Operating Engineers Local 77

Health and Welfare Program

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Introduction

The following report sets forth the annual projection for the Program's results for the plan years 2026 through 2028. 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 2025 Plan Year Results

- Contributions increased from $17,642,000to $17,959,000, up 1.8% (see Table 1).
- Net investment income is up from a gain of $2,030,000 in 2024 to a gain of $2,987,000 in 2025.
- Total income increased 6.4% in 2025 after having increased by 5.3% in 2024. Total Income went from $18,704,000 in 2023 up to $19,694,000 in 2024 to $20,947,000 most recently in 2025.
- Benefit expense increased 12.8% from $15,275,000 in 2024 to $17,227,000 in 2025. This is excluding the MAPD fully insured Medicare premiums in both years.
- Total expense increased 11.5% from $17,737,000 to $19,770,000.
- The operating result (prior to adjustments for reserves) was a gain of $1,177,000 compared to a gain of $1,957,000 in 2024.
- On a per-head basis, total income was up 6.4% (see Table 1-A).
- On a per-head basis, benefit expenses were higher by 12.8% and total expenses were higher by 11.5% compared to 2024.

Key Findings and Observations

- Net assets (gross assets less immediate liabilities for IBNR and extended eligibility) as of 12/31/25 are $43,246,000 and represent 26 months of expenses. This is down from last year when net assets were at 28 months. The gross assets increased by $1,177,000; the overall liabilities increased by $1,536,000, from $8,725,000 as of the end of 2024 to $10,261,000 at the end of 2025. The extended eligibility reserves have increased compared to year end 2024, from $7,792,000 to $8,312,000. Gross assets as of the end of 2025 represented 26.9 months in reserve.

- The favorable financial outcome for the 2025 plan year was driven by several factors, including an increase in total contributions, a positive investment return and a favorable renewal on the fully insured MAPD plan for the Medicare population.

- While expenses did increase in 2024 compared to 2023, there was a significant decrease in expenses in 2023 compared to 2022, so they are now back to being in line with 2022, broadly speaking. Meanwhile the Contributions have had modest increases, and 2024's contribution income was roughly in line with the expenses for the year at $17,642,000 of income vs $17,737,000 of total expenses.

- The long-term Total expenses trend is roughly flat but technically decreasing at 0.2% per year when comparing four year period spanning 2022 to 2025.

Three Year Projection

- For this projection, we have shown assumptions and parameters in Table 5.

- We have used the average contribution rate for 2025, as provided by the Administrator, as well as an assumption for an additional $0.25/hour for each year thereafter. We used 2,725,000 for the baseline hours worked assumption in 2026 and beyond, representing the average of the past 2 years with 2,728,000 and 2,721,000 hours in 2024 and 2025, respectively.

- The annual trend rates used reflect several factors: historical trends; changes to the plan; market conditions and experience of other Taft-Hartley Funds. In the aggregate, we are using a trend assumption of 6.0%, which is slightly lower than what was used in last year's report.

- The last three years of plan expenses were used as the base from which to project forward (i.e. 2025, 2024, and 2023)

- We have continued to use an assumption of a 4% annual investment return.

- We have built in an adjustment to account for the switch to MAPD coverage for the Medicare group, effective 1/1/2023. This amounted to a projected 6.8% savings on the

Medical claims, and 21.0% savings on the Rx claims and was only applied to the experience from the 2022 plan year, before it was built into the projection.

- Given the above, we are predicting an operating gain for 2026 of $347,000 and increasing losses for 2027 and 2028 of $-774,000 and $2,222,000, respectively.
- We project the gross assets will be $31,938,000 by the end of the 2027 plan year.
- We project the net assets will be $29,018,000 at the end of 2028.
- In terms of net assets expressed as months in reserve, we project the number as of 12/31/2026 will be at 19.8 months.

