2000 SURVEY OF THE FUNDED POSITION OF MULTIEMPLOYER PLANS

THE SEGAL COMPANY

April 2001

TABLE OF CONTENTS

INTRODUCTION

Interest in the funded position of multiemployer plans stems from the Multiemployer Pension Plan Amendments Act of 1980. Today, trustees of multiemployer pension plans, contributing employers and plan participants who are mindful of the fact that the baby boom generation (those born between 1946 and 1964, inclusive) will become eligible for retirement throughout the next 20 years, are very interested in the extent to which funding will enable plans to meet their rapidly emerging pension payout obligations. From both of these perspectives, the results of the *Survey of the Funded Position of Multiemployer Plans* described in this report are quite encouraging.

The Segal Company conducted the first *Survey of the Funded Position of Multiemployer Plans* in 1983. The 2000 *Survey of the Funded Position of Multiemployer Plans* includes 462 multiemployer plans with combined assets of almost $130 billion and combined coverage of 3.5 million participants. This is approximately 40 percent of all participants in multiemployer plans.

Individual plans included in the survey range from those with less than $5 million in assets covering fewer than 500 participants to plans with over $4 billion in assets covering more than 100,000 participants. The plans in the survey span all geographic areas in the United States and cover a wide range of industries, including construction, transportation, manufacturing, services, retail trade and food, and entertainment. The youngest plan surveyed has been in existence for one year and the oldest plan has operated for more than 50 years.

The survey methodology, including information about which plan years the survey data reflects, is described in the appendix on page 12.

HIGHLIGHTS

The 2000 *Survey of the Funded Position of Multiemployer Plans* found that multiemployer defined benefit pension plans continue to be very well funded. Survey highlights include the following:

- *The average funded ratio — the ratio of assets to vested benefits, as calculated by the actuary for the purpose of withdrawal liability — for the surveyed plans was very high.* The average funded ratio was 97 percent. This is the same high average as in the 1999 survey and it is one percentage point higher than the 1996-1998 surveys. (The chart on page 2 summarizes key findings from the last five surveys.)

- *Even the relatively few plans with lower funded ratios are well funded.* Only 5 percent of the plans surveyed in 2000 had funded ratios below 80 percent.

- *Plans in all industries had high average funded ratios and plans in one industry are almost fully funded.* The average funded ratios for industry groups were 91 percent or higher. The retail trade and food industry had the highest average funded ratio: 99.7 percent.

- *On average, funded ratios were strong, regardless of plan size, as measured by the number of participants.* Although plans with at least 100,000 participants had a very high average funded ratio — 99 percent — even quite small plans, those with fewer than 500 participants, had a high average funded ratio: 96 percent.

- *Although average funded ratios were high for all plans, regardless of asset size, the plans with the most assets had the highest average funded ratios.* All 10 plans with at least $2 billion in assets were fully funded.

(Highlights continue on the next page)

HIGHLIGHTS (CONT.)

- *A growing majority of surveyed plans were fully (i.e., 100 percent) funded for their vested benefits.* The 2000 survey found that 79 percent of the surveyed plans were fully funded — up from 77 percent in the previous survey, 75 percent four years earlier and 65 percent in the first survey year (1983).

- *The level of funding for vested benefits was also high for plans that were not yet fully funded.* Of the 98 plans in the 2000 survey that were *not* fully funded (21 percent of all surveyed plans), 74 plans were at least 80 percent funded for their vested benefits.

