

# Multiemployer health and welfare fund statistics: Fall 2019

Milliman analysis shows that net assets for all multiemployer health and welfare plans increased by more than half a month of total expenses from the prior year, indicating total income exceeded total expenses for the average plan

David Stoddard, FSA, MAAA



This is the second annual Milliman Multiemployer Health and Welfare Study, which analyzes various financial disclosures for multiemployer health and welfare plans, also known as Taft-Hartley plans, nationwide.

This year's report includes 2017 data for a total of 1,320 plans covering approximately 4.9 million members.<sup>1</sup>

Figure 1 summarizes financials for these plans.

Highlights from this report include:

The average plan could pay for approximately one year and one month of benefits and expenses with its net assets.

There was an aggregate increase in net assets from 2016 to 2017 of approximately 0.7 months of total expenses.

Total income exceeded total expenses by approximately 10.6%, an increase of 1.4 percentage points over the prior year.

Administrative expenses represented 5.6% of total expenses on average, a decrease of 0.3 percentage points over the prior year.

**FIGURE 1: TOTAL PLAN INFORMATION BY MEMBER COUNTS**

MEMBER COUNT	NUMBER OF PLANS	TOTAL MEMBERS	TOTAL NET ASSETS (IN MILLIONS)	MEMBER COUNT	TOTAL INCOME (IN MILLIONS)	TOTAL EXPENSES (IN MILLIONS)	NET ASSETS (IN MONTHS OF EXPENSES)
FEWER THAN 500	344	100,644	\$1,627.8	FEWER THAN 500	\$1,321.0	\$1,119.7	16.1
500 – 2,499	617	752,375	\$11,449.0	500 – 2,499	\$10,119.5	\$9,224.2	14.9
2,500 – 4,999	165	569,023	\$9,009.7	2,500 – 4,999	\$7,695.3	\$6,987.1	15.5
5,000 – 19,999	159	1,558,624	\$20,001.4	5,000 – 19,999	\$19,435.8	\$17,381.2	13.8
20,000 OR MORE	35	1,952,353	\$16,666.0	20,000 OR MORE	\$20,937.8	\$18,989.3	10.5
<b>TOTAL</b>	<b>1,320</b>	<b>4,933,019</b>	<b>\$58,753.9</b>	<b>TOTAL</b>	<b>\$59,509.4</b>	<b>\$53,796.3</b>	<b>13.1</b>

<sup>1</sup> Member counts include only active employees, retirees, and surviving spouses and exclude covered spouses and children.

## Fund capitalization statistics

Figure 2 groups plans by net assets (surplus) measured in terms of months of total expenses (that is, how many months of total expenses could be paid using only net assets). For example, if a plan's net assets at the end of a year are equal to its total expenses for the year, the Taft-Hartley plan would be able to continue paying benefits for 12 months if all contributions ceased and expenses remained unchanged from the prior year.

This year's study found there were 286 plans (21.7% of total plans) holding assets that were less than six months of total expenses as of the end of 2017, while 260 plans (19.7% of total plans) held assets that were more than 24 months of total expenses. Last year, 23.0% of plans held assets that were less than six months of total expenses, while 17.8% of total plans held assets that were more than 24 months of total expenses, meaning there was a decrease in the percentage of plans holding assets of less than six months of total expenses and a corresponding increase in the percentage of plans holding assets of more than 24 months of total expenses, which is consistent with our findings that both total income and net assets increased when compared to the prior year. The percentage of plans whose assets were between six and 24 months of total expenses remained relatively consistent, indicating an overall increase in fund capitalization.

