NORTHEAST REGIONAL
COUNCIL OF CARPENTERS

# Carpenters Local No. 491

## Health and Welfare Fund

## 2023 Annual Report

## June 15, 2023

Bolton

Presented by:
**Ken Olejniczak**
Consultant
(215) 380-8257
kolejniczak@boltonusa.com

# Table of Contents

# Introduction

The following report sets forth the annual projection for the Fund's results for the plan years 2023 through 2025. The report is based on claims information and other pertinent data provided by the Administrator. The report summarizes results of the most recent plan year, gives commentary on key findings, projects future results, and provides recommendations for action.

# Summary of 2022 Plan Year Results

- Contribution income increased 188.7% from $1,356,000 to $4,029,000 (see Table 1).
- Investment income was lower, going from a gain of $649,000 in 2021 to a gain of $121,000 in 2022.
- Total income was higher by 103.0% ($4,150,000 compared to $2,045,000 the prior year).
- Self-Insured benefit expense decreased by 22.5% from $3,428,000 to $2,655,000.
- Total benefit expense decreased by 21.3% from $3,625,000 to $2,853,000.
- Total expense decreased by 19.5% from $3,989,000 to $3,211,000.
- The operating result was a gain of $939,000 compared to a loss of $1,944,000 in 2021.
- The operating loss was 22.6% of income in 2022 compared to 95% in 2021.
- The average number of eligible participants was 364 compared to 420 for 2021.
- On a per head basis, total income was higher by 134.0% (see Table 1-A).
- On a per head basis, total benefit expenses were lower by 9.2%; total expense was down 7.2%.
- On a per head basis, the operating result was a gain of $214.90 per eligible participant per month compared to a loss of $385.89 in 2021.

## Key Findings and Observations

- Fund total assets of 12/31/22 were $8,064,000 on an unaudited basis; allowing for the claim reserve and the extended eligibility reserve (together equaling approximately $3,103,000). The net asset number is $4,960,000 (see Table 3). This represents 18.5 months of expenses (using 2022 expenses as the base). Total assets as of 12/31/22 represented 30.1 months of expenses.
- The Fund has experienced its first gain after two years of losses which followed seven consecutive years of gains. The recap of historical fund assets (at the beginning of each plan year) can be found on Table 2. Our estimate for 2022 end of year assets can be found on Table 3.
- Per-head self-insured benefit expenses over the three-year period were higher by 5.9% (on a compounded annual basis). The four-year trend is more in line with our trend assumptions at +5.4% compounded. Total contributions are up significantly over the last three years due to the impact of the pandemic and the recent seeming recovery (see Table 4).
- The investment return was estimated at 1.6% for 2022, 8.3% for 2021, 9.2% in 2020 and 11.9% in 2019. Note that this compares total investment income with average total assets, which includes cash and certain receivables and as a result will always be lower than what is reported by the investment consultant.

## Three Year Projection

- For this projection, we have shown assumptions and parameters in Table 6.
- The annual trend rates used reflect historical trends for this Fund, general market conditions, and experience of other Taft-Hartley Funds. For all self-insured claims, we are using an annual trend rate of 5.4%, which is lower than the 8% to 9% most insurance companies would use. It reflects the long-term relatively modest healthcare trends this Fund has actually experienced.
- The last three years of Fund expenses have been used as the base from which to project forward. We have weighted the three years equally.
- For purposes of this report, we have assumed hours for 2023 will be 90% of 2019 hours, or 775,000. We assumed hours at 850,000 for 2024 and 2025, in line with

pre-pandemic assumptions. We assumed current hourly rates of $6.35 for exhibitors and $3.50 for shop employees would continue through the projection periods.

- We have used the same assumption for investment return as in previous years (4.0%).
- For the assumption for the number of eligible members we used plan year 2022 average for 2023 projection. For 2024 and 2025 we used the average number of eligible participants from Q4 2022.
- Given the above, we are predicting a gain for 2023 of $1,515,000, but lesser gains for the out years, which is due to inflation acting on claim costs but no assumption for increases to hourly rates.
- With anticipated results, we project the total assets will be $11,808,000 at the end of 2025. We estimate net assets will be $7,572,000 and represent 19.7 months of expenses by the end of 2025.

## Conclusions and Recommendations

- The Fund has been able to withstand the severe impact of the pandemic on work and contributions while extending benefits for a significant period. If healthcare inflation produces the results we project in 2024 and 2025, no changes will need to be made to ensure losses don't erode a relatively strong asset base.

- We will work with the Fund Administrator and attorney to continuously monitor the Fund's financial position and recommend potential plan changes to maintain appropriate reserve levels. Those changes could include increases to the contribution rate, moving the hours required for eligibility back to pre-pandemic thresholds, and programs to control healthcare costs with minimal member impact.