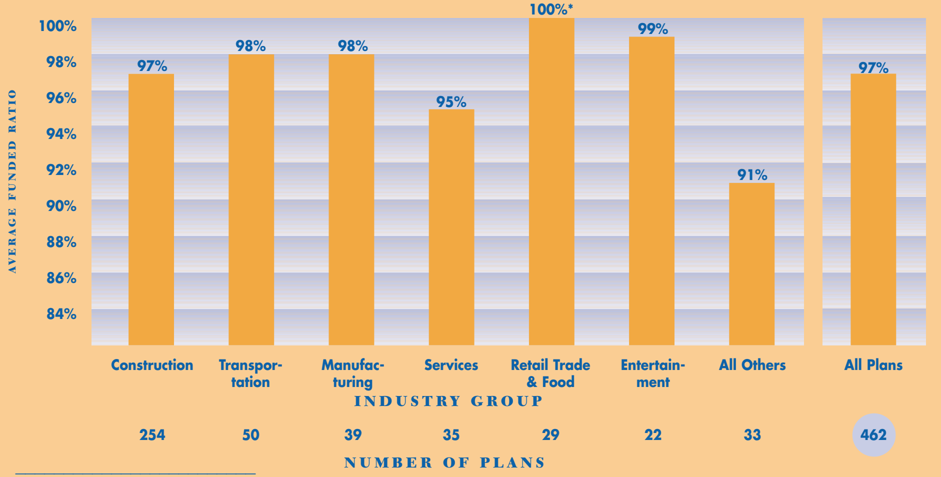
Key Findings:
1996-2000 Surveys and First Survey (1983)

		SURVEY YEAR					
		2000	1999	1998	1997	1996	1983
Number of Plans		462	477	476	466	473	458
Average Funded Ratio		97%	97%	96%	96%	96%	90%
Plans Fully Funded for Vested Benefits	Number	364	365	350	329	343	298
	Percent of Total	79%	77%	74%	71%	73%	65%

FUNDED RATIOS BY INDUSTRY

Plans in all industries had high average funded ratios. Funded ratios were studied separately for the following industry groups: construction, transportation, manufacturing, services, retail trade and food, entertainment and all others. As in previous surveys, plans in the entertainment and the retail trade and food industries had the highest funded ratios and plans in the "all others" group had the lowest ratios.

Average Funded Ratios for Surveyed Plans by Industry Group

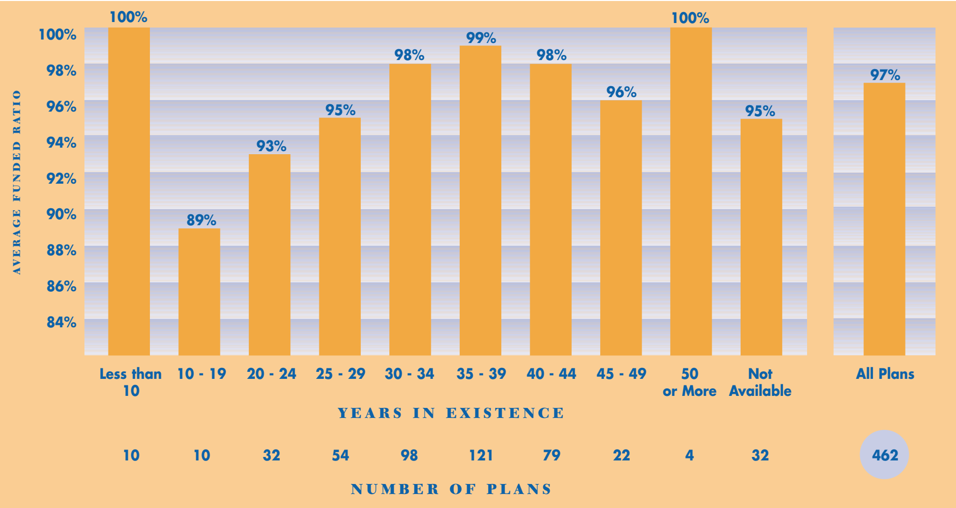


* This 100 percent average funded ratio reflects rounding. The actual average funded ratio for the retail trade and food industry was 99.7 percent.

FUNDED RATIOS BY YEARS IN EXISTENCE

Funded ratios were studied separately by the number of years since each plan began, where that information was available. The results indicate relatively little variation by plan age, although the highest average funded ratios are found among the newest plans, with a decline in the funded ratios for plans between 10-19 years old and a relatively steady increase for older plans. These results are illustrated in the following graph.

