IUOE Local 487 Health and Welfare Fund

Health Benefits Report

February 13, 2025 / Ernie Naegele

Segal

Segal

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February 13, 2025

Board of Trustees
IUOE Local 487 Health and Welfare Fund
Miami, Florida

Dear Trustees:

We are pleased to present this Health Benefits Report for the IUOE Local 487 Health and 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:

Ernie Naegele
Vice President and Consultant
enaegele@segalco.com

cc: Jeff Ianiello
Kathleen Phillips
Dina Bellows-Levine

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Key Findings & Recommendations

- Three complete years of historical Fund operations, together with three years of projections, are presented in this report. Operations for the 2023 and 2024 fiscal years are based on the audited financial statements. The 2025 fiscal year is based on unaudited financial statements through November 2024, with projections through the end of the fiscal year.

- For fiscal year ending (FYE) 2025, an operating deficit of $0.10 million is projected. The net assets of the Fund are estimated to be $3.01 million on March 31, 2025.

- The number of active employees eligible to enroll for medical coverage decreased from 615 in (FYE) 2024 to an average of 608 for April through November 2024. COBRA and self-pay participants remained steady at an average of 5 in (FYE) 2024 and for April through November 2024. There was also no change in the average number of retirees from (FYE) 2024 to (FYE) 2025, remaining at 0.

- **The continuation value for a given year compares the net assets for the year to the following year's projected expenses. This value demonstrates the number of months the Fund could be expected to operate with no flow of revenue. Our financial projections predict that the Fund will only have 3.3 months of continuation value at the end of 2025 and only 0.4 months by the end of fiscal year 2028. This does not reflect accumulated eligibility obligations for active participants. Unless new sources of income or dramatic reductions in expenses are secured, the plan will remain vulnerable to adverse economic conditions and possible insolvency.**

- The enrollment assumptions used to project expenses and income during fiscal 2024 – 2026 are shown on page 4 of this report. The projected enrollments for Actives, COBRA, Self-Pay, and Retirees are based on a review of Fund Office eligibility reports through November 2024. The projections starting in (FYE) 2026 assume 608 actives enrolled per month.

Key Findings & Recommendations

- Contribution rate increases during 2024 resulted in the current average contribution rate of $7.53 for April 2024 through November 2024. Employer contributions for most employers are $7.55, with a few employers still at $7.05 and some at $8.00. Starting in FYE 2026 we assume all employers will be at $7.52.
- Actual average hours per eligible employees for April 2024 through November 2024 was 212. The projected average monthly employment for FYE 2024 is based on the 200 hours per eligible employee for December 2024 through March 2025, and assumes the same level through FYE 2026 and through FYE 2027. Alternate projections reflecting employment levels of 190, 210 and 220 hours are also shown on page 8 of this report.
- Premium rates based on fully insured UnitedHealthcare medical/Rx, dental and vision rates effective April 1, 2025.
- The current monthly Life rate is $14.10 (for active, self-pay/COBRA and retired employees) and the AD&D Rate is $0.60 (for active employees only) guarantee was extended through July 31, 2025.
- Other assumptions are detailed on page 4 of this report.
- Targeted reserve levels shown in this report reflect economic reserves estimated based on 50% of annual expenses. We set forth these reserve levels in an effort to promote a reserve policy discussion among the Board of Trustees. Reserve levels may be adjusted according to the Board policy.

Disclosures

Category	Description
Hours Assumption	Based on feedback from Trustees
Lives Assumption	Based on Fund Office data through Month Year
Investment Yield	Based on agreed estimate from the Fund's financial advisor and Trustees
Average Contribution Rate Basis	Throughout this report, the average contribution rate and the breakeven rate are a blend of contribution rates for all employers included in report rather than a specific rate.
Fund Asset Basis	Net assets available for benefits, less Incurred But Not Reported Claims reserves.
Expense Basis	Expenses shown in this report are on an incurred basis, and therefore may not match exactly to the audits or other unaudited financial statements.
General	This document has been prepared for the exclusive use and benefit of IUOE Local 487 Health and Welfare Fund, based upon information provided by you and your other service providers or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. Except as required by law or required for the Client's proper administration, this document should not be copied, reproduced, or shared with other parties without Segal's consent and, in such instances, should only be shared in its entirety. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.
Projections	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, changes in medical innovation/FDA approvals, trend rates, and claims volatility. The accuracy and reliability of projections decrease as the projection period increases.
Retiree Projections	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.
Non-Grandfathered	The projections incorporate all known future plan changes needed to comply with ACA as a Non-Grandfathered plan, as of the date of this report.

