Industry and Local 338 Welfare Fund

Health Benefits Reports

Fiscal Year Ending 2021

June 15, 2021 / John P. Urbank

Segal

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June 15, 2021

Board of Trustees
Industry and Local 338 Welfare Fund
911 Ridgebrook Road
Sparks, MD 21152

Dear Trustees:

We are pleased to present these fiscal 2021 Health Benefits Reports for the Industry and Local 338 Welfare Fund.

We look forward to reviewing this report with you and answering any questions you may have at the next meeting of the Board of Trustees. However, if there are any questions that need to be addressed prior to the meeting, please do not hesitate to contact us.

Sincerely,

Segal

By: ____________________________
John P. Urbank
Vice President

cc: Associated-Administrators Inc.
Fund Counsel
Fund Auditor

Financial Experience and Budget Projections

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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. Segal has not audited the information provided. 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, trend rates, and claims volatility. The accuracy and reliability of projections decrease as the projection period increases.

Projection of retiree costs takes into account only the dollar value of providing benefits for retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection.

The Coronavirus (COVID-19) pandemic continues to evolve and will likely impact the 2020-2021 US economy and health plan claims projections for most Health Plan Sponsors. As a result, projections of near-term income and claim expenses could be significantly altered by emerging events. At this point, the full impact on Health Plan income and claim costs are uncertain. Unless specifically noted, this current report does not include any adjustments such as changes in eligibility, income, increases in healthcare costs or decreased investment returns. Additionally, the potential for federal or state fiscal relief is also not contemplated in these budget projections. Given the high level of uncertainty and fluidity of the current events, some plans may seek periodic updated estimates throughout the year to closely monitor health plan budget projections this year. Additional projections may be out of scope.

Financial Experience and Budget Projections

Key Findings & Recommendations

- Based on the audited financial statements for the year ended June 30, 2020, total income of $1,987,478 consisted of $1,724,154 in employer contributions, $60,619 in COBRA and other income, and $202,705 in investment income. For fiscal 2020, total expenses exceeded total income by $602,790 thereby generating an operating deficit. After accounting for stop loss reimbursements of $230,215 and unrealized gains on investments of $195,685, the Fund experienced a Total Reduction to Net Assets of $176,890. As of June 30, 2020, Net Assets, excluding Incurred but Not Reported claims reserves, totaled $7,939,767.

- Projected employer contributions for fiscal 2021, 2022, and 2023 are based on the known weekly rates in effect for each employer and current lives provided by the Associated Administrators. Projected COBRA contributions are based on actual COBRA contributions increasing each year at the same rate as benefit expenses increase adjusted for enrollment.
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- The projected Hospital, Medical, Prescription Drug, Dental and Optical costs are based on three years of claims experience through March 2021, adjusted for trend. In addition, the new JAA admin fee pricing effective May 1, 2021 at a 3.0 percent increase has been included in this report.

- Projected cost for Specific Stop Loss coverage is based on the renewal rate increase of 19.6 percent to $87.56 per participant per month effective April 1, 2021. There were stop loss reimbursements received in the amount of $230,215 during the current period.

- The projected Life and AD&D expenses are based on Amalgamated Life renewal rate of $0.20 per $1,000 for the Active Life and $0.035 per $1,000 for the AD&D effective January 1, 2020 and guaranteed for 2 years through December 31, 2021. The projected Disability expenses reflect the negotiated rate reduction effective January 1, 2021 from $7.00 to $6.805 per participant per month guaranteed for one year. The January 1, 2021 renewal for Paid Family Leave coverage increased from 0.270% to 0.511% of covered payroll and this significant increase is reflected in our projections years.

- During fiscal years 2021 through 2023, the projected breakeven contribution rates per hour (based on 40 hours worked per week) are $9.70, $10.51, and $11.40 respectively.

- Assuming the projections reach fruition, we are estimating operating deficits of $663,900 in 2021, $723,200 in 2022 and $943,400 in 2023 and ending Fund Assets net of IBNR of $7,275,867, $6,552,667, and $5,609,267 for fiscal years ending June 30, 2021, 2022, and 2023 respectively. If all employer contribution income ceased, the Fund would have a continuation value equivalent to 20.8 months of expenses as of June 30, 2023.

Financial Experience and Budget Projections

Key Findings & Recommendations

- The table below shows the weekly employer contribution rates used in our projections:

First Student/OC (Valley/Wallkill) #57&51	1/1/2020 $280.00	1/1/2021 $294.80	1/1/2022 $296.00
First Student (Kingston) #59	9/1/2020 $293.20	9/1/2021 $294.80	9/1/2022 $294.80
First Student (Roundout) #65	9/1/2020 $294.80	9/1/2021 $294.80	9/1/2022 $294.80
Kraft Foods Global #49	8/16/2020 $296.00	8/16/2021 $296.00	8/16/2022 $296.00
LP Transportation #43	1/1/2020 $280.00	1/1/2021 $296.00	1/1/2022 $296.00
Precast Concrete #54	2/1/2020 $290.40	2/1/2021 $290.40	2/1/2022 $290.40
Paraco Gas	1/1/2020 $296.00	1/1/2021 $296.00	1/1/2022 $296.00

