



Multiemployer Administrative Expense Supplement

2017 Data Tables

2017 Multiemployer Supplement

This supplement, an update to the 2015 version¹, examines Multiemployer (ME) Administrative Expenses (AE) for the PBGC insured ME pension system.

Two measures of AE are presented:

- The ratio of AE to the benefit payments made to participants
- The per participant AE ratio

Statistics based on these measures are presented for three categories:

- Plan Zone Status
- Industry
- Plan Size

¹ pbgc.gov/sites/default/files/2015-pbgc-data-tables-multiemployer-graphical-supplement.pdf

Challenges in Understanding Expenses

Given the complexities of the topic, there is not a single measurement or set of measures that inform(s) on all aspects of the cost to administer a pension plan.

Costs can be influenced by many factors, including:

- Plan size
- Plan provisions
- Benefit complexity
- How actively the plan is managed
- Number of participants receiving benefits at the time of measurement
- Plan maturity/age

Components of Multiemployer Expenses

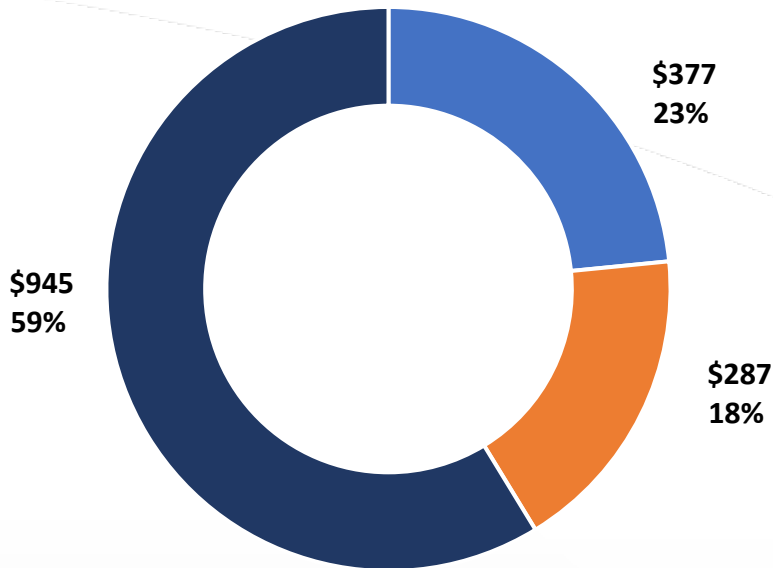
ME plans report expenses on the Form 5500, Schedules H/I². These expenses include:

- Professional fees – Fees paid to actuarial, legal and audit (among others) professionals.
- Contract administration fees – These fees are paid to a contract administrator for performing administrative services for the plan on a contract basis.
- Investment fees (***for purposes of this study, investment expenses are excluded***)
- Other expenses – Include salaries and other compensation and expenses for supplies, equipment, rent, etc. Also includes premium payments to PBGC.

² More detail is available in the Form 5500 instructions, found at: [dol.gov/agencies/ebsa/employers-and-advisers/plan-administration-and-compliance/reporting-and-filing/form-5500](https://www.dol.gov/agencies/ebsa/employers-and-advisers/plan-administration-and-compliance/reporting-and-filing/form-5500)