Assumptions

Alternate employee assumptions are shown on page 7.

12 Months Ending	Mar-26	Mar-27	Mar-28
Actives			
Average Number of Actives	**608**	**608**	**608**
Average Contribution Hours per Month			
Employer Contributions	200.0	200.0	200.0
Aggregate Hours	1,459,200	1,459,200	1,459,200
Average Contribution Rate			
Employer Contributions (Per Hour)	$7.52	$7.52	$7.52
Trend Factors - By Year to Fiscal Year:	Mar-26	Mar-27	Mar-28
Medical, Rx, Dental & Vision	Renewal	8.7%	8.7%
Life & AD&D	0.0%	0.0%	0.0%
ACA Federal Fees	3.0%	3.0%	3.0%
Operating Costs	3.0%	3.0%	3.0%
Investment Yield	0.0%	0.0%	0.0%
Rate of Return	0.0%	0.0%	0.0%

Aggregate

12 Months Ending	Historical Mar-23	Historical Mar-24	Historical Mar-25	Projected Mar-26	Projected Mar-27	Projected Mar-28
Income						
Employer Contributions	$10,954,454	$11,199,777	$10,563,587	$10,977,600	$10,977,600	$10,977,600
Self-Pay Contributions	62,893	56,357	62,136	62,100	62,100	62,100
Other Income	12,451	11,339	21,592	21,600	21,600	21,600
Investment Income	0	0	41,046	0	0	0
Total Income	**$11,029,798**	**$11,267,473**	**$10,688,361**	**$11,061,300**	**$11,061,300**	**$11,061,300**
Expenses						
Medical, Rx, Dental & Vision	$8,693,765	$10,722,950	$10,360,630	$10,511,899	$11,421,487	$12,410,287
Life & AD&D	127,072	134,125	133,669	133,669	133,669	133,669
Operating Costs	281,106	269,319	296,743	305,600	314,800	324,200
Total Expenses	**$9,101,943**	**$11,126,394**	**$10,791,042**	**$10,951,168**	**$11,869,956**	**$12,868,155**
Operating Surplus (Deficit)	**$1,927,855**	**$141,079**	**($102,681)**	**$110,132**	**($808,656)**	**($1,806,855)**
Gains on Investments	0	0	34,115			
Total Addition (Reduction) to Fund Assets	**$1,927,855**	**$141,079**	**($68,566)**	**$110,132**	**($808,656)**	**($1,806,855)**
Beginning Fund Assets	**$1,007,366**	**$2,935,221**	**$3,076,300**	**$3,007,734**	**$3,117,866**	**$2,309,210**
Ending Fund Assets	**$2,935,221**	**$3,076,300**	**$3,007,734**	**$3,117,866**	**$2,309,210**	**$502,355**
Breakeven Contribution Rate	**$5.98**	**$7.40**	**$7.11**	**$7.45**	**$8.08**	**$8.76**
Average Contribution Rate	**$7.26**	**$7.50**	**$7.53**	**$7.52**	**$7.52**	**$7.52**