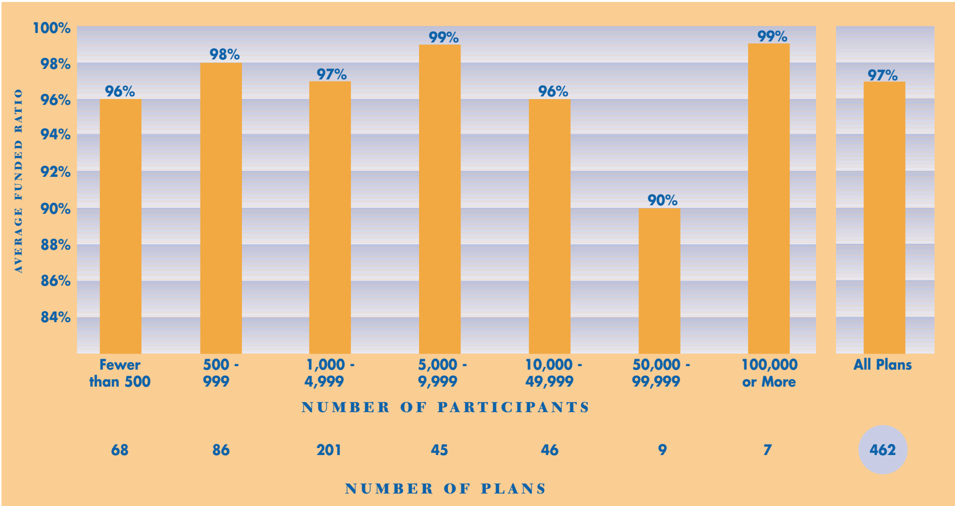
Average Funded Ratios for Surveyed Plans by Years in Existence



FUNDED RATIOS BY NUMBER OF PARTICIPANTS

Average funded ratios for the surveyed plans were high for plans of all sizes, as measured by the number of participants. As illustrated in the graph below, plans with at least 100,000 participants *and* plans with 5,000 to 9,999 participants had an average funded ratio of 99 percent. Plans with 50,000-99,999 participants had the lowest average funded ratio (90 percent).

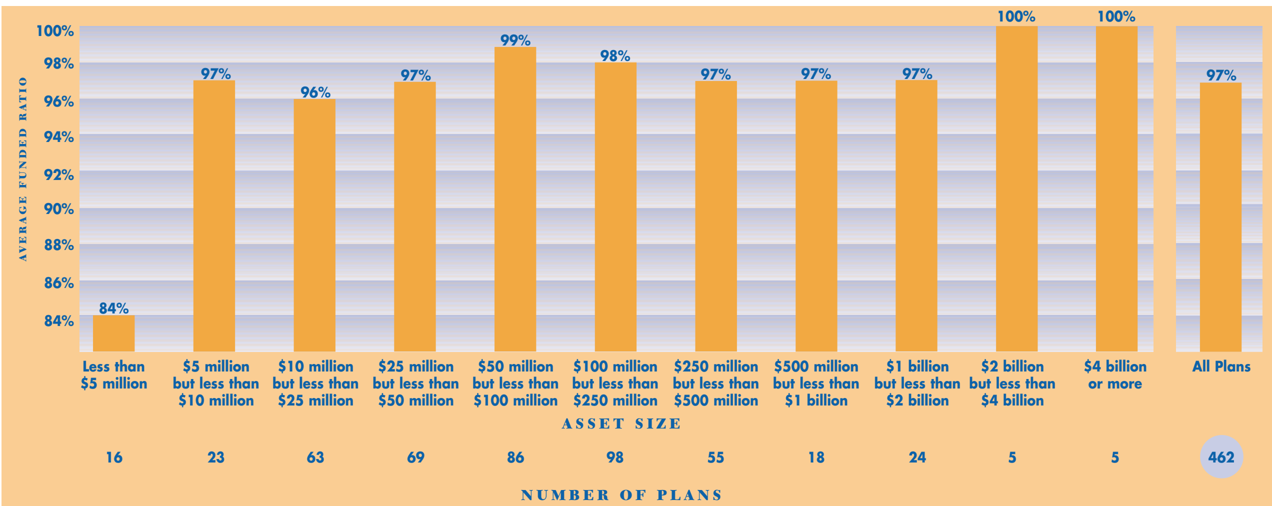
Average Funded Ratios for Surveyed Plans by Number of Participants



FUNDED RATIOS BY ASSET SIZE

The 2000 *Survey of the Funded Position of Multiemployer Plans* found that plans of all asset sizes had high average funded ratios. The range was 84 percent for plans with less than $5 million in assets to 100 percent for plans with at least $2 billion in assets.

