IUOE Local 487 Health and Welfare Fund

Health Benefits Report

Fiscal Year Ending 2024

February 9, 2023 / Ernie Naegele

Segal

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February 9, 2023

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

Dear Trustees:

We are pleased to present this fiscal 2024 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

Financial Experience and Budget Projections

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Financial Experience and Budget Projections

Key Findings & Recommendations

- Three complete years of historical Fund operations together with three years of projections are presented in this report. Operations for the 2021 and 2022 fiscal years are based on the audited financial statements. The 2023 fiscal year is based on unaudited financial statements through November 2022, with projections through the end of the fiscal year.
- Loans from the Local Union totaling $1.5 million have been included in this report as an addition to Fund Assets in the fiscal year ending (FYE) March 31, 2021. Repayment is not addressed in these projections.
- For fiscal year ending (FYE) 2023, an operating surplus of $0.6 million is projected. The net assets of the Fund are estimated to be $1.63 million on March 31, 2023. This calculation of assets includes credit for receipt of the $1.5 million loan but has not been reduced to acknowledge the amount owed to the Local Union.
- The number of active employees eligible to enroll for medical coverage increased from 544 in FYE 2022 to an average of 573 for April through November 2022. COBRA and self-pay participants decreased from 7 in FYE 2022 to an average of 5 for April through November 2022. And, there is no change in retirees in FYE 2023; it remains 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 3.0 months of continuation value at the end of 2024 and 2.1 months by the end of fiscal year 2026. 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 2022 – 2024 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 December 2021. The projections starting in January 2023 assume 575 actives enrolled per month.

Financial Experience and Budget Projections

Key Findings & Recommendations

- Contribution rate increases during 2022 resulted in the current contribution rate to be $7.44. This is the basis for the budget projections shown in this report.
  - Employer contributions increased to $7.55 per hour from $6.55 effective May 2021 for some employers.
  - For employer whose employer contribution was $6.30 per hour, employer contributions increased to $7.05 effective July 2022.

- Actual average hours per eligible employees for April 2022 through November 2022 was 218. The projected average monthly employment for FYE 2023 is based on the 200 hours per eligible employee for December 2022 through March 2023 and assumes the same level through FYE 2025 and through FYE 2026. Alternate projections reflecting employment levels of 190, 210 and 220 hours are also shown on page 8 of this report.

- Effective April 1, 2023, we have assumed an 5% average increase to the UnitedHealthcare premium rates; however, actual increases will be subject to negotiation. Effective April 1, 2024 and April 1, 2025, we have assumed an 8% average increase to the UnitedHealthcare premium rates based on standard trend factors.

- We assume dental and vision premium rate increases by 3% effective April 1, 2023.

- 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). These rates became effective August 1, 2021 and will be in effect through July 31, 2023. Budget projections assume rates will not change for fiscal 2024 and fiscal 2025; however, future rates are subject to negotiation and Trustee approval.

- Other assumptions are detailed on page 4 of this report.

- Targeted reserves do not reflect the audited obligation as of March 31, 2021, for accumulated eligibility for active participants ($1,971,323) and for future retiree coverage ($2,367,042). Targeted reserves also do not include the loans from the Local Union ($1,500,000).

- 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.

Financial Experience and Budget Projections

Summary

	Historical Results			Projections		
12 Months Ending	**Mar-21**	**Mar-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
Average Number of Active Employees	573	544	573	575	575	575
Average Contribution Hours per Month	175	210	213	200	200	200
Aggregate Hours	1,202,157	1,367,764	1,465,409	1,380,000	1,380,000	1,380,000
Average Contribution Rate Per Hour	$6.03	$6.42	$6.57	$7.44	$7.44	$7.44
Total Income	$7,311,032	$8,845,410	$9,627,250	$10,326,400	$10,326,400	$10,326,400
Total Expenses	$8,818,380	$8,178,440	$9,017,105	$9,452,893	$10,168,722	$10,942,257
Average Income Per Active Per Month	$1,063.27	$1,354.99	$1,400.13	$1,496.58	$1,496.58	$1,496.58
Average Expenses Per Active Per Month	$1,282.49	$1,252.83	$1,311.39	$1,369.98	$1,473.72	$1,585.83
Breakeven Contribution Rate	$7.28	$5.93	$6.11	$6.81	$7.33	$7.89
Fund Assets	$352,847	$1,019,817	$1,629,962	$2,503,469	$2,661,147	$2,045,290
Ratio of Net Assets to Targeted Reserves	8.0%	24.9%	36.2%	53.0%	52.3%	37.4%
Continuation Value (Months)	0.5	1.4	2.1	3.0	2.9	2.1
Targeted Reserves (Months)	6.5	5.4	5.7	5.6	5.6	5.6

Financial Experience and Budget Projections

Assumptions

Alternate employee assumptions are shown on page 8.