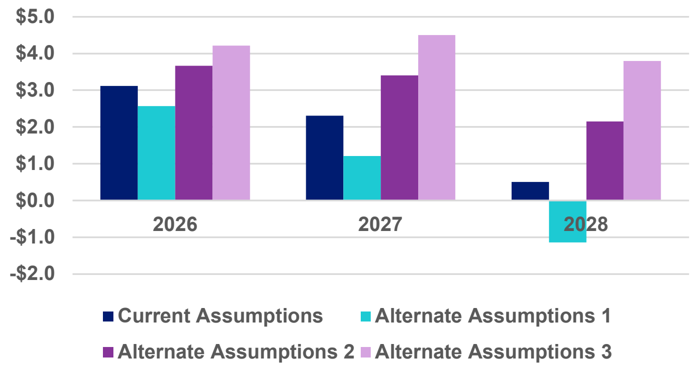
Per Active Per Month

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

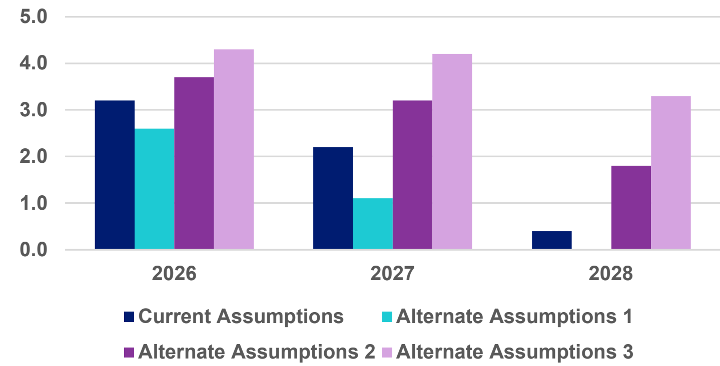
12 Months Ending	Historical Mar-23	Historical Mar-24	Historical Mar-25	Projected Mar-26	Projected Mar-27	Projected Mar-28
Income						
Employer Contributions	$1,587.60	$1,520.06	$1,447.86	$1,504.61	$1,504.61	$1,504.61
Self-Pay Contributions	9.11	7.65	8.52	8.51	8.51	8.51
Other Income	1.80	1.54	2.96	2.96	2.96	2.96
Investment Income	0.00	0.00	5.63	0.00	0.00	0.00
Total Income	**$1,598.51**	**$1,529.25**	**$1,464.97**	**$1,516.08**	**$1,516.08**	**$1,516.08**
Expenses						
Medical, Rx, Dental & Vision	$1,259.97	$1,455.34	$1,420.04	$1,440.78	$1,565.45	$1,700.97
Life & AD&D	18.42	18.20	18.32	18.32	18.32	18.32
Operating Costs	40.74	36.55	40.67	41.89	43.15	44.44
Total Expenses	**$1,319.13**	**$1,510.09**	**$1,479.03**	**$1,500.99**	**$1,626.92**	**$1,763.73**
Operating Surplus (Deficit)	**$279.38**	**$19.16**	**($14.06)**	**$15.09**	**($110.84)**	**($247.65)**
Gains on Investments	0.00	0.00	4.68			
Total Addition (Reduction) to Fund	**$279.38**	**$19.16**	**($9.38)**	**$15.09**	**($110.84)**	**($247.65)**
Continuation Value (Months)	**3.2**	**3.4**	**3.3**	**3.2**	**2.2**	**0.4**
Average Number of Actives	**575**	**614**	**608**	**608**	**608**	**608**
Breakeven Contribution Rate	**$5.98**	**$7.40**	**$7.11**	**$7.45**	**$8.08**	**$8.76**
Average Contribution Rate	**$7.26**	**$7.50**	**$7.53**	**$7.52**	**$7.52**	**$7.52**

Variation in Hours Assumptions

Fund Net Assets (Millions)



Continuation Value (Months)



12 Months Ending	Mar-26	Mar-27	Mar-28
Current Assumptions			
Average Monthly Hours	200	200	200
Average Contribution Rate - Hourly	$7.52	$7.52	$7.52
Total Actives	608	608	608
Alternate Assumption 1			
Average Monthly Hours	190	190	190
Alternate Assumption 2			
Average Monthly Hours	210	210	210
Alternate Assumption 3			
Average Monthly Hours	220	220	220

Note that these changes in hours would likely trigger increases or decreases in the number of insured and total expenses, which is not reflected here. This estimation is a simple sensitivity test on the impact to income from a change in hours.