Average Funded Ratios for Surveyed Plans by Asset Size



FUNDED RATIOS OVER TIME

The funded ratios have remained fairly consistent over the past five survey years. Improvements over time are easier to see when data from recent surveys is compared to data from the first survey, which was published in 1983. The chart below provides details.

In calculating the average funded ratios for the surveyed plans, The Segal Company excluded assets in excess of 100 percent of the vested benefits in order to avoid distorting the overall statistics. The 364 fully funded plans in the 2000 survey had an average funded ratio of 123 percent. This compares to an average funded ratio of 86 percent for plans that were not fully funded. (If assets in excess of 100 percent of vested benefits are included, on average, assets for *all* the surveyed plans would have exceeded the value of vested benefits by over 15 percent.)

A variety of factors can affect the relationship between a plan's vested obligations, or liabilities, and its assets. Liabilities are affected by the number and characteristics of participants covered by the plan, the plan's benefit provisions, the actuarial assumptions used to project mortality and investment return, the average age at retirement and any recent benefit improvements adopted. A plan's assets are affected by contribution levels, investment experience, benefit payouts, administrative costs and market conditions. Some of these factors are discussed on the following pages.

Funded Ratios for Surveyed Plans Over Time:
1996-2000 Surveys and First Survey (1983)

	SURVEY YEAR											
	2000		1999		1998		1997		1996		1983	
FUNDED RATIO	Number of Plans	Percent of Total	Number of Plans	Percent of Total	Number of Plans	Percent of Total	Number of Plans	Percent of Total	Number of Plans	Percent of Total	Number of Plans	Percent of Total
100% or more	364	79%	365	77%	350	74%	329	71%	343	73%	298	65%
90 - 99%	47	10%	59	12%	63	13%	77	17%	73	16%	38	8%
80 - 89%	27	6%	25	5%	34	7%	29	6%	26	6%	28	6%
70 - 79%	15	3%	16	3%	13	3%	16	3%	16	3%	25	5%
60 - 69%	4	1%	6	1%	9	2%	7	2%	7	1%	25	5%
50 - 59%	1	—	2	—	1	—	2	—	2	—	20	4%
Less than 50%	4	1%	4	1%	6	1%	6	1%	6	1%	24	5%
TOTAL	462		477		476		466		473		458	
Average Funded Ratio	97%		97%		96%		96%		96%		90%	

INTEREST RATE CHANGES

All other factors being equal, a decline in interest rates increases vested liabilities. Conversely, an increase in interest rates tends to decrease vested liabilities.

For most of the surveyed plans, the *funded* portion of the value of vested benefits was determined using adjusted interest rates based on rates prescribed by the Pension Benefit Guaranty Corporation (PBGC). From 1994 until the end of 1998, the PBGC-prescribed interest rates generally declined. At the end of 1999, however, the PBGC-prescribed interest rates increased significantly. For any unfunded portion of vested benefits — those not matched by assets — the interest rate used is the same as that used to determine the funding of the plan, an average of 7.4 percent in the 2000 survey.

This interest rate has remained relatively constant, on average, over the past six years. The table below shows a history of the PBGC interest rates, for a December 31 valuation date, and a history of the average funding interest rate. This table is only intended to illustrate the trend in interest rates between 1994 and 1999. It does not necessarily reflect the interest rates used by any of the surveyed plans to determine the value of vested benefits.