Administrative Expenses Distribution

2016 Plan Year Administrative Expenses³ (\$millions)



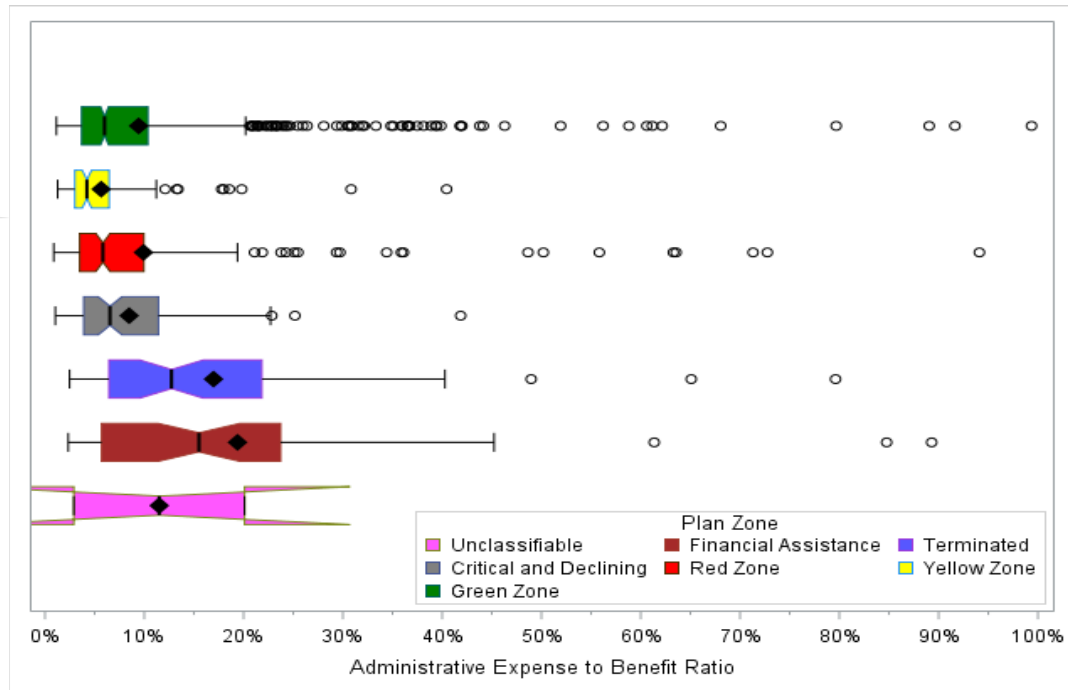
At the beginning of the 2016 plan year, ME plans reported approximately \$ 1.6 billion in AE; which is less than a half percent of the system's assets (\$466.98 billion).

■ Professional Fees ■ Contract Administration ■ Other Expenses

³ For purposes of this report, Investment fees are excluded.