Life and AD&D premium projections assume 575 members covered for life and AD&D and 158 members covered for life only.

12 Months Ending	Mar-24	Mar-25	Mar-26
Average Number of Actives:	575	575	575
Average Number of COBRA & Self-Pay	6	6	6
Average Number of Retirees	0	0	0
Average Contribution Hours per Month:			
Employer Contributions	200.0	200.0	200.0
Aggregate Hours	1,380,000	1,380,000	1,380,000
Average Contribution Rate			
Employer Contributions (Per Hour)	$7.44	$7.44	$7.44
Trend Factors			
Medical & Rx	5.0%	8.0%	8.0%
Dental & Vision	3.0%	0.0%	0.0%
Life & AD&D	0.0%	0.0%	0.0%
Operating Costs	3.0%	3.0%	3.0%

Financial Experience and Budget Projections

Disclosures

Category	Description
Hours Assumption	Based on feedback from Trustees
Lives Assumption	Based on Fund Office data through Month Year
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.
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, local market pressure, trend rates, and claims volatility. The accuracy and reliability of projections decrease as the projection period increases.
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.

Financial Experience and Budget Projections

Aggregate

UHC split the April 2022 renewal into two rate actions: (1) Effective 4/1/2022, medical and prescription drug premium increased 7.9%; (2) Effective 7/1/2022, medical and prescription drug premium increased 2.4%.

					Projections	
12 Months Ending	**Mar-21**	**Mar-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
Income						
Employer Contributions	$7,244,321	$8,784,167	$9,562,853	$10,267,200	$10,267,200	$10,267,200
Self-Pay Contributions	66,352	61,243	54,940	59,200	59,200	59,200
Other Income	0	0	9,457	0	0	0
Investment Income	359	0	0	0	0	0
Total Income	**$7,311,032**	**$8,845,410**	**$9,627,250**	**$10,326,400**	**$10,326,400**	**$10,326,400**
Expenses						
Medical, Rx, Dental & Vision	$8,449,420	$7,838,678	$8,646,909	$9,074,030	$9,782,358	$10,548,193
Life & AD&D	136,496	123,952	126,751	128,164	128,164	128,164
Operating Costs	232,464	215,810	243,445	250,700	258,200	265,900
Total Expenses	**$8,818,380**	**$8,178,440**	**$9,017,105**	**$9,452,893**	**$10,168,722**	**$10,942,257**
Operating Surplus (Deficit)	**($1,507,348)**	**$666,970**	**$610,145**	**$873,507**	**$157,678**	**($615,857)**
Loan from Local Union	1,500,000	0	0	0	0	0
Total Addition (Reduction) to Fund Assets	**($7,348)**	**$666,970**	**$610,145**	**$873,507**	**$157,678**	**($615,857)**
Beginning Fund Assets	**$360,195**	**$352,847**	**$1,019,817**	**$1,629,962**	**$2,503,469**	**$2,661,147**
Ending Fund Assets	**$352,847**	**$1,019,817**	**$1,629,962**	**$2,503,469**	**$2,661,147**	**$2,045,290**
Breakeven Contribution Rate	**$7.28**	**$5.93**	**$6.11**	**$6.81**	**$7.33**	**$7.89**
Average Contribution Rate	**$6.03**	**$6.42**	**$6.57**	**$7.44**	**$7.44**	**$7.44**

