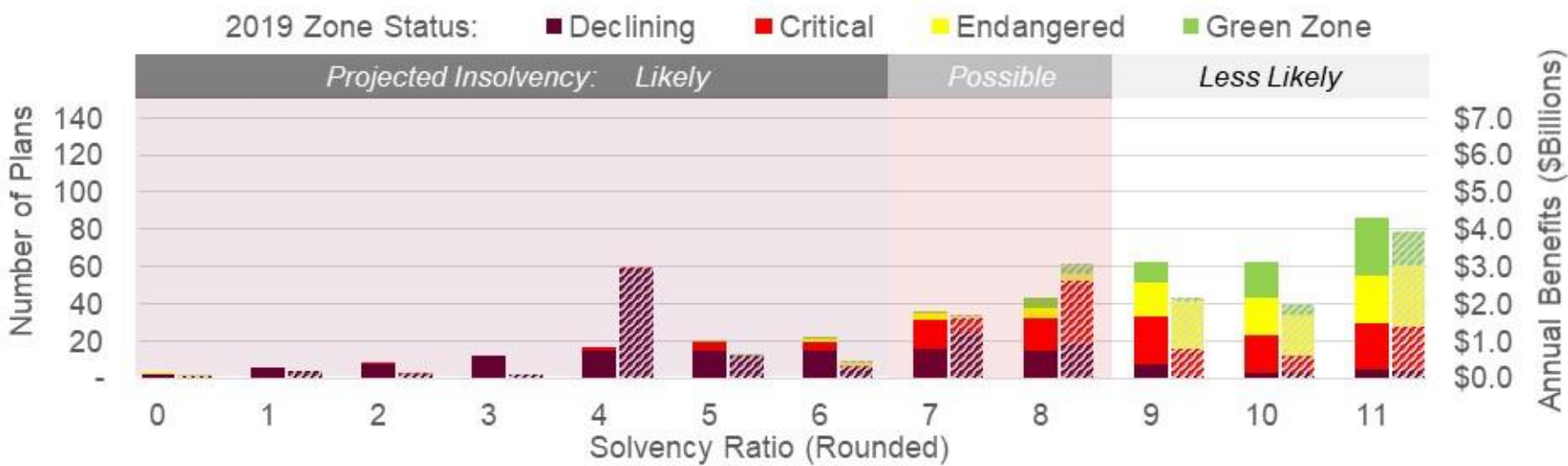
“Using publicly available information, we have modeled the potential impact of the COVID-19 crisis on the existing multiemployer solvency crisis. Our analysis considered both investment losses and reductions in contribution income. Depending on the severity and duration of the COVID-19 crisis, we estimate that as many as 180 additional plans could face projected insolvency in the next 20 years. That would bring the total number of plans in critical and declining status to over 300, covering over 2.5 million workers, retirees, and beneficiaries.”