Conclusions and Recommendations

- The 2023 plan year was very favorable for the fund, financially, due in part to the movement of the Medicare population to the fully insured MAPD plan. The 2024 plan year came in favorable as well, but has shown a return to the pre-2023 expense levels. In prior years, the fund's contribution income was not high enough to cover total expenses, requiring investment income to achieve a break-even financial year. The 2023 experience broke that trend for the first time since at least 2017. Our projection for 2024 was showing that the contributions would not cover the expenses, and that proved to be correct for 2025 as well. Our 3 year projections show that this will continue on for each of the next three years.
- Overall, the fund has net reserves that are between 20 – 22 months depending on how expenses run in 2026 which is a very healthy level of reserves for a mostly self-funded group. Also, the move to MAPD on the Medicare side should continue to help stabilize the fund's expenses from year to year.
- We will continue to closely monitor results during 2026 and suggest possible increases to member cost sharing should results again turn negative.

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Table 1

Summary Statement of Income and Expense

Comparison of Years Ended December 30, 2023 through December 30, 2025

Income		2025	% Change		2024	% Change		2023
Employer Contributions	$	16,473,559	1.3%	$	16,256,484	2.8%	$	15,806,924
Employee Contributions	$	745,387	-4.7%	$	781,845	-3.7%	$	811,480
Reciprocity (Net)	$	736,551	22.6%	$	600,919	249.7%	$	171,819
Liquidated Damages	$	3,937		$	2,747		$	7,115
Total Contributions	**$**	**17,959,434**	**1.8%**	**$**	**17,641,995**	**5.0%**	**$**	**16,797,338**
Investment Income	$	3,157,847	n/a	$	2,212,523	n/a	$	2,056,552
Less: Investment Fees	$	(170,356)	n/a	$	(182,264)	n/a	$	(147,196)
Net Investment Income	**$**	**2,987,491**	**n/a**	**$**	**2,030,259**	**n/a**	**$**	**1,909,356**
Medicare Part D Subsidy	$	-	-100.0%	$	21,918	-980.1%	$	(2,490)
Total Income	**$**	**20,946,925**	**6.4%**	**$**	**19,694,172**	**5.3%**	**$**	**18,704,203**

Expense								
Benefit Expense								
Medical	$	12,731,332	13.6%	$	11,204,601	8.9%	$	10,285,759
Dental	$	720,637	4.7%	$	688,296	-2.5%	$	706,194
Prescription Drug Benefits	$	3,641,797	11.9%	$	3,253,953	44.6%	$	2,250,471
Vision	$	133,396	4.5%	$	127,673	-8.7%	$	139,823
Total Benefit Expense	**$**	**17,227,162**	**12.8%**	**$**	**15,274,523**	**14.1%**	**$**	**13,382,247**
Administration Expense		749,635	4.4%		718,094	-1.1%		725,863
Network Rental/UM Fees	$	456,518	6.6%	$	428,382	3629.6%	$	11,486
Total Administration	**$**	**1,206,153**	**5.2%**	**$**	**1,146,476**	**55.5%**	**$**	**737,349**
Medicare Advantage Premiums	$	1,336,827	1.6%	$	1,315,801	-0.4%	$	1,321,508
Total Expense	**$**	**19,770,142**	**11.5%**	**$**	**17,736,800**	**14.9%**	**$**	**15,441,104**
Operating Gain/(Loss)	**$**	**1,176,783**		**$**	**1,957,372**		**$**	**3,263,100**
Gross Assets - Beg. of Year	***$***	***42,069,214***		***$***	***40,111,842***		***$***	***36,848,742***
Gross Assets - End of Year	***$***	***43,245,997***		***$***	***42,069,214***		***$***	***40,111,842***

Table 1-A

Summary Statement of Income and Expense

Comparison of Years Ended December 30, 2023 through December 30, 2025

Per Eligible Employee Per Month

Income		2025	% Change		2024	% Change		2023
Employer Contributions	$	1,132.67	1.3%	$	1,117.75	2.2%	$	1,094.06
Employee Contributions	$	51.25	-4.7%	$	53.76	-4.3%	$	56.17
Reciprocity& Liquidated Damages	$	50.91	22.7%	$	41.51	235.1%	$	12.38
Total Contributions	**$**	**1,234.83**	**1.8%**	**$**	**1,213.01**	**4.3%**	**$**	**1,162.61**
Investment Income	$	217.12	42.7%	$	152.13	6.9%	$	142.34
Less: Investment Fees	$	(11.71)	-6.5%	$	(12.53)	23.0%	$	(10.19)
Net Investment Income	**$**	**205.41**	**47.1%**	**$**	**139.59**	**5.6%**	**$**	**132.15**
Medicare Part D Subsidy	$	-	-100.0%	$	1.51	-974.3%	$	(0.17)
Total Income	**$**	**1,440.25**	**6.4%**	**$**	**1,354.11**	**4.6%**	**$**	**1,294.59**