Breakeven Contribution Rate (without margin) - Hourly

Fund Reserves and Asset Position (in Dollars)

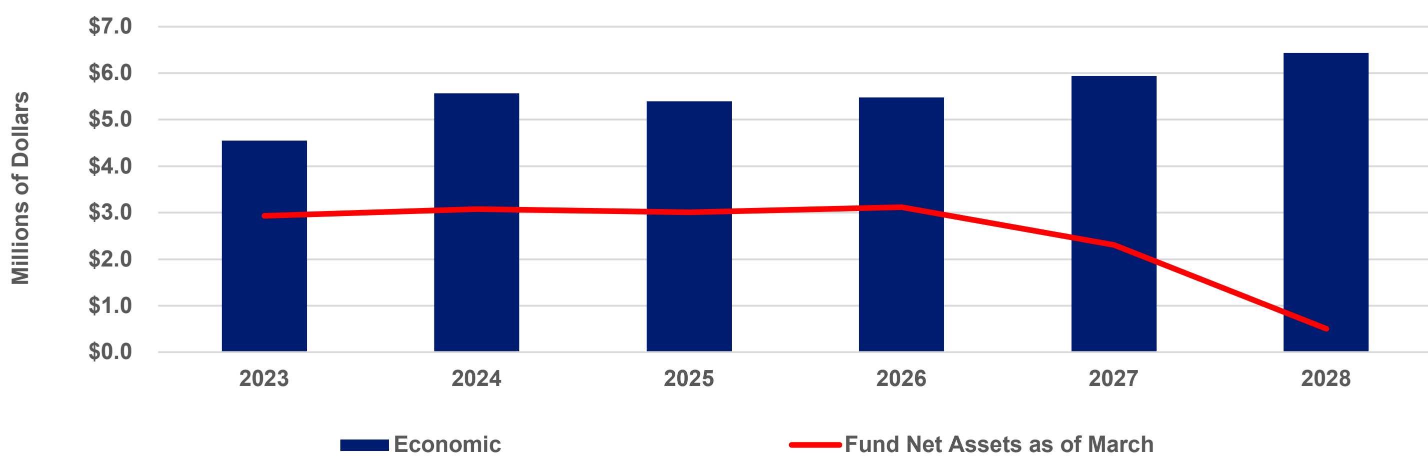
Definitions of each reserve can be found on page 11.

Fund Assets are projected to decrease -83.3% from March 31, 2025 to March 31, 2028.

12 Months Ending	Historical Mar-23	Historical Mar-24	Historical Mar-25	Projected Mar-26	Projected Mar-27	Projected Mar-28
Auditor's Statement of Fund Assets	$2,935,221	$3,076,300				
Net Fund Assets as of Period End (Per Segal)	**$2,935,221**	**$3,076,300**	**$3,007,734**	**$3,117,866**	**$2,309,210**	**$502,355**
Next Year's Annual Expenses	$11,126,394	$10,791,042	$10,951,168	$11,869,956	$12,868,155	$13,952,285
Continuation Value (Months)	3.2	3.4	3.3	3.2	2.2	0.4
Targeted Reserves to Consider						
Economic	4,551,000	5,563,200	5,395,500	5,475,600	5,935,000	6,434,100
Total Targeted Reserves*	**$4,551,000**	**$5,563,200**	**$5,395,500**	**$5,475,600**	**$5,935,000**	**$6,434,100**

* Targeted reserves do not reflect an allowance for accumulated eligibility for active participants.

Fund Net Assets vs. Targeted Reserves



Summary

12 Months Ending	Historical Mar-23	Historical Mar-24	Historical Mar-25	Projected Mar-26	Projected Mar-27	Projected Mar-28
Hours and Members						
Average Number of Active Employees	575	614	608	608	608	608
Average Contribution Hours Per Month	219	203	206	200	200	200
Aggregate Hours	1,508,653	1,494,280	1,500,092	1,459,200	1,459,200	1,459,200
Financial Results						
Total Income	$11,029,798	$11,267,473	$10,688,361	$11,061,300	$11,061,300	$11,061,300
Total Expenses	$9,101,943	$11,126,394	$10,791,042	$10,951,168	$11,869,956	$12,868,155
Operating Surplus (Deficit)	$1,927,855	$141,079	$(102,681)	$110,132	$(808,656)	$(1,806,855)
Average Income Per Active Per Month	$1,598.51	$1,529.25	$1,464.97	$1,516.08	$1,516.08	$1,516.08
Average Expenses Per Active Per Month	$1,319.13	$1,510.09	$1,479.03	$1,500.99	$1,626.92	$1,763.73
Operating Surplus (Deficit) Per Active Per Month	$279.38	$19.16	$(14.06)	$15.09	$(110.84)	$(247.65)
Average Contribution Rate Per Hour	$7.26	$7.50	$7.53	$7.52	$7.52	$7.52
Breakeven Contribution Rate	$5.98	$7.40	$7.11	$7.45	$8.08	$8.76
Benchmarks						
Fund Assets	$2,935,221	$3,076,300	$3,007,734	$3,117,866	$2,309,210	$502,355
Ratio of Fund Net Assets to Targeted Reserves	64.5%	55.3%	55.7%	56.9%	38.9%	7.8%
Continuation Value (Months)	3.2	3.4	3.3	3.2	2.2	0.4
Targeted Reserves (Months)	4.9	6.2	5.9	5.5	5.5	5.5