Impact on Plan Solvency

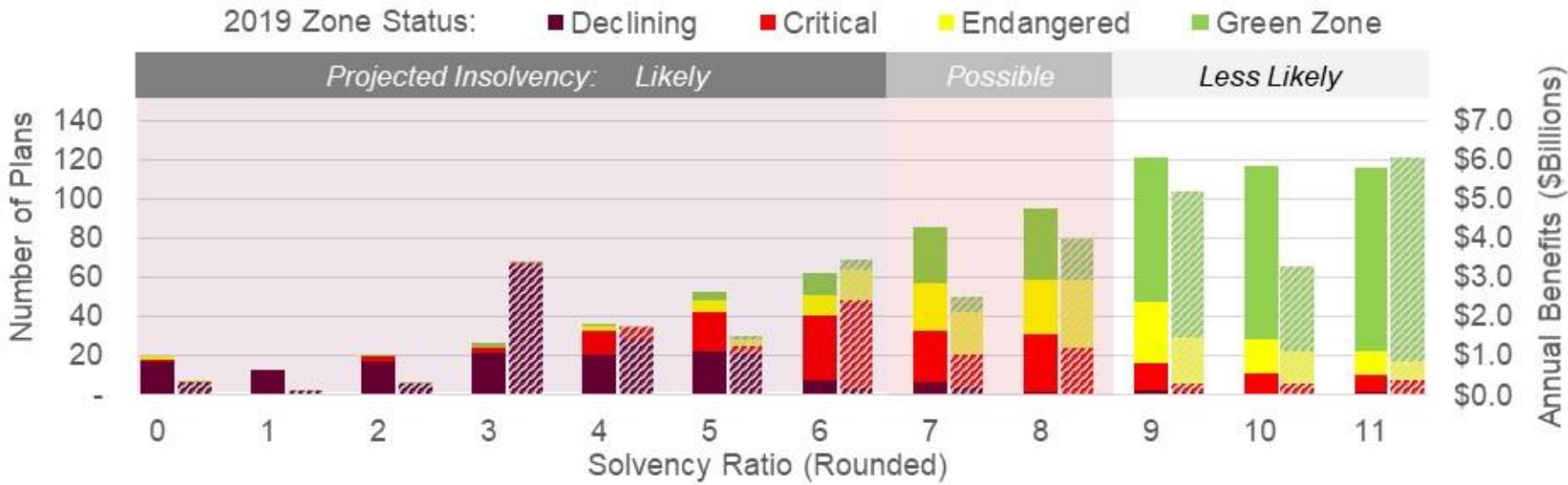
Baseline

Status at end of 2019, disregarding any investment losses or contribution declines related to COVID pandemic



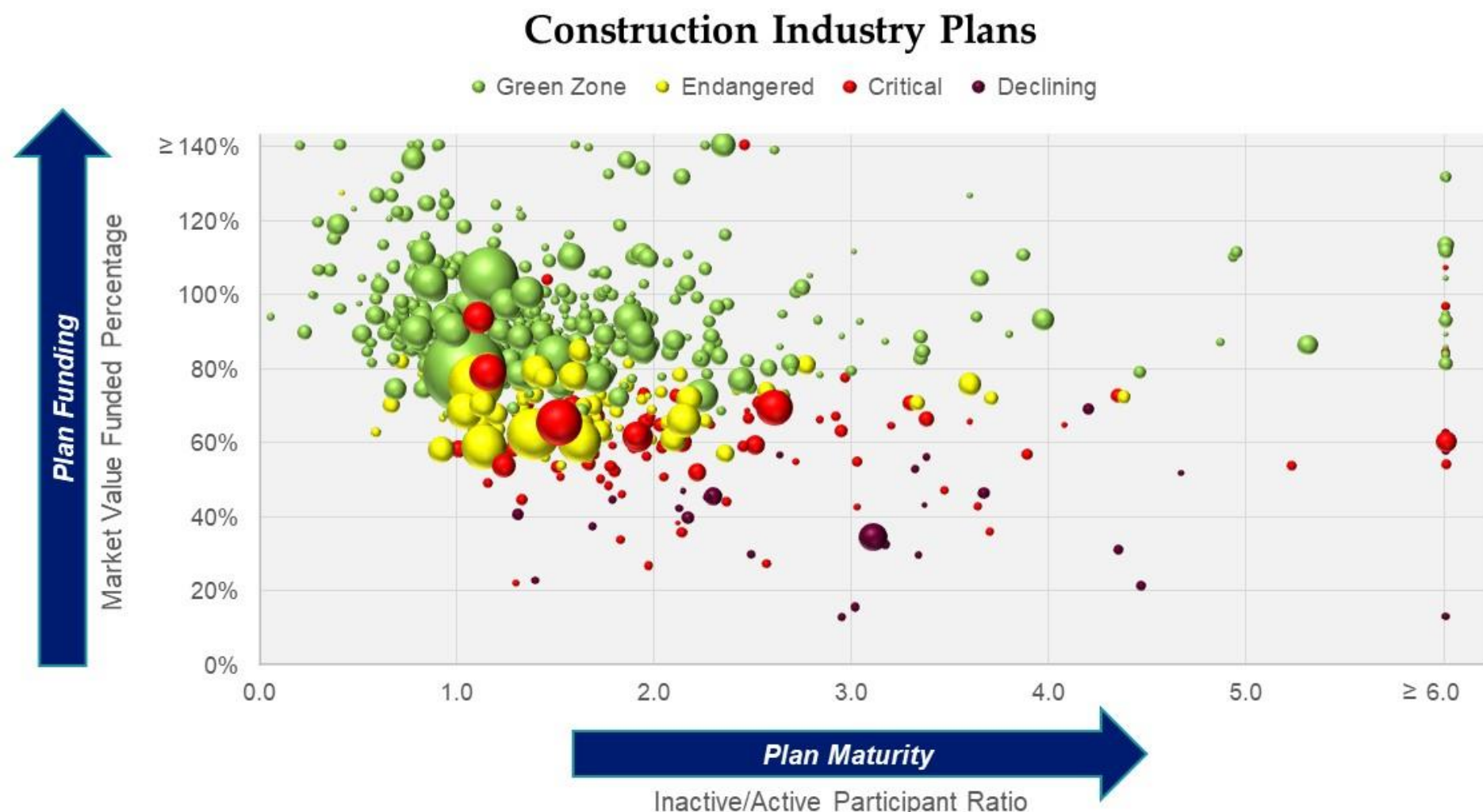
Sensitivity Test

Assume (for illustration) -20% investment return and 20% reduction in contribution base due to COVID pandemic



