The average multiemployer defined contribution (DC) plan account balance increased significantly from 2002 to 2016, growing to $38,900, while aggregate disbursements also grew, according to a new International Foundation report.

The increase in disbursements—coupled with a lack of growth in the number of active participants having contributions made on their behalf—is likely driven by maturing plan populations, as an increasing number of participants cashed in their accounts upon retirement or termination. In addition, investment returns over this period were volatile and included the biggest collapse in the financial markets since the Great Depression.

These are among the findings in The Multiemployer Retirement Plan Landscape: A 15-Year Look (2002-2016), based on Form 5500 Annual Reports filed by 1,067 DC multiemployer plans with the U.S. Department of Labor. The report tracks DC plan trends over a 15-year time horizon.

Plans in the Study

The total number of multiemployer DC plans decreased from 1,073 for the 2002 plan year to 1,067 for the 2016 plan year, with some fluctuations year by year. Factors such as the establishment of new plans, mergers and plan terminations contributed to changes in the overall counts over the 15-year period. Of the plans in this study, 76.4% are in the construction industry, followed by transportation (6.7%), entertainment (4.3%), manufacturing (3.9%), retail and wholesale (3.2%), and service industries (2.0%). Geographically, 42.1% of the plans are located either in the Northeast or mid-Atlantic regions, 30.2% are in the Midwest, 17.5% are in the West, and 10.2% are in the South.

Examined DC plans are divided into three broad types. More than one in three (37.4%) indicated they are money purchase plans, which typically have fixed rather than variable contributions. These plans offer participants the option of converting their account balance to a qualified joint and survivor annuity at retirement, as opposed to offering only a lump-sum distribution or rollover into another account. About three in ten (29.2%) indicated they are profit-sharing plans, followed by 401(k) plans (26.2%). The remaining 7.1% include plans that did not specify a plan type or indicated they are target benefit plans, offset plans or 403(b) plans. An analysis determined that 81.9% of these plans are associated with a defined benefit (DB) plan, while 10.3% are standalone in nature.

The report also evaluated the asset levels of these plans. Focusing on larger plans, 4.9% have asset values of at least $500 million, while 2.2% have assets of $1 billion or more. Focusing on medium-sized and smaller plans, 23.0% have assets of at least $100 million but less than $500 million, 72.2% have assets of less than $100 million, and 56.6% have assets of less than $50 million. The combined market value of assets of the plans in the study is more than $145 billion, while the median asset value of these plans is $38 million.

Plans vary similarly by their participant counts. Focusing on larger plans first, 6.8% have at least 10,000 participants, 2.5% have more than 25,000 participants, and 0.8% have 50,000 participants or more. On the other end of the spectrum, 44.8% of plans have fewer than 1,000 participants, 27.2% have fewer than 500 participants, and 4.6% have fewer than 100 participants. The median number of plan participants is 1,217, and the average number of plan participants is 3,685.

In total, the 1,067 plans in the study have more than 3.9 million covered participants and beneficiaries. An analysis of employment status found that roughly 74% of reported participants are ac-
tively working. Changes in the number of active participants coincide somewhat with changing economic conditions—The total active count declined significantly from 2008 through 2009, but counts gradually increased beginning in 2010 and reached 2.88 million at the end of 2016.

Roughly one in four (26.2%) plans has fewer than 25 participating employers, while 50.3% have fewer than 50. More than three in ten plans (30.9%) have at least 100 participating employers, and 1.7% have at least 1,000. The median number of participating employers is 49.

Plan Cash Flows

Form 5500 figures captured both contributions made by employers and participants and disbursements (benefits paid to participants and their beneficiaries). Aggregate contributions have varied over the 15-year period. They increased from $4.77 billion in 2002 to $7.31 billion in 2008, decreased to $6.16 billion in 2010, and rebounded to $9.58 billion in 2016. A number of factors may have driven the fluctuations, including changes to wage packages stemming from the economic turmoil at the time.

Aggregate disbursements, on the other hand, increased steadily over the 15-year period, from $2.52 billion in 2002 to $7.56 billion in 2016. This trend is likely driven by maturing plan populations, with increasing numbers of participants taking their account balances upon retirement or termination. In general, net cash flows have shown modest improvement in more recent years. Total net cash flow changed from a positive net cash flow of $2.25 billion in 2002 to a slightly negative net cash flow in 2010. Since then, net cash flows have become more positive, reaching a positive net cash flow of $2.02 billion in 2016.

As of 2016, the median contribution per active participant is $3,154. One in seven (14.9%) plans has contributions per active participant of less than $1,000 for the latest plan year. Conversely, three in ten (29.5%) plans have contributions per active participant of at least $5,000, and 6.6% have contributions per active participant of $10,000 or more.

Plan Investments

The study also compiled year-by-year returns of the identified calendar year plans. The median returns were double-digit positive in five years: 13.9% in 2003, 16.9% in 2009, 10.3% in 2010, 10.2% in 2012, and 14.7% in 2013. However, returns were sharply negative in two years (−6.7% in 2002 and −21.0% in 2008) and essentially flat in two years (0.2% in 2011 and 0.0% in 2015).

The median annualized return for this subset of 412 calendar year plans for the 15-year period from 2002 through 2016 was 4.83%, while the return from 2007 through 2016 was 4.44%.

Account Balances

Finally, the study evaluated individual plan participant account balances. The average participant account balance was less than $10,000 in fewer than one in six (15.8%) plans, while 14.8% of plans had average account balances of $100,000 or more. The middle 69.4% of plans had average account balances of at least $10,000 and less than $100,000. Nearly half of all plans (47.2%) had average account balances of at least $20,000 and less than $75,000. Average account balances for multiemployer DC plans increased significantly over the 15-year period, growing with contributions as well as investment returns. As of the end of the 2016 plan year, the average account balance for the median plan in all industries was about $38,900, up from $13,200 in 2002.

For the sixth year in a row, Horizon Actuarial Services, LLC, and the International Foundation of Employee Benefit Plans partnered on The Multiemployer Retirement Plan Landscape: A 15-Year Look (2002-2016), an annual benchmarking report on multiemployer pension and retirement plans. For the first time, the report tracks trends over a 15-year time horizon. Trustees can use the report to benchmark their own plans and understand how the overall multiemployer system is doing. Members can download the entire report as an e-book by visiting www.ifebp.org/MultiemployerRetirement.