

Sixth Circuit Addresses use of Segal Blend Method in Withdrawal Liability Dispute

On September 28, 2021, the U.S. Court of Appeals for the Sixth Circuit became the first federal appeals court to address a multiemployer pension plan's use of the "Segal Blend" for calculating an employer's withdrawal liability, finding that the Segal Blend method violated the Employee Retirement Income Security Act of 1974 (ERISA) in *Sofco Erectors, Inc. v. Ohio Operating Engineers Pension Fund*.

By way of background, when an employer withdraws from a multiemployer pension plan, ERISA requires the plan to assess liability against the employer representing its share of the plan's unfunded benefits (if any). The amount of that assessment is based, in part, on the difference between the value of plan assets and the present value of the plan's future liabilities. One methodology to calculate the value of such liabilities is the Segal Blend method, which blends the interest rate used for the plan's minimum funding purposes with the estimated annuity purchase rate for benefits being settled (based on the Pension Benefit Guarantee Corporation's annuity interest rates).

Despite its widespread use among multiemployer pension plans, the Sixth Circuit found that the Segal Blend violated ERISA because it did not represent the actuary's best estimate of the "anticipated experience under the plan." In the court's view, the Segal Blend method was not properly tailored to the unique characteristics of the plan because it incorporated interest rates on annuity investments the plan may never purchase. Further, the court described the Segal Blend as considering an "interest rate used for plans that essentially go out of business, even though these plans are neither going out of business nor required to purchase annuities to cover the departing employer's share of vested benefits."

While courts in some jurisdictions have issued rulings consistent with the Sixth Circuit's analysis, courts in other jurisdictions have upheld use of the Segal Blend. We will closely monitor future decisions to determine whether the Sixth Circuit's analysis gains support among additional federal courts. If you have any questions about the potential impact this court decision could have on your benefit plans, please contact your Reinhart attorney.

These materials provide general information which does not constitute legal or tax advice and should not be relied upon as such. Particular facts or future developments in the law may affect the topic(s) addressed within these materials. Always consult with a lawyer about your particular

POSTED:

Oct 12, 2021

RELATED PRACTICES:

[Employee Benefits](#)

<https://www.reinhartlaw.com/practices/employee-benefits>

RELATED PEOPLE:

[Paul Beery](#)

<https://www.reinhartlaw.com/people/paul-beery>

[Lucas J. Pagels](#)

<https://www.reinhartlaw.com/people/lucas-pagels>



circumstances before acting on any information presented in these materials because it may not be applicable to you or your situation. Providing these materials to you does not create an attorney/client relationship. You should not provide confidential information to us until Reinhart agrees to represent you.