Segal Consulting

Currents News at a Glance for Multiemployer Retirement Plans

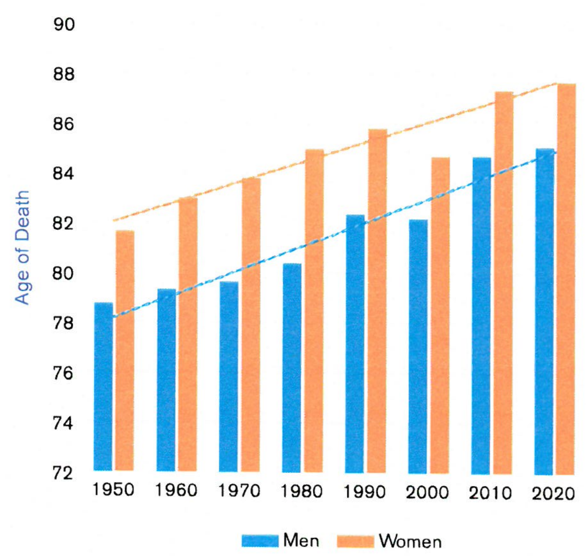
Second Quarter 2017

Click on the blue text to learn more.

Key Statistics

Longevity Risk | Average life expectancy at retirement age has been steadily increasing for decades and is expected to continue rising, as shown in the chart below.

Life Expectancy at Retirement Age 65



For retirement plans, this trend can lead to a greater risk of retirees living longer than projected. In multiemployer defined benefit (DB) plans, this *longevity risk* may result in increased costs. In defined contribution (DC) plans, it may heighten the possibility for participants of outliving some or all of their retirement savings.

Longevity risk is one of many types of risk multiemployer trustees should be familiar with. Knowing your plan's risk exposure is the first step in the process of managing it.

Source: Segal projections based on common mortality tables applicable to the valuation of pension plans during each decade.

Investment Spotlight

Shareholder Advocacy | For trustees, voting proxies and advocating for strong corporate governance at public companies can help to ensure that management acts in the best interests of plan participants. The year 2016 saw coalitions of benefit plans, investment managers and other shareholders push for corporate governance and policy changes on a range of issues. Among them:

- Investors have been making a big push on **proxy access**, the ability of shareholders to nominate candidates to a company board alongside management's candidates.
- **Environmental and social issues** have gone mainstream as traditional investors embrace these factors in their investment and proxy voting decisions.
- Investors are also raising questions about **share repurchases** in response to a surge among leading companies in buying back their stock instead of reinvesting excess cash into the company.

Compliance News

First MPRA Benefit Suspension Approved: What's Next for Other Plans? | A Cleveland-based pension fund has become the first multiemployer DB plan authorized to reduce, or "suspend," benefits under the Multiemployer Pension Reform Act (MPRA). This development, although difficult for those directly affected, is hopeful news for other plans in "critical and declining" status. For these plans, benefit suspension may be preferable to insolvency and the even smaller benefits that would result for current and future retirees. It is important to remember that other options may also be available for financially troubled plans, including:

- The strategic **merger of two or more plans** can result in improved solvency status for the combined plan.
- The strategic **transfer of assets and liabilities** to one or more plans can improve the solvency for all involved plans.
- To avoid insolvency, a plan may shed liabilities to a Pension Benefit Guaranty Corporation-backed successor plan through what is known as **partition**, but only in conjunction with a benefit suspension.

Selected Strategies for Managing Multiemployer Retirement Plans

Top Five To-Do's for DC Plan Sponsors | For DC plan trustees, 2017 could be relatively quiet — the calm before the storm of new laws and guidance likely to be produced once the new administration's priorities are set and staff is in place to get to work. This lull gives trustees a chance to focus on issues that may need attention now. Segal recommends the following five priorities:

1. **Protect plan data**. Contractual arrangements requiring service providers to protect any sensitive plan data they handle are essential. Sponsors should also consider cyber liability insurance for protection in the aftermath of a data breach.
2. **Control fees**. Continuing "excessive fee" litigation against DC plan sponsors makes it vitally important to have a system in place for regularly assessing the reasonableness of fees — through benchmarking, periodic RFPs and other methods.
3. **Help participants maximize benefits**. Sponsors of participant-directed plans need to monitor the investment offerings to ensure participants are not faced with too many or too few options or with choices that simply do not fit their needs.
4. **Find "lost" participants.** Federal regulators have made it an enforcement priority to ensure plan sponsors are tracking down "lost" participants — those who are eligible for benefits but have not yet claimed them.
5. **Monitor uncashed checks.** Plan sponsors should be sure to monitor the amount and treatment of uncashed checks.

To discuss the implications of these strategies for your plan, contact your Segal consultant or ask an expert to call you.

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