# Tables

# Table 1

## Summary Statement of Income and Expense

**Comparison of Years Ended**
**December 31, 2018 through December 31, 2020**

| | | 2022 | | | 2021 | | | 2020 |
|---|---|---|---|---|---|---|---|---|
| **Income** | | | **% Change** | | | **% Change** | | |
| Employer Contributions | $ | 3,974,525 | 195.7% | $ | 1,344,064 | 17.9% | $ | 1,139,575 |
| Employee Contributions | | 54,697 | 5.8% | | 51,704 | -10.4% | | 57,690 |
| Liquidated Damages/Other | | - | | | - | | | - |
| *Total Contributions* | $ | 4,029,221 | 188.7% | $ | 1,395,767 | 16.6% | $ | 1,197,265 |
| Investment Income | $ | 121,148 | -81.3% | $ | 649,153 | -29.1% | $ | 915,571 |
| **Total Income** | **$** | **4,150,369** | **103.0%** | **$** | **2,044,920** | **-3.2%** | **$** | **2,112,836** |
| **Expense** | | | | | | | | |
| Benefit Expense | | | | | | | | |
| Medical | $ | 2,291,588 | -19.3% | $ | 2,840,547 | -12.0% | $ | 3,228,238 |
| Dental | | 67,011 | -47.4% | | 127,419 | -3.8% | | 132,474 |
| Prescription | | 279,370 | -35.5% | | 432,990 | -2.8% | | 445,637 |
| Disability | | 5,143 | 380.8% | | 1,070 | 37.6% | | 778 |
| Vision | | 12,230 | -23.6% | | 15,998 | 26.1% | | 12,684 |
| Death | | - | | | 10,000 | | | 10,000 |
| *Total Self-Insured Benefit Expense* | *$* | *2,655,342* | *-22.5%* | *$* | *3,428,023* | *-10.5%* | *$* | *3,829,811* |
| Stop-Loss Premiums | | 197,940 | 0.7% | | 196,531 | -28.0% | | 272,842 |
| *Total Benefit Expense* | *$* | *2,853,282* | *-21.3%* | *$* | *3,624,555* | *-11.7%* | *$* | *4,102,653* |
| Administration Expense | | 358,200 | -1.7% | | 364,500 | -22.2% | | 468,294 |
| **Total Expense** | **$** | **3,211,482** | **-19.5%** | **$** | **3,989,054** | **-12.7%** | **$** | **4,570,947** |
| **Operating Gain/(Loss)** | **$** | **938,888** | **-148.3%** | **$** | **(1,944,134)** | **-20.9%** | **$** | **(2,458,111)** |
| Operating Gain/(Loss) as a % of Inc | | 22.6% | | | -95.1% | | | -116.3% |
| Estimated Investment Return | | 1.6% | | | 8.3% | | | 9.2% |

# Table 1-A

## Summary Statement of Income and Expense

**Comparison of Years Ended**
**December 31, 2018 through December 31, 2020**

*Per Eligible Employee Per Month*

| | 2022 | % Change | 2021 | % Change | 2020 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Employer Contributions | $ 909.71 | 241.0% | $ 266.79 | 65.0% | $ 161.69 |
| Employee Contributions | 12.52 | 22.0% | 10.26 | 25.4% | 8.19 |
| Liquidated Damages/Other | - | | - | | - |
| *Total Contributions* | $ 922.23 | 232.9% | $ 277.05 | 63.1% | $ 169.87 |
| Investment Income | $ 27.73 | -78.5% | $ 128.85 | -0.8% | $ 129.91 |
| **Total Income** | **$ 949.96** | **134.0%** | **$ 405.90** | **35.4%** | **$ 299.78** |
| **Expense** | | | | | |
| Benefit Expense | | | | | |
| Medical | $ 524.51 | -7.0% | $ 563.82 | 23.1% | $ 458.04 |
| Dental | 15.34 | -39.4% | 25.29 | 34.6% | 18.80 |
| Prescription | 63.94 | -25.6% | 85.94 | 35.9% | 63.23 |
| Disability | 1.18 | 454.4% | 0.21 | 92.4% | 0.11 |
| Vision | 2.80 | -11.8% | 3.18 | 76.4% | 1.80 |
| Death | - | -100.0% | 1.98 | | 1.42 |
| *Total Self-Insured Benefit Expense* | *$ 607.77* | *-10.7%* | *$ 680.43* | *25.2%* | *$ 543.39* |
| Stop-Loss Premiums | 45.31 | 16.1% | 39.01 | 0.8% | 38.71 |
| *Total Benefit Expense* | *$ 653.07* | *-9.2%* | *$ 719.44* | *23.6%* | *$ 582.10* |
| Administration Expense | 81.99 | 13.3% | 72.35 | 8.9% | 66.44 |
| **Total Expense** | **$ 735.06** | **-7.2%** | **$ 791.79** | **22.1%** | **$ 648.55** |
| **Operating Gain/(Loss)** | **$ 214.90** | **-155.7%** | **$ (385.89)** | **10.6%** | **$ (348.77)** |
| **Average Eligible Participants** | **364** | | **420** | | **587** |

# Table 2

## Historical Fund Assets (BOY)

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Beginning Assets (Investments) | $ 5,547,344 | $ 8,142,850 | $ 10,423,235 |
| Beginning Cash | 1,292,626 | 332,884 | 671,759 |
| Beginning Receivables | 660,297 | 118,722 | 351,136 |
| Beginning Other Assets/Accts. Payable | (375,599) | (37,130) | (114,216) |
| **Beginning Total Assets** | **$ 7,124,668** | **$ 8,557,326** | **$ 11,331,914** |