Solvency Ratio = Available Resources / Benefits
Plans with solvency ratios above 11 are not shown in the charts above

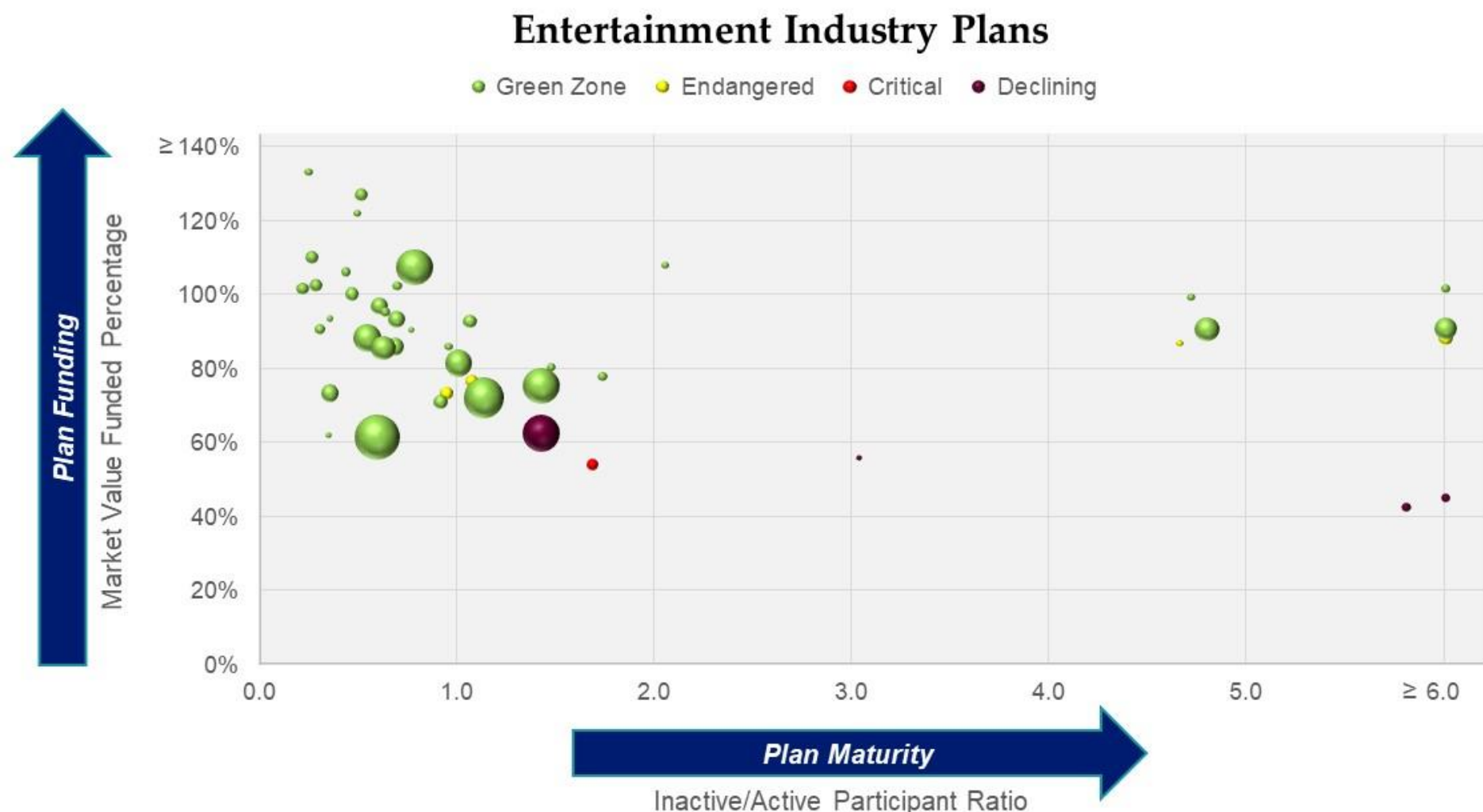
Impact on Construction Industry?