**FIGURE 2: NUMBER OF PLANS BY NET ASSETS (SHOWN AS MONTHS OF TOTAL EXPENSES)**

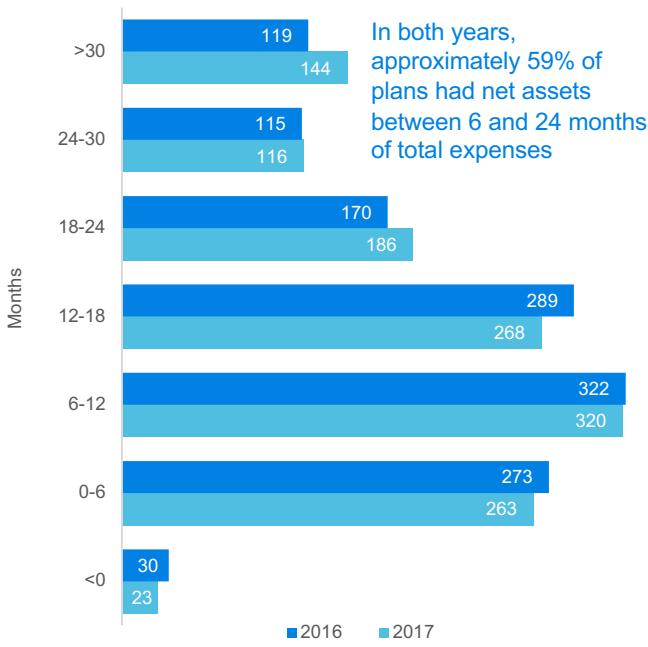
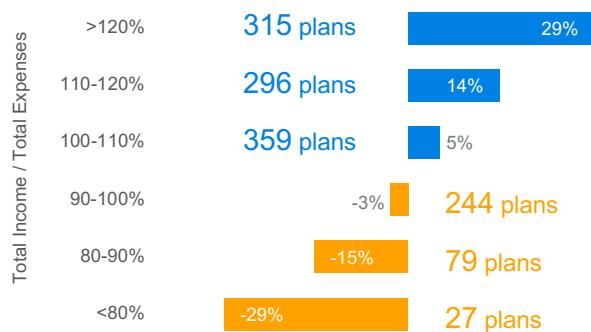


Figure 3 groups plans by total income over total expenses, with each bar representing the average gain/(loss) by subgroup. Total income over total expenses reflects the excess/(shortage) of income versus expenses. For example, if total income is greater than total expenses, the plan is building surplus (increasing net assets). There were 350 plans (26.5% of total plans) that dipped into their net assets in 2017 (i.e., had a loss for the year), while 963 plans (73.0% of total plans) increased net assets (i.e., had a gain for the year), and seven plans that covered total expenses exactly for the year. This is a positive shift of approximately 3.0 percentage points from the prior year, when 29.4% of total plans had a loss for the year while 70.0% of total plans had a gain for the year.

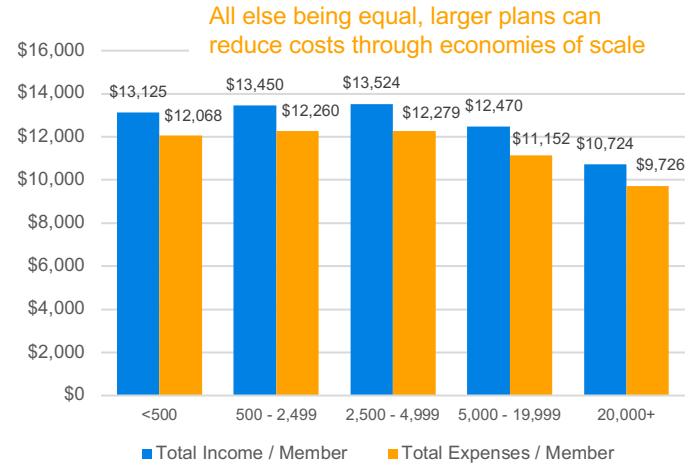
**FIGURE 3: AVERAGE GAIN OR LOSS (SHOWN AS % OF TOTAL EXPENSES)**



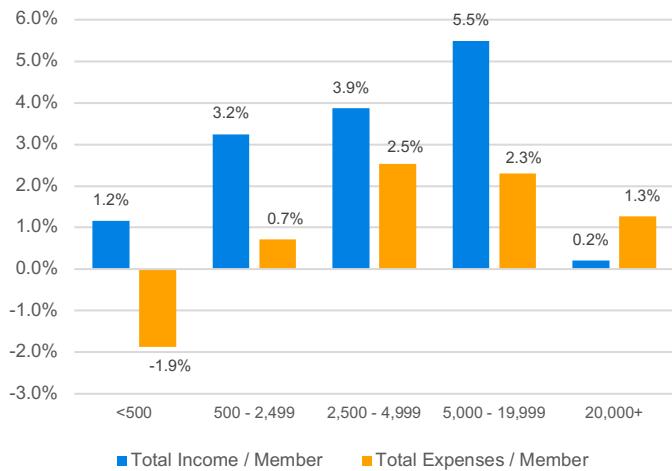
## Per member statistics

Figure 4 shows the average total income per member and average total expenses per member by plan size, while Figure 5 shows the change from 2016 to 2017 in the average total income per member and average total expenses per member by plan size.