Financial Experience and Budget Projections

Summary

	Historical Results			Projections		
12 Months Ending	**Jun-18**	**Jun-19**	**Jun-20**	**Jun-21**	**Jun-22**	**Jun-23**
Average Number of Active Employees	154	149	118	122	121	121
Average Contribution Rate Per Week	$277.48	$284.77	$281.21	$283.16	$305.26	$305.77
Average Contribution Rate Per Hour	$6.94	$7.12	$7.03	$7.08	$7.63	$7.64
Total Income	$2,429,852	$2,437,229	$1,987,478	$1,972,200	$2,083,600	$2,072,200
Total Expenses	$2,800,179	$2,475,067	$2,590,268	$2,636,100	$2,806,800	$3,015,600
Average Income Per Active Per Month	$1,314.86	$1,363.09	$1,403.58	$1,347.12	$1,434.98	$1,427.14
Average Expenses Per Active Per Month	$1,515.25	$1,384.27	$1,829.28	$1,800.60	$1,933.06	$2,076.84
Breakeven Contribution Rate Per Week	$323.76	$289.66	$379.52	$387.89	$420.29	$455.82
Breakeven Contribution Rate Per Hour				$9.70	$10.51	$11.40
Fund Assets	$7,967,440	$8,116,657	$7,939,767	$7,275,867	$6,552,667	$5,609,267
Continuation Value (Months)	38.6	37.6	36.1	31.1	26.1	20.8

Financial Experience and Budget Projections

Assumptions

12 Months Ending	Jun-21	Jun-22	Jun-23
Average Number of Actives			
Actives	122	121	121
COBRA Participants	2	1	1
Average Contribution Rate			
Per Week	$283	$305	$306
Trend Factors			
Hospital and Medical	8.00%	8.00%	8.00%
Stop Loss Premium	Renewal	12.00%	12.00%
Prescription (net of Rebates)	7.50%	7.50%	7.50%
Dental	5.00%	5.00%	5.00%
Optical	3.00%	3.00%	3.00%
Life, AD&D, STD, NY PFL	Renewal	3.40%	3.40%
Joint Council #16 Fees	3.00%	3.00%	3.00%
Empire JAA Leasing Fee	Renewal	3.00%	3.00%
Associated Admin Claim Processing	3.00%	3.00%	3.00%
Operating Costs	5.00%	5.00%	5.00%
Investment Yield	2.00%	2.00%	2.00%

Financial Experience and Budget Projections

Aggregate

The first projection period through Jun-2021 includes the 9-month actual results through March-2021 based on the cash flow reports provided by the Fund Office.

The projections for Disability and NY Paid Family Leave are based on the renewal effective January 1, 2021, and the Empire JAA leasing fee is based on the renewal effective May 1, 2021.

	Historical Results			Projections		
12 Months Ending	**Jun-18**	**Jun-19**	**Jun-20**	**Jun-21**	**Jun-22**	**Jun-23**
Income						
Employer Contributions	$2,220,364	$2,204,701	$1,724,154	$1,795,000	$1,919,200	$1,922,400
Employee Contributions	16,227	18,621	60,619	24,000	24,900	26,800
Investment Income	193,261	213,907	202,705	153,200	139,500	123,000
Total Income	**$2,429,852**	**$2,437,229**	**$1,987,478**	**$1,972,200**	**$2,083,600**	**$2,072,200**
Expenses						
Hospital and Medical	$1,811,614	$1,368,313	$1,762,125	$1,668,600	$1,772,300	$1,913,400
Stop Loss Premium	108,908	86,278	96,846	113,800	132,000	147,900
Prescription (net of Rebates)	479,839	588,123	375,019	446,600	471,400	506,100
Dental	79,661	81,753	40,812	64,400	66,400	69,600
Optical	5,530	5,381	2,552	4,800	4,900	5,000
Life, AD&D, STD, NY PFL	31,909	34,239	24,141	48,600	59,800	62,100
Joint Council #16 Fees	3,541	3,428	2,995	2,800	2,900	3,100
Empire JAA Leasing Fee	99,030	109,652	74,113	64,800	65,900	67,900
Associated Admin Claim Processing Fees	69,326	71,920	74,076	76,300	78,600	80,300
ACA Fees	0	0	0	900	900	900
Operating Costs	110,821	125,980	137,589	144,500	151,700	159,300
Total Expenses	**$2,800,179**	**$2,475,067**	**$2,590,268**	**$2,636,100**	**$2,806,800**	**$3,015,600**
Operating Deficit	**($370,327)**	**($37,838)**	**($602,790)**	**($663,900)**	**($723,200)**	**($943,400)**
Stop Loss Reimbursements	0	0	230,215			
Gains on Investments	40,342	187,055	195,685			
Total Addition (Reduction) to Fund Assets	**($329,985)**	**$149,217**	**($176,890)**	**($663,900)**	**($723,200)**	**($943,400)**
Beginning Fund Assets	**$8,297,425**	**$7,967,440**	**$8,116,657**	**$7,939,767**	**$7,275,867**	**$6,552,667**
Ending Fund Assets	**$7,967,440**	**$8,116,657**	**$7,939,767**	**$7,275,867**	**$6,552,667**	**$5,609,267**
Breakeven Contribution Rate Per Week	**$323.76**	**$289.66**	**$379.52**	**$387.89**	**$420.29**	**$455.82**
Average Contribution Rate Per Week	**$277.48**	**$284.77**	**$281.21**	**$283.16**	**$305.26**	**$305.77**