Expenses by Zone Status

Administrative Expenses as a Percent of Benefits Paid, 2016 data

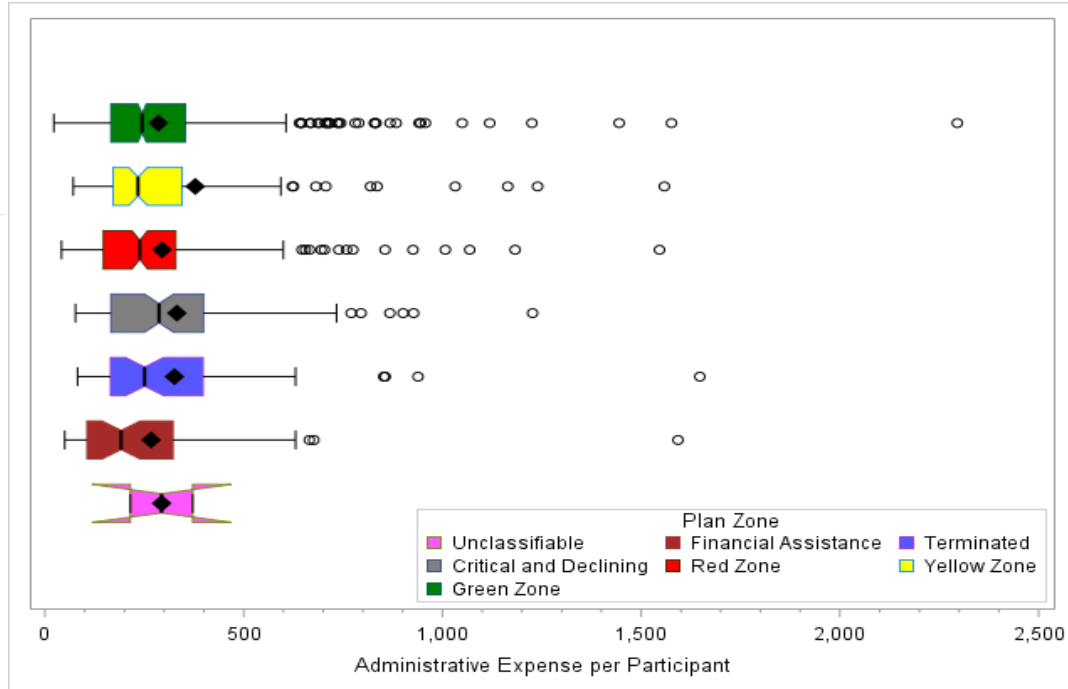


Zone	Minimum	25th Pctl	Median	Mean	75th Pctl	Maximum	Std Dev	Plan Count	Excluded Plans*	Total Plans
Green	1.2%	3.7%	6.0%	11.6%	10.6%	584.2%	28.1%	742	12	754
Yellow	1.3%	3.0%	4.2%	5.7%	6.5%	40.5%	5.2%	133	3	136
Red	0.9%	3.5%	5.9%	10.4%	10.0%	110.9%	14.8%	209	2	211
Critical & Declining	1.0%	3.9%	6.5%	8.5%	11.4%	41.9%	6.4%	101	3	104
Terminated	2.5%	6.4%	12.7%	17.0%	21.8%	79.6%	14.9%	59	1	60
Insolvent	2.3%	5.9%	16.2%	23.6%	25.9%	146.9%	25.3%	50	5	55
Unclassifiable	2.9%	2.9%	11.5%	11.5%	20.1%	20.1%	12.2%	2	1	3
System Wide	0.9%	3.7%	6.0%	11.3%	11.2%	584.2%	23.4%	1296	27	1323

* Plans that did not report a value for either Administrative Expenses or Participants are excluded.

Expenses by Zone Status

Administrative Expenses per Participant, 2016 data



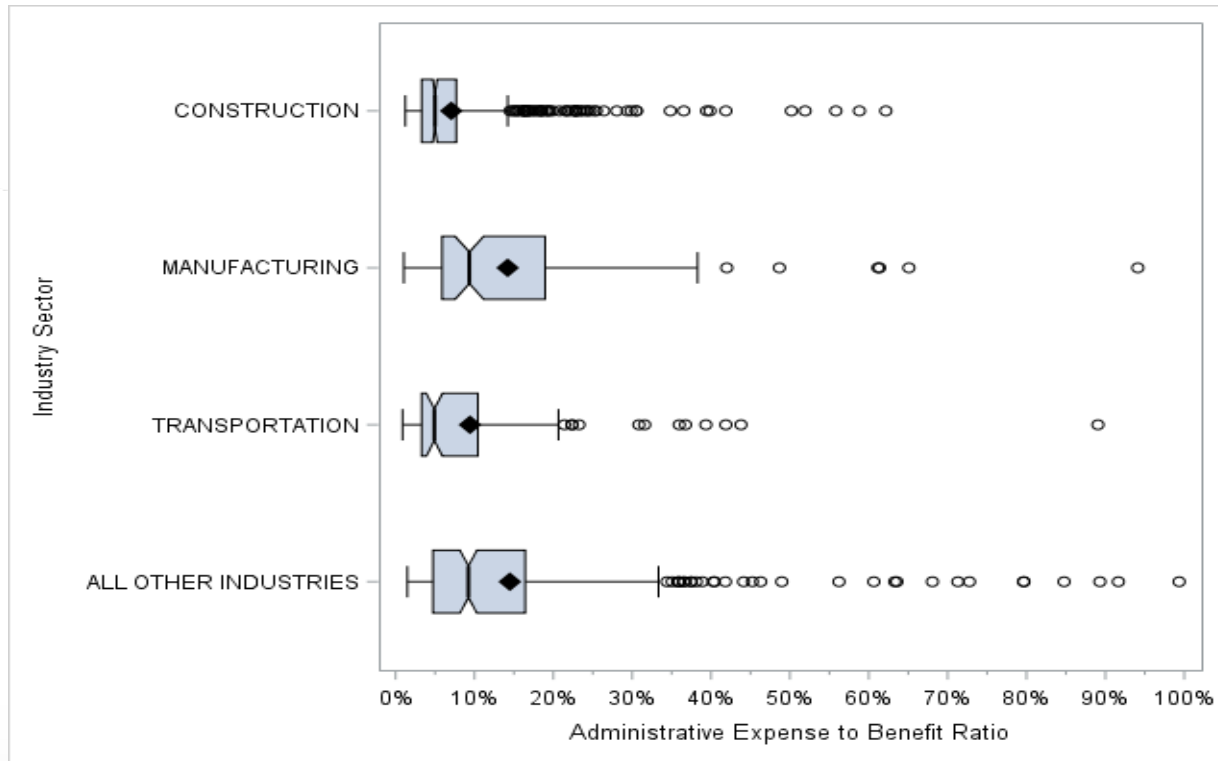
Note: The 2016 ME PBGC premium rate was \$27 per participant.