Of course, changes in a plan's funded ratio are attributable not only to changes in interest rates but also to changes in asset size, plan benefit improvements and plan demographics. Each of these factors is discussed on the following pages.

PBGC Valuation Interest Rates and Average Funding Interest Rates: 1994-1999

December 31 Valuation Date	PBGC VALUATION INTEREST RATES*			Average Funding Interest Rate****
	Select Rate**	Select Period***	Ultimate Rate	
1999	6.50%	20 Years	5.25%	7.4%
1998	5.40%	25 Years	5.25%	7.4%
1997	5.60%	25 Years	5.00%	7.3%
1996	6.00%	20 Years	4.75%	7.3%
1995	6.00%	20 Years	5.75%	7.3%
1994	7.50%	25 Years	5.25%	7.4%

* These rates can be found in PBGC Regulation Part 4044, Appendix B, Table 1.
** The select rate is the rate for the select period. Thereafter, the ultimate rate is used.
*** The PBGC determines the duration of the select period.
**** These are the average funding interest rates used by the plans in The Segal Company's annual *Survey of the Funded Position of Multiemployer Plans.*

Sources: PBGC and The Segal Company, 2000.

PLAN ASSETS

The assets of plans surveyed varied widely. Five of the surveyed plans had at least $4 billion in assets; 16 plans had less than $5 million in assets, but the greatest concentration of plans — 98 or 21 percent of the total — had assets in the $100-million-but-less-than-$250-million range. The table below shows the assets of the plans surveyed in 2000 by number of participants in the plan.

It is important to note that the assets included in the 2000 *Survey of the Funded Position of Multiemployer Plans* do *not* reflect declines in the equity market experienced in 2000. The impact of 2000 investment performance will not be seen until The Segal Company's 2001 funding survey.

(Plan Assets text continues on the next page)

Surveyed Plans by Number of Participants and Plan Assets

	PLAN ASSETS											
NUMBER OF PARTICIPANTS	Less than $5 million	$5 million but less than $10 million	$10 million but less than $25 million	$25 million but less than $50 million	$50 million but less than $100 million	$100 million but less than $250 million	$250 million but less than $500 million	$500 million but less than $1 billion	$1 billion but less than $2 billion	$2 billion but less than $4 billion	$4 billion or more	Total
Fewer than 500	11	14	28	15	0	0	0	0	0	0	0	68
500 - 999	4	7	18	30	24	3	0	0	0	0	0	86
1,000 - 4,999	1	2	15	22	59	73	27	2	0	0	0	201
5,000 - 9,999	0	0	2	1	2	17	17	5	1	0	0	45
10,000 - 49,999	0	0	0	1	1	3	11	11	16	3	0	46
50,000 - 99,999	0	0	0	0	0	2	0	0	6	0	1	9
100,000 and over	0	0	0	0	0	0	0	0	1	2	4	7
TOTAL	16	23	63	69	86	98	55	18	24	5	5	462

PLAN ASSETS (CONT.)

Over the past five survey years, the total combined market value of surveyed plans' assets, on average, has increased dramatically. In the 1996 survey, the 473 plans surveyed had assets totaling $78 billion. The 2000 survey included a total of 462 plans with combined assets of almost $130 billion.

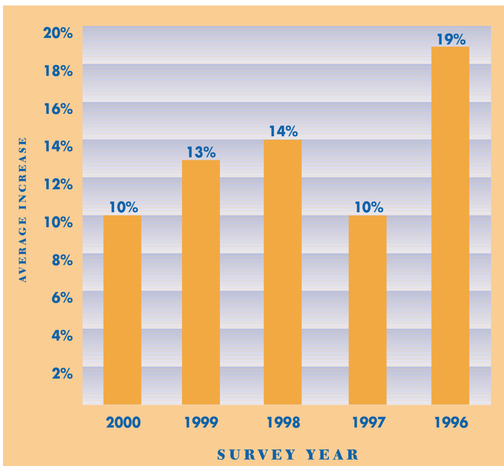
During that five-year period, the average rate of increase in plan assets fluctuated from a low of 10 percent to a high of 19 percent. This growth is illustrated in the graph below. The growth in assets contributed to the increase in the percentage of plans that are fully funded.