**FIGURE 4: AVERAGE TOTAL INCOME PER MEMBER AND AVERAGE TOTAL EXPENSES PER MEMBER**



**FIGURE 5: AVERAGE CHANGE FROM 2016 TO 2017 IN TOTAL INCOME PER MEMBER AND AVERAGE TOTAL EXPENSES PER MEMBER**



For these Taft-Hartley plans, Figure 4 shows that income and expense patterns were largely similar to each other; as membership increased, average total expenses per member decreased. Plans with more membership generally have larger purchasing power and can reduce costs through economies of scale. Figure 5 shows that the average total income per member increased by a larger percentage than average total expenses per member for all subgroups except for the plans with 20,000 or more members, though the difference in increases was just above one percentage point for this group. Plans with fewer than 500 members saw average total expenses per member decrease compared to last year. No other subgroup saw a decrease in average total expenses per member. The increase in total income per member from 2016 to 2017 for all plans was greater on average than the increase in total expenses per member, reinforcing the data shown in Figure 3 above.

## About this study

A single Form 5500 filing can contain information pertaining to more than one benefit program, including non-health-related plans such as life insurance.

The following steps were taken to select the plans to assess from the entire 2017 Internal Revenue Service (IRS) Form 5500 database:

1. Excluded plans that did not have code "1" listed in Part I (A) of the Form 5500. Code "1" indicates that the plan is a multiemployer plan.
2. Excluded plans that did not have code "4A" listed in Part II (8b) of the Form 5500. Code "4A" indicates that a health plan is offered.
3. Excluded plans where the fiscal plan year did not fall at least partially in 2017 (28 plans).
4. Excluded plans that did not submit a Schedule H (432 plans). Schedule H provided the basis for the information presented in this report. There are a few reasons that a plan may not submit a schedule H. For example, fully insured, unfunded, or a combination of unfunded and fully insured welfare plans are not required to submit a Schedule H.
5. Excluded plans that did not report any members (26 plans).
6. Excluded plans that included data that were determined to be outliers (269 plans). Outliers were determined using an "inner fence" methodology for the statistics presented in this report, so as to limit the range of the charts. In this report, the term "outlier" is defined simply as a data point that is greater than a certain distance away from the 25th or 75th percentiles of the data sets. It does not necessarily mean that the data point is erroneous or unreasonable.

The resulting data set consisted of 1,320 plans.

Additionally, the data analyzed in the 2016 report was restated due to the availability of additional plan filings. Figure 6 shows the restated 2016 data.

**FIGURE 6: RESTATED 2016 DATA**

MEMBER COUNT	NUMBER OF PLANS	TOTAL MEMBERS	TOTAL NET ASSETS (IN MILLIONS)	MEMBER COUNT	TOTAL INCOME (IN MILLIONS)	TOTAL EXPENSES (IN MILLIONS)	NET ASSETS (IN MONTHS OF EXPENSES)
<500	356	102,832	\$1,650.5	<500	\$1,334.1	\$1,264.6	15.7
500 – 2,499	629	769,167	\$10,837.9	500 – 2,499	\$10,020.4	\$9,363.8	13.9
2,500 – 4,999	146	504,473	\$7,582.6	2,500 – 4,999	\$6,568.2	\$6,041.4	15.1
5,000 – 19,999	154	1,492,217	\$17,307.7	5,000 – 19,999	\$17,638.5	\$16,267.1	12.8
20,000+	33	1,878,478	\$15,437.8	20,000+	\$20,105.3	\$18,042.4	10.3
<b>TOTAL</b>	<b>1,318</b>	<b>4,747,167</b>	<b>\$52,816.5</b>	<b>TOTAL</b>	<b>\$55,666.6</b>	<b>\$50,979.3</b>	<b>12.4</b>

The data used in this report was not adjusted to a common date, as this would not have a material impact on the results.

The per member figures were developed using active and retiree member counts as of the end of the plan year as reported on the 2017 Form 5500. The member counts include only active employees, retirees, and surviving spouses and exclude covered spouses and children. These counts might overstate or understate the actual per member figures if there were a large increase or decrease in the member count throughout the year. If that occurred, the count at the end of the year might not be indicative of the average throughout the year.

Using the information reported on the Form 5500, and in particular the Schedule H, 2017 statistics were developed for multiemployer plans, as provided in this report. These statistics were developed on a nationwide basis and with no regard to funding arrangement (that is, plans were not separated between fully insured and self-insured). Although there were 2,074 multiemployer health plans that filed a Form 5500 in 2017, the statistics are based on data for 1,320 multiemployer plans that were determined to provide sufficient information for the plan, as detailed above. The 2017 year was the most recent for which information was available; however, this report may be updated for 2018 when the data becomes available.



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## CONTACT

David Stoddard, FSA, MAAA  
[david.stoddard@milliman.com](mailto:david.stoddard@milliman.com)