Zone	Minimum	25th Pctl	Median	Mean	75th Pctl	Maximum	Std Dev	Plan Count	Excluded Plans*	Total Plans
Green	\$ 22	\$ 166	\$ 244	\$ 286	\$ 353	\$ 2,295	\$ 189	742	12	754
Yellow	\$ 71	\$ 171	\$ 234	\$ 378	\$ 345	\$ 10,689	\$ 929	133	3	136
Red	\$ 42	\$ 147	\$ 239	\$ 295	\$ 329	\$ 2,808	\$ 269	209	2	211
Critical & Declining	\$ 77	\$ 166	\$ 287	\$ 332	\$ 399	\$ 1,227	\$ 214	101	3	104
Terminated	\$ 82	\$ 165	\$ 251	\$ 326	\$ 397	\$ 1,647	\$ 257	59	1	60
Insolvent	\$ 50	\$ 106	\$ 192	\$ 267	\$ 322	\$ 1,593	\$ 258	50	5	55
Unclassifiable	\$ 215	\$ 215	\$ 293	\$ 293	\$ 372	\$ 372	\$ 111	2	1	3
System Wide	\$ 22	\$ 163	\$ 243	\$ 301	\$ 353	\$ 10,689	\$ 360	1296	27	1323

* Plans that did not report a value for either Administrative Expenses or Participants are excluded.