Expense								
Benefit Expense								
Medical	$	875.37	13.6%	$	770.39	8.2%	$	711.92
Dental	$	49.55	4.7%	$	47.33	-3.2%	$	48.88
Prescription Drug Benefits	$	250.40	11.9%	$	223.73	43.6%	$	155.76
Vision	$	9.17	4.5%	$	8.78	-9.3%	$	9.68
Total Benefit Expense	**$**	**1,184.49**	**12.8%**	**$**	**1,050.23**	**13.4%**	**$**	**926.24**
Administration Expense	$	51.54	4.4%	$	49.37	-1.7%	$	50.24
Network Rental Fees	$	31.39	6.6%	$	29.45	3605.0%	$	0.79
Total Administration	**$**	**82.93**	**5.2%**	**$**	**78.83**	**54.5%**	**$**	**51.03**
Medicare Advantage Premiums	$	91.92	1.6%	$	90.47	-1.1%	$	91.47
Total Expense	**$**	**1,359.33**	**11.5%**	**$**	**1,219.53**	**14.1%**	**$**	**1,068.74**
Operating Gain/(Loss)	**$**	**80.91**		**$**	**134.58**		**$**	**225.85**
Actives Average		**1,212**			**1,212**			**1,204**

Table 2

Participation History

Monthly Enrollment for the year ending December 31, 2025; Historical Annual Average

Month	Actives	Under 65 Retirees	Over 65 Retirees	Self-Pay	COBRA	Total
January	1,218	21	387	0	2	1,628
February	1,215	21	386	0	4	1,626
March	1,208	20	383	0	4	1,615
April	1,207	20	381	0	4	1,612
May	1,191	20	380	0	4	1,595
June	1,195	18	386	0	4	1,603
July	1,204	18	384	0	5	1,611
August	1,213	17	385	0	6	1,621
September	1,217	18	385	0	7	1,627
October	1,225	18	382	0	8	1,633
November	1,229	19	383	0	10	1,641
December	1,225	18	383	0	10	1,636
Average Number	**1,212**	**19**	**384**	**0**	**6**	**1,621**

Year Ended December 31:	Actives Average	% Change	Retirees Average	% Change	Total Average	Total % Change
2025	1,212	0.0%	403	0.0%	1,615	0.0%
2024	1,212	0.7%	403	-3.4%	1,615	-0.4%
2023	1,204	3.3%	417	-1.0%	1,621	2.2%
2022	1,165	-6.7%	421	-2.1%	1,586	-5.5%
2021	1,248	-9.0%	430	0.7%	1,678	-6.7%
2020	1,372	6.5%	427	0.2%	1,799	5.0%
2019	1,288	13.1%	426	0.0%	1,714	9.5%
2018	1,139	-1.6%	426	0.9%	1,565	-0.9%
2017	1,158	6.2%	422	-0.7%	1,580	4.3%
2016	1,090	10.5%	425	1.2%	1,515	7.8%
2015	986	11.4%	420	-0.7%	1,406	7.5%
2014	885	-2.9%	423	-0.2%	1,308	-2.0%
2013	911		424		1,335	

Table 3

2025 Benefit Cost Comparison

Active vs. Retiree for the year ending December 31, 2025; Retiree Subsidy

	Active Employees		Pre-Medicare Retirees		Medicare Retirees	
	Total	**Per Employee**	**Total**	**Per Retiree**	**Total**	**Per Retiree**
Medical Claims	$ 12,001,790	$ 9,902	$ 673,056	$ 35,424	$ 56,486	$ 147
Dental Claims	$ 541,478	$ 447	$ 8,447	$ 445	$ 170,712	$ 445
Prescription Drug Claims	$ 3,489,608	$ 2,879	$ 151,362	$ 7,966	$ 827	$ 2
Vision Expense	$ 100,232	$ 83	$ 1,564	$ 82	$ 31,600	$ 82
Network Fees	$ 449,472	$ 371	$ 7,046	$ 371	$ -	$ -
Medicare Advantage Premiums	n/a	n/a	n/a	n/a	$ 1,336,827	$ 3,481
Total Benefit Cost	**$ 16,582,580**	**$ 13,682**	**$ 841,475**	**$ 44,288**	**$ 1,596,452**	**$ 4,157**
Self-Pay Amounts			$ 60,890	$ 3,205	$ 614,909	$ 1,601
Net Cost			**$ 780,585**	**$ 41,083**	**$ 981,543**	**$ 2,556**

