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Memorandum

To: Warehouse 730 Board of Trustees

From: Josh Timm

Date: June 26, 2024

Re: Welfare Plan Benefit Improvement Study

The Trustees requested that Segal conduct a Welfare Plan benefit improvement study to model potential plan changes. Segal requested Cigna to provide plan change factors for each of the possible plan change options presented below. Presented in this report are the estimated annual costs and the plan change factor for the Welfare plan. We have modeled the changes to be effective January 1, 2025 for ease of administration.

Benefit Changes Considered

Currently the Fund has an $800 individual/$1,600 family deductible and a $6,250 individual/$12,500 family out-of-pocket maximum in place. The Trustees asked us to model changes that would reduce the deductible and out-of-pocket maximum (OOPM). As Segal did not prepare a budget projection report for the Fund, the projected numbers below are estimates based on the financials the Fund provided and factors that CIGNA provided. We did not model any changes to the current $100 inpatient deductible and it would be unaffected if any of the changes below are implemented.

1/1/2025 Benefit Change	Medical % Increase	Annual $ Increase	Cost per Hour
Reduce the deductible and OOPM by 25% each	2.50%	$39,000	$0.05
Reduce the deductible and OOPM by 50% each	5.80%	$90,000	$0.12
Reduce the deductible by 25% and the OOPM by 50%	3.70%	$57,000	$0.08
Reduce the deductible by 50% and the OOPM by 25%	4.50%	$70,000	$0.10
Reduce the deductible by 33% and the OOPM by 75%	6.40%	$99,000	$0.14
Reduce the deductible by 50% and the OOPM by 75%	8.90%	$138,000	$0.19

In addition to the changes described above, the Trustees could adopt the following modest changes to other benefits that might be popular with the members and which would not have a significant financial impact on the Fund:

- Increase the ability to obtain a hearing aid from once every 5 years to once every 3 years. Due to low utilization of the benefit, this would have no financial impact on the Fund.

- Add implant coverage to the dental benefit, which is a benefit that is becoming more common. The cost can be determined during the Dental RFP process which is currently underway.
- Increase the frame and contact allowance under the Vision benefit from $130 to $150 once every 12 months, which would cost the Fund approximately $10,000 or $0.01 per hour.

Over the past few years, the Fund's income has far exceeded expenses and based on the 4th quarter 2023 AMR report, the continuation value is at 95.3 months of reserve. Given the high level of reserves, the Fund can afford to adopt any of the plan changes shown above. The adoption of these plan improvements would have an impact on the continuation value and net assets in the future.

Assumptions

Our projections are based on the 2022 and 2023 AMR reports provided by Associated Administrators and the plan change factors provided by Cigna. The Medical claims for 2022 and 2023 were projected through plan year 2025 and weighted based on Segal standards (45% weighting for calendar year 2022 and 55% weighting for calendar year 2023).

- Projected 2025 lives of 310 based on Q4 2023 enrollment
- Medical Claims Trend of 8%
- Average 2022 and 2023 hours of 721,750
- 2025 Projected Medical Claims (prior to plan change estimates) of $1,554,000

The projections in this report are estimates of future costs and are based on information available to Segal at the time the projections were made. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, local market pressure, health trend rates and claims volatility. The accuracy and reliability of health projections decrease as the projection period increases. Unless otherwise noted, these projections do not include any cost or savings impact resulting from the new health care reform legislation or other recently passed state or federal regulation.

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We look forward to discussing this with you at the upcoming Board of Trustees meeting. If you have any questions prior to that, please contact us.