Plan Count: 744 | Total Participants: 4.2 Million

Source: Segal analysis of Form 5500 data for plan years ending in 2018
Zone status for plan years ending in 2019; percentages may not add, due to rounding

Impact on Entertainment Industry?



Impact on Service Industry?



Plan Count: 93 | Total Participants: 1.9 Million

Source: Segal analysis of Form 5500 data for plan years ending in 2018
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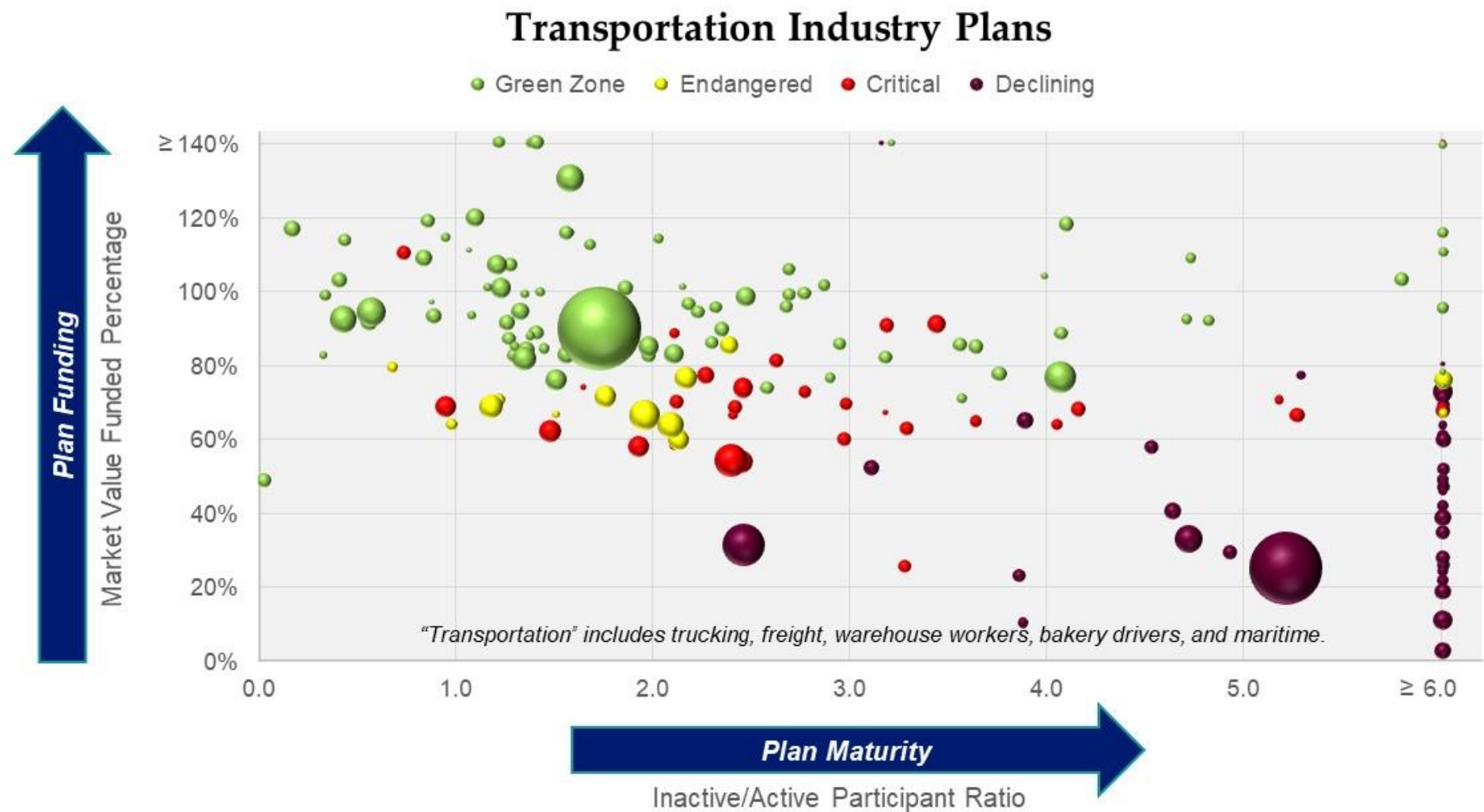
Impact on Retail/Food Industry?