Expenses by Industry

Administrative Expenses as a Percent of Benefits Paid, 2016 data

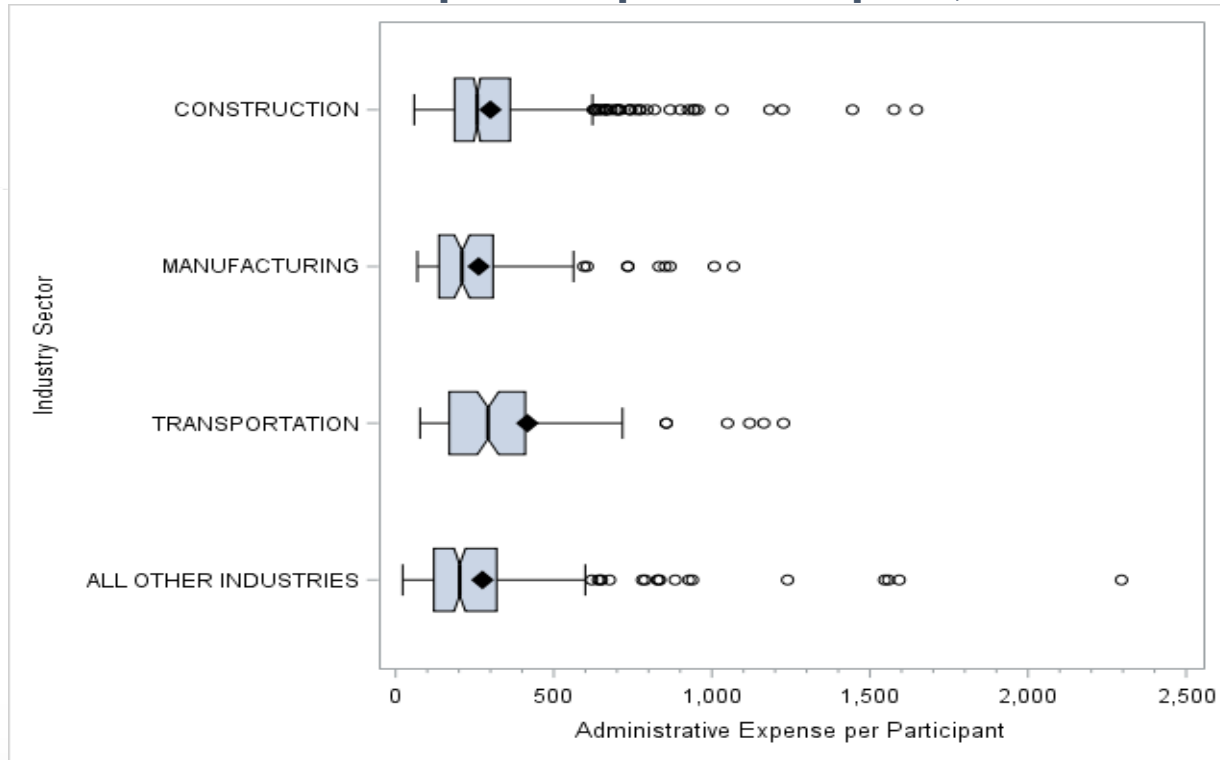


Industry	Minimum	25th Pctl	Median	Mean	75th Pctl	Maximum	Std Dev	Plan Count	Excluded Plans*	Total Plans
Construction	1.2%	3.3%	5.0%	7.2%	7.7%	126.7%	8.2%	728	5	733
Manufacturing	1.0%	5.9%	9.3%	14.2%	19.0%	94.1%	13.9%	133	3	136
Transportation	0.9%	3.4%	5.2%	12.8%	11.4%	215.1%	25.8%	126	8	134
All other industries	1.5%	4.8%	9.5%	18.9%	17.3%	584.2%	41.0%	309	11	320

* Plans that did not report a value for Administrative Expenses, Benefits paid or Industry code are excluded.