Financial Experience and Budget Projections

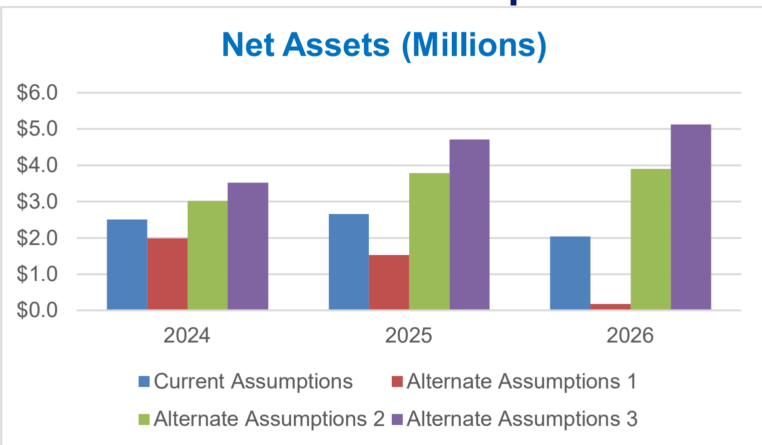
Per Active Per Month

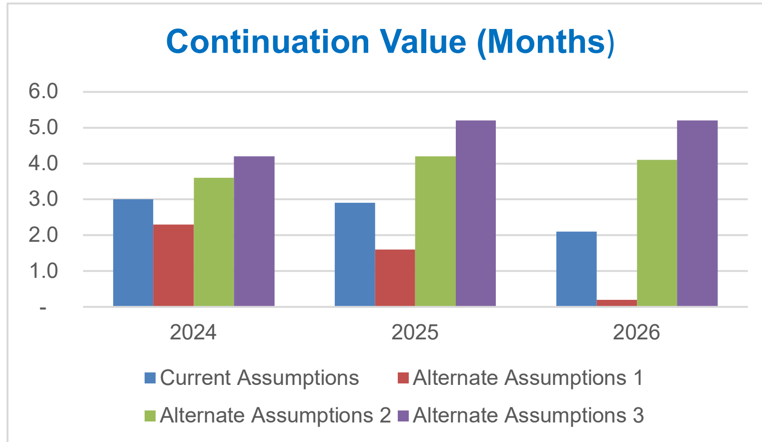
This exhibit reflects total income and expenses for all participants (active, COBRA members and retirees) divided by only the number of active employees (*i.e.*, COBRA members and retirees are not included in the average number of actives shown on this page).

				Projections		
12 Months Ending	**Mar-21**	**Mar-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
Income						
Employer Contributions	$1,053.57	$1,345.61	$1,390.76	$1,488.00	$1,488.00	$1,488.00
Self-Pay Contributions	9.65	9.38	7.99	8.58	8.58	8.58
Other Income	0.00	0.00	1.38	0.00	0.00	0.00
Investment Income	0.05	0.00	0.00	0.00	0.00	0.00
Total Income	**$1,063.27**	**$1,354.99**	**$1,400.13**	**$1,496.58**	**$1,496.58**	**$1,496.58**
Expenses						
Medical, Rx, Dental & Vision	$1,228.83	$1,200.78	$1,257.55	$1,315.08	$1,417.73	$1,528.72
Life & AD&D	19.85	18.99	18.43	18.57	18.57	18.57
Operating Costs	33.81	33.06	35.41	36.33	37.42	38.54
Total Expenses	**$1,282.49**	**$1,252.83**	**$1,311.39**	**$1,369.98**	**$1,473.72**	**$1,585.83**
Operating Surplus (Deficit)	**($219.22)**	**$102.16**	**$88.74**	**$126.60**	**$22.86**	**($89.25)**
Loan from Local Union	218.15	0.00	0.00	0.00	0.00	0.00
Total Addition (Reduction) to Fund Assets	**($1.07)**	**$102.16**	**$88.74**	**$126.60**	**$22.86**	**($89.25)**
Average Number of Actives	**573**	**544**	**573**	**575**	**575**	**575**
Breakeven Contribution Rate	**$7.28**	**$5.93**	**$6.11**	**$6.81**	**$7.33**	**$7.89**
Average Contribution Rate	**$6.03**	**$6.42**	**$6.57**	**$7.44**	**$7.44**	**$7.44**