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Key Links

	Segal's Website	Explore Segal's website to learn about recent news, upcoming events, articles, presentations, webinars and hot topics. You may also access specific items of interest via the links below.
	Health & Welfare Benefits	This page details the range of services we provide to our health clients as well as an overview of our general consulting perspective to multiemployer funds.
	Our Services	This page details the range of services we provide beyond Healthcare including Retirement Benefits, Compliance, Communications, Administration and Technology, Investment Solutions, and Insurance Brokerage Services.
	Insights	These periodic publications highlight Segal's expertise and insights on plan design, communications, administration, technology and insurance.
	Compliance Consulting	Publication that covers new and proposed compliance requirements, including accounting standards and summaries of key judicial decisions.
	Reports & Surveys	These periodic publications report findings of surveys and studies and other statistics of interest to multiemployer plan sponsors.
	TRENDS	*TRENDS* is a quarterly one-page snapshot of important activity in the health plan environment. It includes current and recent graphs of health care inflation and utilization, summaries of hot topics, and descriptions of plan sponsor solutions to current challenges.
	Retirement Benefits	Publications which cover developments of interest to sponsors of multiemployer retirement plans.
	2025 Reporting & Disclosure Guide	This annual publication summarizes compliance requirements and key dates for multiemployer plans. This publication is available in three versions (interactive, PDF, and Print).

Definition Of Key Terms

Accumulated Eligibility Credits Reserve	Amount needed to cover eligibility earned by active members but not yet provided as of the end of the period, commonly due to the lag between hours worked and eligibility for benefits.
Breakeven Contribution Rate	The income needed to cover benefit expenses, net of participant contributions and investment income. It does not include the amount needed to maintain or achieve targeted reserves.
Claims Fluctuation Reserve	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. The claims fluctuation reserve is based on a 95% confidence that claims will not exceed the amount illustrated in this report.
Continuation Value	Fund Assets divided by the following year Benefit Expenses times 12 months. A measure of Reserve Strength.
Economic Reserve	Amount set aside to preserve financial solvency during a prolonged, adverse economic situation.
Incurred But Not Reported Claims	Reserve needed to cover claims that are known but not yet paid (pending), as well as unknown claims that have been incurred but not yet submitted (unrevealed), as of the end of the period.
Investment Income	Amount of interest from fixed income securities and dividends from equities. This does not include other realized or unrealized gains or losses on investments.
A Realized Gain or Loss	The difference between the proceeds from the sale of an asset and the cost of acquiring the asset. An unrealized gain or loss is the difference between the market value of an asset that is still being held and the cost of acquiring the asset.
Margin	A recommended amount added to the breakeven contribution rate to cover future fluctuations in expenses.
Operating Surplus / (Deficit)	Income less expenses, not including impact of unpredictable items such as realized or unrealized gains or losses on investments.
Fund Assets	Net assets available for benefits, less Incurred But Not Reported Claims reserves.
Targeted Reserves	Minimum desired level of Fund Assets, generally including Accumulated Eligibility Credit Reserves, Claims Fluctuation Reserves, Economic Reserves, and other reserves as determined by Trustee policy.
Trend Factors	Expected future increases in benefit and other expenses, expressed as a percentage of the prior year's expense. For insurance premiums and vendor fees, trend is the projected or estimated increases in rates or fees.
	For self-insured benefit expenses, trend is the projected change in per capita claims costs and is influenced by price inflation, utilization changes, the leveraging impact of fixed deductibles and copayments, legislative changes and advances in health care technology.