# Table 3

## Reserve Development

| | | Plan Year Ending 2022 |
|---|---|---|
| Beginning Total Assets | $ | 7,124,668 |
| Plan Year Gain/Loss | | 938,888 |
| Ending Total Assets | | 8,063,556 |
| Plan Liabilities: | | |
| IBNR Claim Reserve | | 354,708 |
| Extended Eligibility | | 2,748,663 |
| Total Liabilities | $ | 3,103,372 |
| **Plan Net Assets** | **$** | **4,960,184** |
| Net Assets in Months of Expense | | 18.53 |
| Total Assets in Months of Expense | | 30.13 |

# Table 4

## Key Cost Trends -- Three Year Comparison

| | 2022 | 2021 | 2020 | Annualized Three Year Trend |
|---|---|---|---|---|
| Employer Contributions | $ 909.71 | $ 266.79 | $ 161.69 | 137.2% |
| Employee Contributions/Other | 12.52 | 10.26 | 8.19 | 23.7% |
| **Total Contributions** | **$ 922.23** | **$ 277.05** | **$ 169.87** | **133.0%** |
| | | | | |
| Medical Claims | $ 524.51 | $ 563.82 | $ 458.04 | 7.0% |
| Dental Claims | 15.34 | 25.29 | 18.80 | -9.7% |
| Prescription Drug Claims | 63.94 | 85.94 | 63.23 | 0.6% |
| Disability Claims | 1.18 | 0.21 | 0.11 | 226.6% |
| Vision Claims | 2.80 | 3.18 | 1.80 | 24.7% |
| **Self-Insured Benefit Expense** | **$ 607.77** | **$ 678.45** | **$ 541.97** | **5.9%** |
| Stop-Loss Premiums | 45.31 | 39.01 | 38.71 | 8.2% |
| **Total Benefit Expense** | **$ 653.07** | **$ 717.46** | **$ 580.68** | **6.1%** |
| Administration | $ 81.99 | $ 72.35 | $ 66.44 | 11.1% |
| **Total Expense** | **$ 689.76** | **$ 750.80** | **$ 608.41** | **6.5%** |

# Table 5

## Assumptions to Use for Projections

| Annual Trend Rates to Use | | |
|---|---|---|
| Estimated Hours | Year 1 | 775,000 |
| | Years 2/3 | 850,000 |
| Medical Claims | | 5.0% |
| Dental Claims | | 3.0% |
| Prescription Drug Claims | | 9.0% |
| Disability Claims | | 2.0% |
| Vision Claims | | 2.0% |
| Stop-Loss Premiums | | 7.5% |
| Administration | | 3.0% |

| **Base Period to Use for Projections** | | |
|---|---|---|
| | | % Weight |
| Plan Year | 2022 | 33% |
| Plan Year | 2021 | 33% |
| Plan Year | 2020 | 33% |

| | | |
|---|---|---|
| Assumed Rate of Investment Return | | 4.0% |
| Estimated Eligibles for: | Year 1 | 364 |
| | Years 2/3 | 431 |

# Table 6

## Three Year Projection

| | 2023 | 2024 | 2025 |
|---|---|---|---|
| **Beginning Total Assets** | **$ 8,063,556** | **$ 9,578,281** | **$ 10,788,727** |
| **Income** | | | |
| Total Contributions | $ 4,745,900 | $ 5,199,598 | $ 5,199,598 |
| Investment Return | 345,918 | 399,353 | 443,079 |
| **Total Income** | **$ 5,091,818** | **$ 5,598,951** | **$ 5,642,677** |
| **Expense** | | | |
| Benefit Costs | | | |
| Medical Claims | $ 2,518,143 | $ 3,130,014 | $ 3,286,514 |
| Dental Claims | 97,977 | 119,464 | 123,048 |
| Prescription Drug Claims | 369,461 | 476,730 | 519,635 |
| Disability Claims | 2,249 | 2,716 | 2,770 |
| Vision Claims | 12,307 | 14,860 | 15,158 |
| *Total Benefit Costs* | *$ 3,000,138* | *$ 3,743,784* | *$ 3,947,126* |
| Stop-Loss Reinsurance | 208,008 | 264,707 | 284,560 |
| Administration | 368,946 | 380,014 | 391,414 |
| **Total Expense** | **$ 3,577,092** | **$ 4,388,505** | **$ 4,623,100** |
| **Operating Gain/(Loss)** | **$ 1,514,726** | **$ 1,210,446** | **$ 1,019,576** |
| **Ending Total Assets** | **$ 9,578,281** | **$ 10,788,727** | **$ 11,808,304** |
| Claims Reserve | $ 373,907 | $ 466,588 | $ 491,931 |
| Extended Eligibility Reserve | 2,897,441 | 3,554,684 | 3,744,706 |
| **Ending Net Assets** | **$ 6,306,933** | **$ 6,767,455** | **$ 7,571,667** |
| **Net Assets as Months in Reserve** | **21.16** | **18.51** | **19.65** |