Expenses by Industry

Administrative Expenses per Participant, 2016 data

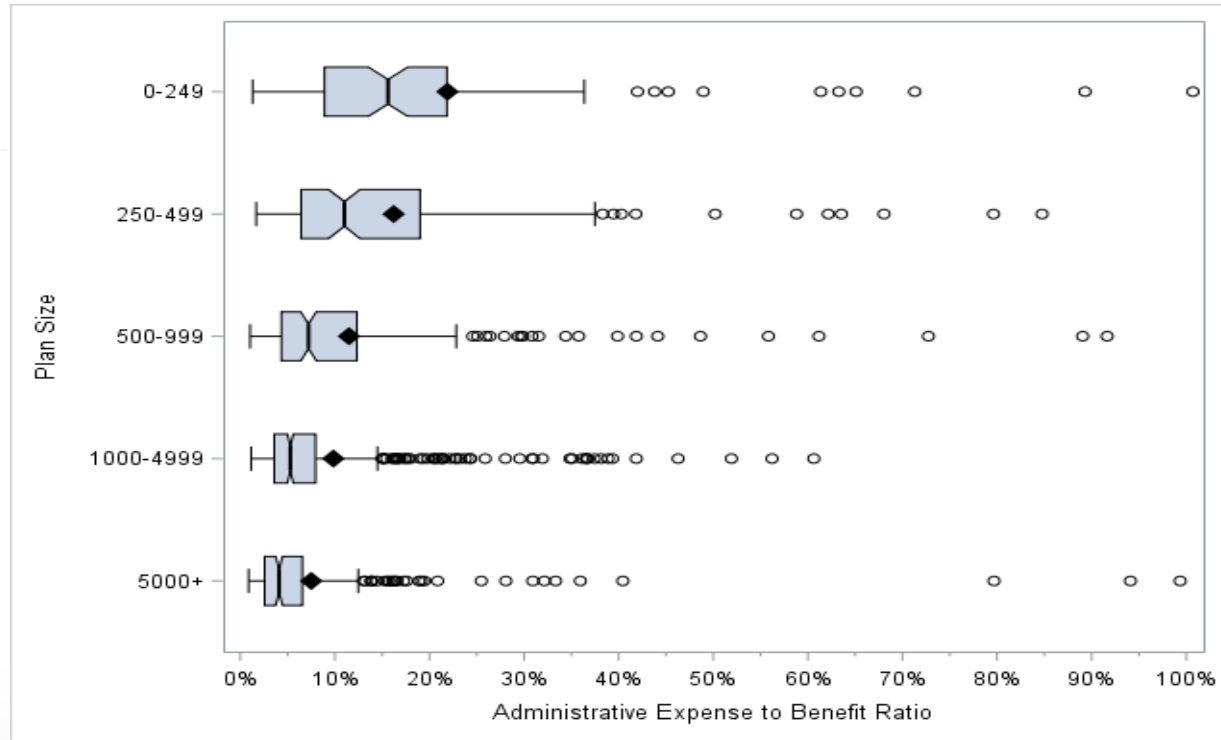


Industry	Minimum	25th Pctl	Median	Mean	75th Pctl	Maximum	Std Dev	Plan Count	Excluded Plans*	Total Plans
Construction	\$ 59	\$ 186	\$ 258	\$ 300	\$ 361	\$ 1,647	\$ 179	728	5	733
Manufacturing	\$ 69	\$ 137	\$ 210	\$ 264	\$ 309	\$ 1,068	\$ 190	133	3	136
Transportation	\$ 77	\$ 170	\$ 292	\$ 417	\$ 410	\$ 10,689	\$ 949	126	8	134
All other industries	\$ 22	\$ 121	\$ 203	\$ 275	\$ 320	\$ 2,808	\$ 288	310	10	320

* Plans that did not report a value for Administrative Expenses, Participants or Industry code are excluded.