BENEFIT IMPROVEMENTS

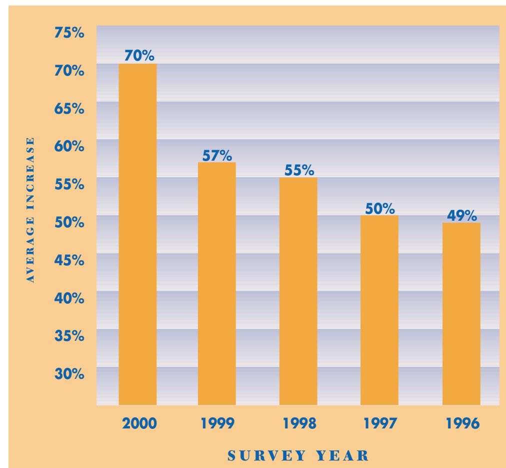
Of the 462 plans surveyed in 2000, 323 (70 percent) increased benefits in the latest plan year. This percentage represents a significant increase over the 1999 survey when 57 percent of the surveyed plans (271 plans out of 477) made benefit improvements.

In fact, the percentage of plans making benefit improvements has been increasing steadily over the last five survey years. See the chart below. This pattern may be the result of the dramatic growth in market rates of return, which were discussed on the previous page. Strong market growth has allowed plans to improve their benefits without adversely affecting their average funding ratios.

Average Increase in Assets by Survey Year: 1996-2000



Percentage of Plans that Made Benefit Improvements by Survey Year: 1996-2000

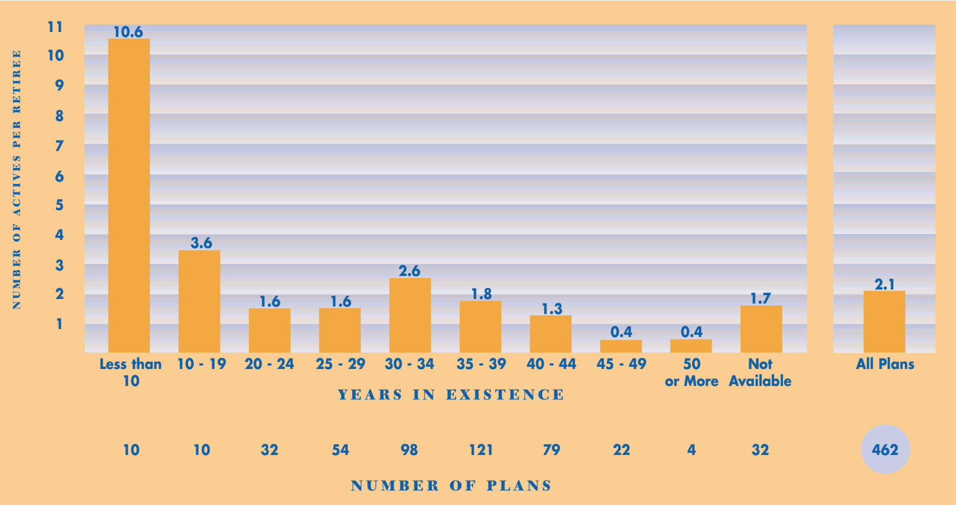


PLAN DEMOGRAPHICS

A pension plan's ratio of active participants (actives) to retirees grows when pension rolls increase faster than the active population. Older plans, which tend to have more retirees than do younger plans, generally have the lowest ratio of actives to retirees.

The Segal Company analyzed the active-to-retiree ratios for the surveyed plans by years in existence. As shown in the graph below, plans that were less than 10 years old had the most actives per retiree (10.6, on average), and plans that had been in existence for 45 or more years had the fewest actives per retiree (0.4, on average). On average, all surveyed plans had an active-to-retiree ratio of approximately 2:1.