Plan Count: 63 | Total Participants: 1.8 Million

Source: Segal analysis of Form 5500 data for plan years ending in 2018
Zone status for plan years ending in 2019; percentages may not add, due to rounding

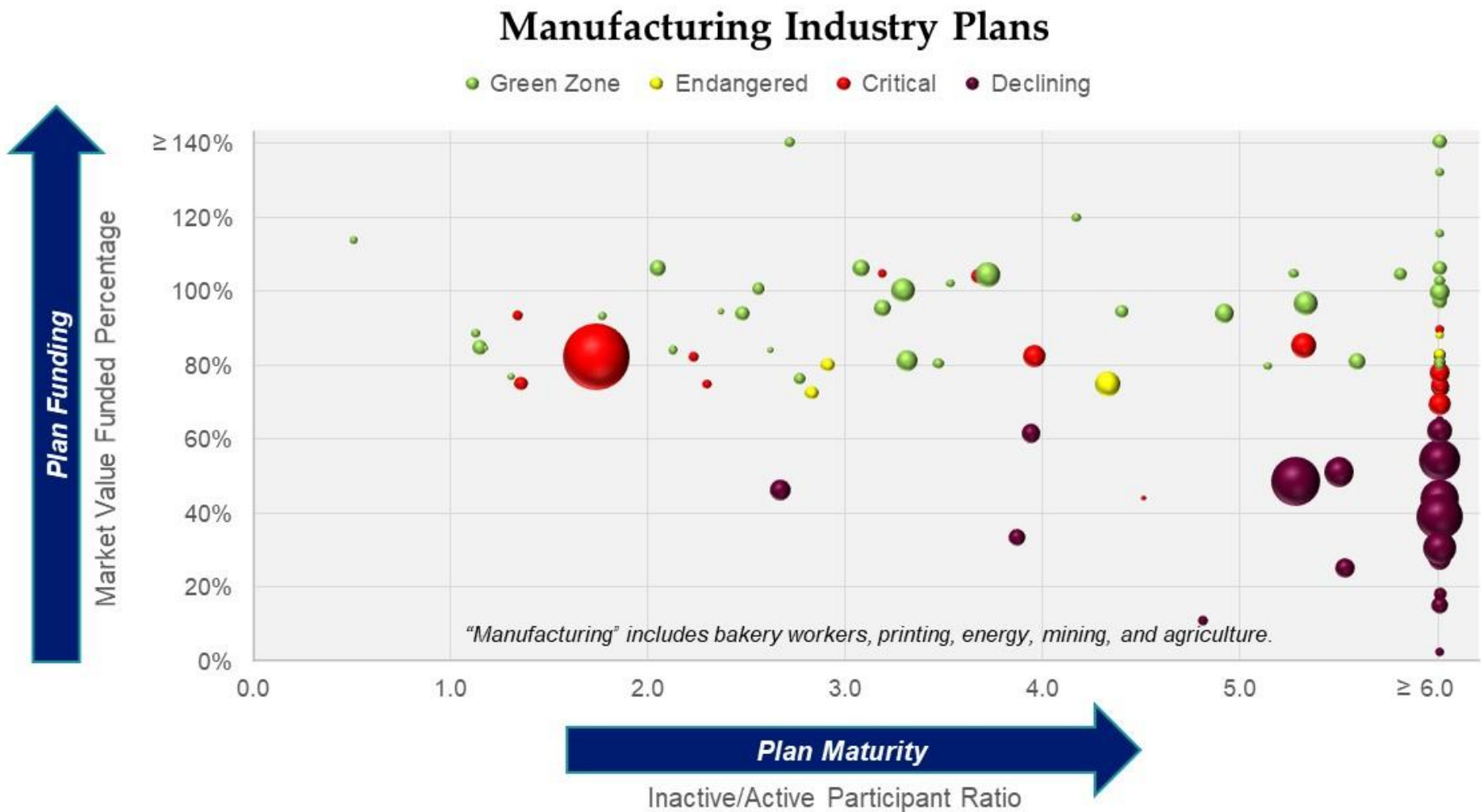
Impact on Transportation Industry?



Plan Count: 174 | Total Participants: 1.7 Million

Source: Segal analysis of Form 5500 data for plan years ending in 2018
Zone status for plan years ending in 2019; percentages may not add, due to rounding

Impact on Manufacturing Industry?



Plan Count: 102 | Total Participants: 986,000

Source: Segal analysis of Form 5500 data for plan years ending in 2018
Zone status for plan years ending in 2019; percentages may not add, due to rounding

Continued Discussion