Expenses by Plan Size

Administrative Expenses as a Percent of Benefits Paid, 2016 data

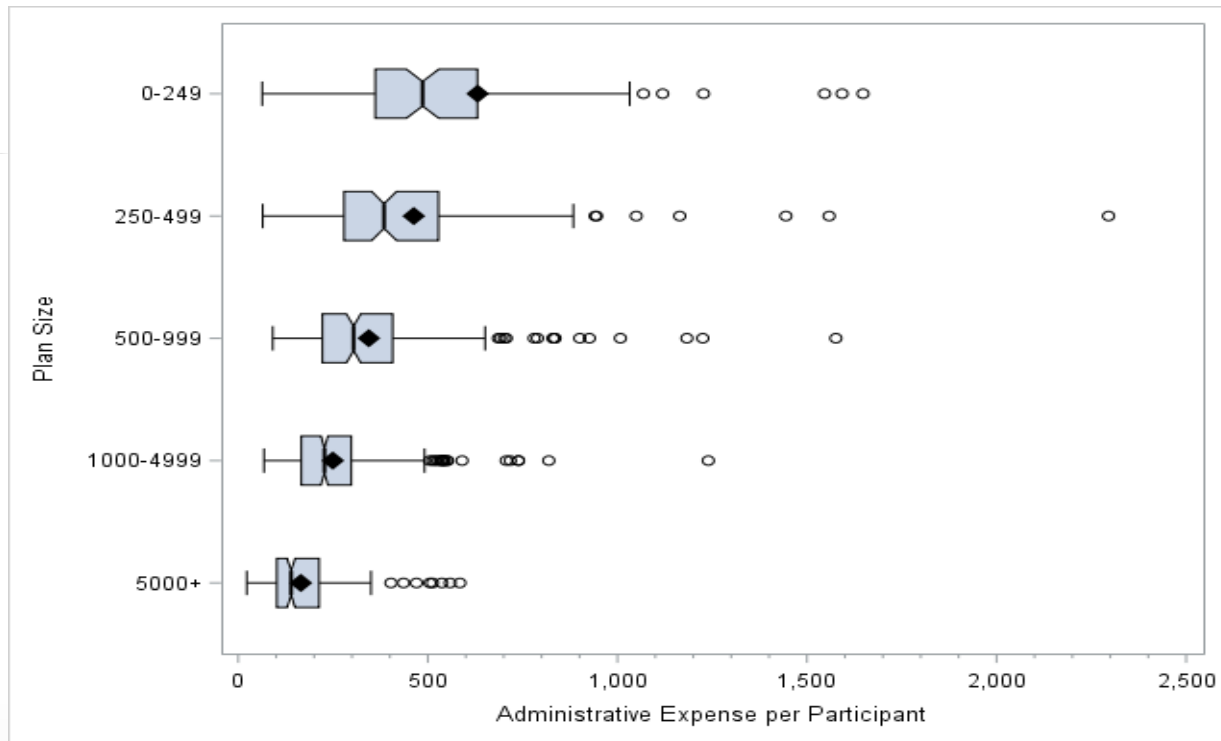


Plan Size	Minimum	25th Pctl	Median	Mean	75th Pctl	Maximum	Std Dev	Plan Count	Excluded Plans*	Total Plans
Under 250	1.3%	8.9%	15.6%	21.9%	21.8%	146.9%	23.3%	99	25	124
250-499	1.7%	6.4%	11.0%	16.2%	19.0%	126.7%	17.4%	146	0	146
500-999	1.0%	4.3%	7.2%	11.5%	12.3%	118.6%	14.3%	238	0	238
1,000-4,999	1.2%	3.6%	5.3%	9.8%	8.0%	584.2%	29.5%	526	2	528
Over 5,000	0.9%	2.6%	4.1%	7.5%	6.6%	240.8%	17.3%	287	0	287

* Plans that did not report a value for Administrative Expenses or Participants are excluded.

Expenses by Plan Size

Administrative Expenses per Participant, 2016 data



Plan Size	Minimum	25th Pctl	Median	Mean	75th Pctl	Maximum	Std Dev	Plan Count	Excluded Plans*	Total Plans
Under 250	\$ 63	\$ 362	\$ 486	\$ 631	\$ 631	\$ 10,689	\$ 1,061	99	25	124
250-499	\$ 65	\$ 279	\$ 384	\$ 463	\$ 528	\$ 2,808	\$ 346	146	0	146
500-999	\$ 91	\$ 222	\$ 305	\$ 345	\$ 407	\$ 1,576	\$ 196	238	0	238
1,000-4,999	\$ 68	\$ 166	\$ 227	\$ 249	\$ 298	\$ 1,240	\$ 118	527	1	528
Over 5,000	\$ 22	\$ 101	\$ 139	\$ 165	\$ 216	\$ 584	\$ 91	287	0	287

* Plans that did not report a value for Administrative Expenses or Benefits Paid are excluded.

Multiemployer Expenses Observations

- Terminated and Insolvent groups show:
 - Dramatically higher expense to benefits paid ratios
 - This may be a function of differences in plan composition, lower benefit levels (potentially partially attributable to applying the guarantee maximum to the plan benefits of insolvent plans) or a combination of these and other factors.
 - Relatively similar costs per participant as other groups, which supports the idea that the plan expenses are reasonable, and the expenses/benefits paid metric is failing in this case.

Multiemployer Expenses Observations (cont.)

- The data supports the concept that there are economies of scale in plan operation (as plan size increases, the AE ratios decline).
- Plan size appears to have a strong alignment with low AE. If there is a high concentration of large plans within a category (i.e. zone status, industry), the differences may be partially attributable to plan size.
- While the per participant expenses are similar between industries for ongoing plans, this may lead one to believe that there is little variation between industry groups, however:
 - The difference between highest and lowest median AE is about \$90 per participant, and
 - The highest median AE is about 31 percent larger than the lowest median AE.
- AE costs have remained similar between the updates of this report.