Table 4
Key Cost Trends - 3 Year Comparison

	2025	2024	2023	Annualized Three Year Trend
Employer Contributions	$ 1,132.67	$ 1,117.75	$ 1,094.06	1.7%
Employee Contributions	$ 51.25	$ 53.76	$ 56.17	-4.5%
Total Contributions	**$ 1,183.92**	**$ 1,171.50**	**$ 1,150.22**	**1.5%**
Medical Claims	$ 875.37	$ 770.39	$ 711.92	10.9%
Dental Claims	$ 49.55	$ 47.33	$ 48.88	0.7%
Prescription Drug Claims	$ 250.40	$ 223.73	$ 155.76	26.8%
Vision	$ 9.17	$ 8.78	$ 9.68	-2.6%
Self Funded Benefit Costs	**$ 1,184.49**	**$ 1,050.23**	**$ 926.24**	**13.1%**
Administration (incl. network fees)	$ 82.93	$ 78.83	$ 51.03	27.5%
Medicare Advantage Premiums	$ 91.92	$ 90.47	$ 91.47	0.2%
Total Expenses	**$ 1,359.33**	**$ 1,219.53**	**$ 977.27**	**17.9%**

Table 5
Assumptions Used for Projections

Annual Trend Rates to Use

Total Contributions	$0.25/hour increase each year
Medical Claims	6.0%
Dental Claims	3.0%
Prescription Drug Benefits	9.0%
Vision Claims	3.0%
Medicare Advantage Premiums	8.0%
Administration	2.0%

Base Period to Use for Projections

		% Weight
Plan Year	2023	10%
Plan Year	2024	30%
Plan Year	2025	60%

Assumed Rate of Investment Return	4.0%
Total Non Medicare at Beginning of Year	1,253
Total Medicare at Beginning of the Year	383
Total Eligibles at Beginning of Year	1,636
Hours per Year	2,725,000

Table 6
Three Year Projection

		2026		2027		2028
Beginning Gross Assets	$	43,245,997	$	43,593,216	$	42,851,798
Income						
Total Contributions	$	18,964,487	$	19,154,312	$	19,084,196
Investment Return (net)	$	1,535,737	$	1,528,766	$	1,476,353
Total Income	**$**	**20,500,224**	**$**	**20,683,077**	**$**	**20,560,549**
Expense						
Benefit Costs						
Medical Claims	$	12,841,943	$	13,612,459	$	14,429,207
Dental Claims	$	767,202	$	790,218	$	813,925
Prescription Drug Benefits	$	3,792,001	$	4,133,282	$	4,505,277
Vision	$	143,137	$	147,431	$	151,854
Medicare Advantage Premium	$	1,336,827	$	1,443,773	$	1,559,275
Total Benefit Costs	$	18,881,110	$	20,127,163	$	21,459,537
Administration (incl. network fees)	$	1,271,894	$	1,297,332	$	1,323,279
Total Expense	**$**	**20,153,004**	**$**	**21,424,495**	**$**	**22,782,816**
Operating Gain/(Loss)	**$**	**347,219**	**$**	**(741,418)**	**$**	**(2,222,267)**
Ending Gross Assets	**$**	**43,593,216**	**$**	**42,851,798**	**$**	**40,629,532**
Claim Reserve	$	1,949,000	$	2,078,000	$	2,216,000
Accumulated Eligibility Reserve	$	8,312,000	$	8,836,000	$	9,396,000
Ending Net Assets	**$**	**33,332,216**	**$**	**31,937,798**	**$**	**29,017,532**
Net Assets as Months in Reserve		**19.8**		**17.9**		**15.3**