Financial Experience and Budget Projections

Per Active Per Month

This exhibit reflects total income and expenses for all participants (active and COBRA members) divided by <u>only</u> the number of active employees (*i.e.*, COBRA members are not included in the average number of actives shown on this page).

	Historical Results			Projections		
12 Months Ending	**Jun-18**	**Jun-19**	**Jun-20**	**Jun-21**	**Jun-22**	**Jun-23**
Income						
Employer Contributions	$1,201.50	$1,233.05	$1,217.62	$1,226.09	$1,321.76	$1,323.97
Employee Contributions	8.78	10.41	42.81	16.39	17.15	18.46
Investment Income	104.58	119.63	143.15	104.64	96.07	84.71
Total Income	**$1,314.86**	**$1,363.09**	**$1,403.58**	**$1,347.12**	**$1,434.98**	**$1,427.14**
Expenses						
Hospital and Medical	$980.31	$765.28	$1,244.44	$1,139.75	$1,220.59	$1,317.77
Stop Loss Premium	58.93	48.25	68.39	77.73	90.91	101.86
Prescription (net of Rebates)	259.65	328.93	264.84	305.05	324.66	348.55
Dental	43.11	45.72	28.82	43.99	45.73	47.93
Optical	2.99	3.01	1.80	3.28	3.37	3.44
Life, AD&D, STD, NY PFL	17.27	19.15	17.05	33.20	41.18	42.77
Joint Council #16 Fees	1.92	1.92	2.12	1.91	2.00	2.13
Empire JAA Leasing Fee	53.59	61.33	52.34	44.26	45.39	46.76
Associated Admin Claim Processing Fees	37.51	40.22	52.31	52.12	54.13	55.30
ACA Fees	0.00	0.00	0.00	0.61	0.62	0.62
Operating Costs	59.97	70.46	97.17	98.70	104.48	109.71
Total Expenses	**$1,515.25**	**$1,384.27**	**$1,829.28**	**$1,800.60**	**$1,933.06**	**$2,076.84**
Operating Deficit	**($200.39)**	**($21.18)**	**($425.70)**	**($453.48)**	**($498.08)**	**($649.70)**
Stop Loss Reimbursements	0.00	0.00	162.58			
Gains on Investments	21.83	104.62	138.20			
Total Addition (Reduction) to Fund Assets	**($178.56)**	**$83.44**	**($124.92)**	**($453.48)**	**($498.08)**	**($649.70)**
Average Number of Actives	**154**	**149**	**118**	**122**	**121**	**121**

Financial Experience and Budget Projections

Fund Asset Position

	Historical Results			Projections		
12 Months Ending	**Jun-18**	**Jun-19**	**Jun-20**	**Jun-21**	**Jun-22**	**Jun-23**
Fund Assets as of Period End	$7,967,440	$8,116,657	$7,939,767	$7,275,867	$6,552,667	$5,609,267
Incurred But Not Reported Claims	334,500	292,000	330,900	325,200	344,900	372,000
Auditor's Statement of Fund Assets	$8,301,940	$8,408,657	$8,270,667			

Targeted Reserves

	Historical Results			Projections		
12 Months Ending	**Jun-18**	**Jun-19**	**Jun-20**	**Jun-21**	**Jun-22**	**Jun-23**
Claims Fluctuation	$1,813,400	$1,618,100	$1,763,700	$1,763,600	$1,848,600	$1,964,600
Economic	1,400,100	1,237,500	1,295,100	1,318,100	1,403,400	1,507,800
Total Targeted Reserves	$3,213,500	$2,855,600	$3,058,800	$3,081,700	$3,252,000	$3,472,400

Claims Fluctuation Reserve

Purpose: Amount set aside to cover the possibility of actual benefit payments exceeding projected claims, commonly due to variations in large claims, claims trend patterns, legislative changes, and other factors.

Economic Reserve

Purpose: Amount set aside to preserve financial solvency during a prolonged, adverse economic situation.

Financial Experience and Budget Projections

Fund Asset Position And Targeted Reserves Graph

	Historical Results			Projections		
12 Months Ending	**Jun-18**	**Jun-19**	**Jun-20**	**Jun-21**	**Jun-22**	**Jun-23**
Ratio of Fund Assets to Targeted Reserves	247.9%	284.2%	259.6%	236.1%	201.5%	161.5%
Ratio of Fund Assets to Next Year's Expenses	321.9%	313.4%	301.2%	259.2%	217.3%	173.0%
Continuation Value (Months)	38.6	37.6	36.1	31.1	26.1	20.8