Notes and Methodology



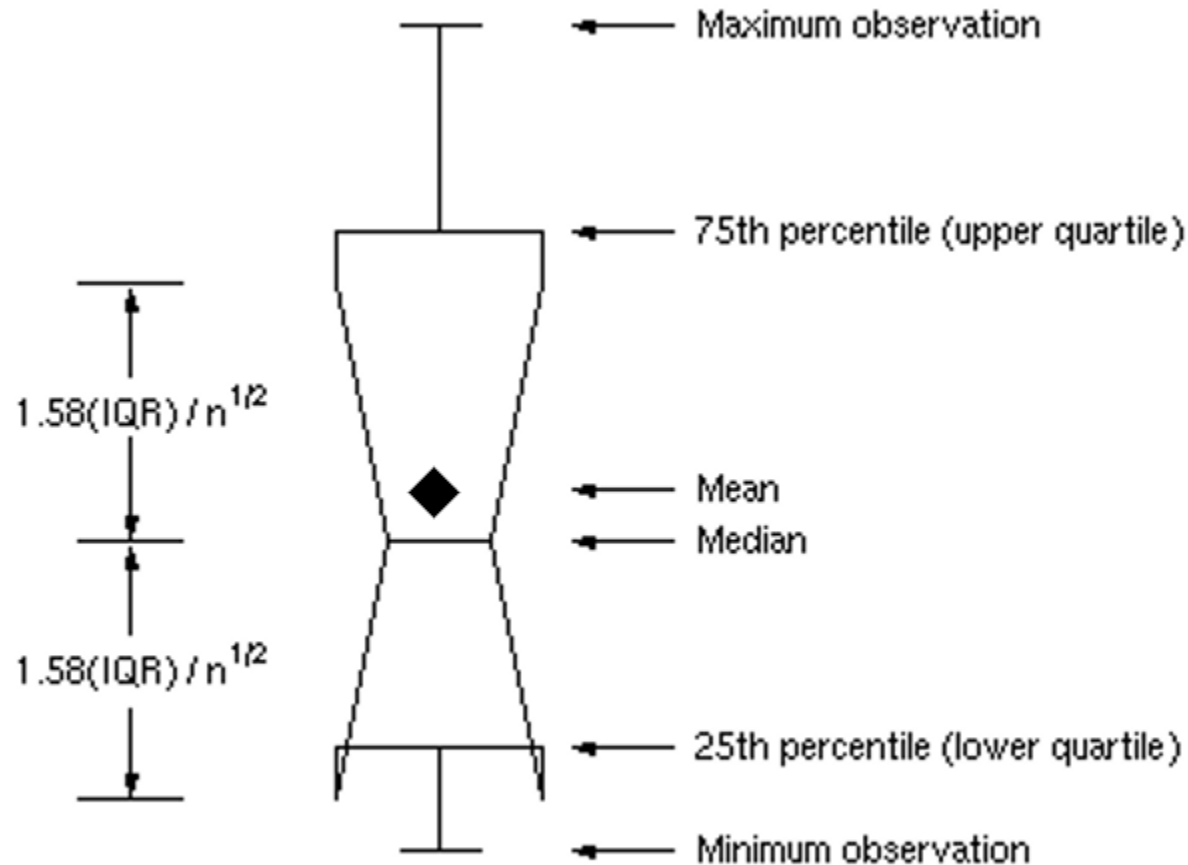
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- Zone statuses are reviewed and adjusted for input error and are imputed (where possible) for years in which a zone status code was missing from the Form 5500, Schedule MB.
- The descriptive statistics exclude plans with no benefit payments during the plan year but include plans with relatively small benefit payments during the plan year.
- Industry codes reported on Form 5500 are reviewed and adjusted for input error.

- For the purposes of this study, administrative expenses excludes investment expenses.
- Plan size is based on the total participants reported on the Schedule MB.
- For the purposes of this report, plans receiving PBGC financial assistance and terminated plans likely to result in a future claim are separated into distinct groups (Insolvent and Terminated, respectively).

- The Pension Protection Act of 2006 (PPA) created zone statuses intended to provide a measure of a plan's health based on current and projected funding levels. These zones statuses are:
 - Critical status (Red Zone)
 - Endangered status (Yellow Zone)
 - Seriously Endangered (Orange Zone) – is a subset of Endangered status which is occasionally shown as a separate zone. For the purposes of this supplement, plans in this subgroup are included as Endangered.
 - Neither Critical nor Endangered status (Green Zone)
- The Multiemployer Pension Reform Act of 2014 (MPRA) created another zone status, which is a sub-class of Critical status:
 - Critical & Declining (Deep Red or C&D)

Elements of a Box & Whisker Graph



Note: IQR stands for the Interquartile Range, which is the difference between the third and first quartiles.