Actives Per Retiree by Years in Existence



CONCLUSION

The Segal Company's 2000 *Survey of the Funded Position of Multiemployer Plans* demonstrates that multiemployer pension funds remain well funded. Average funded ratios for the plans surveyed in 2000 were strong across all industries and among plans of all participant sizes and all asset sizes. Average funded ratios remained strong even after benefit improvements were adopted. The survey also shows that the percentage of plans that are fully funded for their vested benefits has increased.

The 2000 *Survey of the Funded Position of Multiemployer Plans* does not include the effect of recent volatility in securities market returns. Equity market losses that occurred in 2000 will, to some extent, affect the average funded ratio of the surveyed plans. The combined effect of all changes will be examined in The Segal Company's next funding survey.

Pension rolls are expected to increase dramatically over the next 10 years as the oldest members of the baby boom generation retire. In anticipation of this development, The Segal Company recommends that trustees of multiemployer pension plans evaluate their plans' projected annual liquidity needs. These and other projections are among the tools that The Segal Company is using in its Aging of Aquarius initiative, an approach to consulting that incorporates analysis of national and plan-specific demographic trends and issues.

APPENDIX

Important information about the methodology for The Segal Company's *Survey of the Funded Position of Multiemployer Plans* follows:

- *Survey Data* Each *Survey of the Funded Position of Multiemployer Plans* uses the figures available from the plans' most recently completed actuarial valuation. This latest survey uses the figures available primarily from the plan years that ended in 1998 or 1999. In calculating the average funded ratios for the surveyed plans, The Segal Company excluded assets in excess of 100 percent of the vested benefits. This ensures that overfunded plans do not distort the overall statistics.

- *Actuarial Assumptions* The assumptions the actuary chooses, by law, must be the actuary's best estimate of anticipated future experience under the plan.

  The assumptions used by almost all the plans in the survey use The Segal Company method for calculating withdrawal liability. Withdrawal liability determined under this method is a weighted average between the present value of vested benefits on adjusted PBGC interest rates and the present value of vested benefits on the funding investment return assumption, where the weighting factor is assets at market. This approach essentially treats the withdrawal like a single employer plan termination for that portion of the assigned benefits that could be purchased by existing assets. Since the remaining benefits are funded by future contributions, the funding assumptions used to fund the ongoing pension plan are used for this portion of benefits. The distinction is assets on hand versus future assets. The PBGC rates were developed to deal with assets on hand.

  For a small number of plans (28 out of 462, or 6 percent) the ongoing funding assumptions are used as the basis for determining withdrawal liability. For these plans, assets are taken at their actuarial value.

ABOUT THE SEGAL COMPANY

The Segal Company serves as consultants and actuaries for employee benefit and compensation programs, in the U.S., Canada and abroad. The Segal Company provides a complete range of services for the design, implementation and operation of defined benefit and defined contribution programs; health insurance plans; life, survivors' income and disability insurance plans; wage and salary administration; and health care cost management.

Founded in 1939 by Martin E. Segal, the company has thousands of clients whose benefit plans cover millions of employees and dependents. Clients include joint boards of trustees administering pension and health and welfare plans under the Taft-Hartley Act, state and local governments, non-profit organizations, corporations and professional service firms. The Segal Company has compiled the *Survey of the Funded Position of Multiemployer Plans* for almost 20 years.

A list of The Segal Company's offices appears on the back cover of this report.

THE SEGAL COMPANY

ATLANTA
(678) 306-3100

BOSTON
(617) 424-7300

CHICAGO
(312) 984-8500

CLEVELAND
(216) 687-4400

DENVER
(303) 714-9900

HARTFORD
(860) 678-3000

HOUSTON
(713) 664-4654

LOS ANGELES
(818) 956-6700

MINNEAPOLIS
(952) 857-2480

NEW ORLEANS
(504) 483-0744

NEW YORK
(212) 251-5000

PHILADELPHIA
(215) 854-4017

PHOENIX
(602) 381-4000

SAN FRANCISCO
(415) 263-8200

SEATTLE
(206) 382-0250

TORONTO
(416) 961-3264

WASHINGTON, DC
(202) 833-6400

www.segalco.com