Financial Experience and Budget Projections

Variation in Hours Assumptions

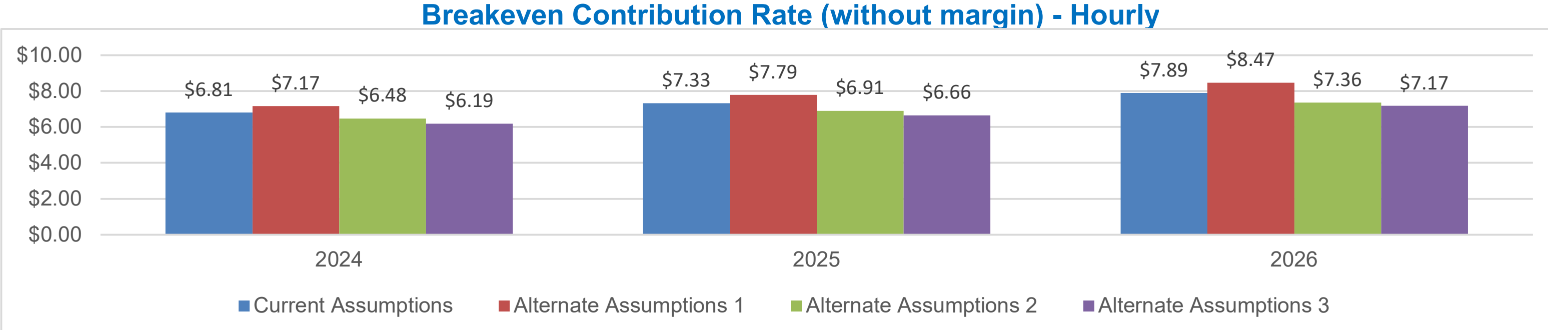




12 Months Ending	Mar-24	Mar-25	Mar-26
Current Assumptions			
Average Monthly Hours	200	200	200
Average Contribution Rate - Hourly	$7.44	$7.44	$7.44
Total Actives	575	575	575
Alternate Assumption 1			
Average Monthly Hours	190	190	190
Alternate Assumption 2			
Average Monthly Hours	210	210	210
Alternate 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



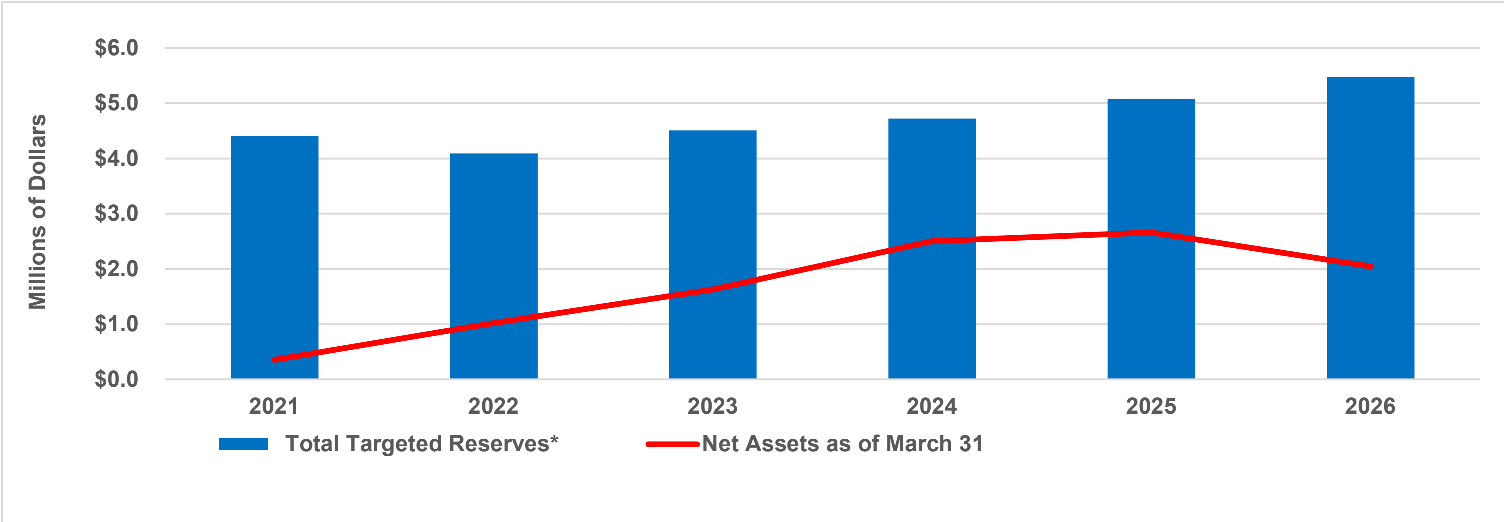
Financial Experience and Budget Projections

Fund Reserves and Asset Position (in Dollars)

Definitions of each reserve can be found on page 11.

	Historical Results			Projections		
12 Months Ending	**Mar-21**	**Mar-22**	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
Auditor's Statement of Fund Assets	$352,847	$1,019,817				
Continuation Value (Months)	0.5	1.4	2.1	3.0	2.9	2.1
Targeted Reserves to Consider						
Economic	$4,409,200	$4,089,200	$4,508,600	$4,726,400	$5,084,400	$5,471,100
Total Targeted Reserves*	**$4,409,200**	**$4,089,200**	**$4,508,600**	**$4,726,400**	**$5,084,400**	**$5,471,100**
* Targeted reserves do not reflect an allowance for accumulated eligibility for active participants.						
Net Assets as of March 31	$352,847	$1,019,817	$1,629,962	$2,503,469	$2,661,147	$2,045,290

Net Assets vs. Targeted Reserves



Financial Experience and Budget Projections

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.
	2022 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).

Financial Experience and Budget Projections

Definition Of Key Terms

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.
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.
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.