MILLIMAN WHITE PAPER

Multiemployer health and welfare fund statistics: 2022 report

Milliman analysis finds that net assets (in terms of months of expenses) increased for the fourth straight year for the average plan

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This is the fifth 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 data for 1,261 plans covering approximately 4.7 million members as of 2020, the most recent year for which data is available.[1]

Figure 1 summarizes financial information for these plans, based on Form 5500 filings.

Key findings:

- The average plan could pay for approximately one year and four months of benefits and expenses with its net assets, an increase of approximately two months of total expenses from last year. This is a larger increase than the prior two years' increases.
- Total income exceeded total expenses by 12.5%. This represents a 0.2 percentage point increase compared to the prior year.
- The average investment return was 10.5% in 2020, compared to 9.0% in 2019. As a result, investment income accounted for a larger percentage of the overall income in 2020 (12.0% in 2020 vs. 9.0% in 2019).
- All Taft-Hartley plans included in the final set of plans in this report have plan years beginning on or after January 1, 2020. Due to the timing of the plan years and Form 5500 filings, we do not expect the full impact of the COVID-19 pandemic to be reflected in this report, but rather spread across the Form 5500 filing data for 2019 and 2020.

FIGURE 1: AVERAGE PLAN INFORMATION SPLIT BY MEMBER COUNT

MEMBER COUNT[1]	NUMBER OF PLANS	AVERAGE MEMBERS	AVERAGE NET[2] ASSETS (IN MILLIONS)	AVERAGE INCOME (IN MILLIONS)	AVERAGE EXPENSES (IN MILLIONS)	NET ASSETS (IN MONTHS OF EXPENSES)[3]
Fewer than 500	334	281	$5.6	$4.2	$3.8	17.7
500 – 2,499	603	1,191	$26.3	$18.8	$16.3	19.4
2,500 – 4,999	148	3,498	$67.4	$55.5	$47.8	16.9
5,000 – 19,999	134	9,614	$170.6	$140.2	$121.4	16.9
20,000 or More	42	49,644	$665.5	$604.9	$559.8	14.3
Total	1,261	3,730	$62.3	$51.7	$45.9	16.3

[1] Member counts include only active employees, retirees, and surviving spouses and exclude covered spouses, children, and other dependents. This applies to Figure 1, as well as throughout the report.

[2] Net assets in Figure 1 are defined as total assets minus liabilities.

[3] Also referred to as “Continuation Value,” which is how many months of expenses a plan could pay without any additional contributions or income.

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 its plan year are equal to its total expenses for the year, the plan would be able to continue paying benefits for 12 months if all contributions and other income ceased and expenses remained unchanged from the prior year.

This year's study found there were 200 plans (15.9% of total plans) holding assets that equaled less than six months of total expenses as of the end of their 2020 plan years, while 365 plans (28.9% of total plans) held assets that equaled more than 24 months of total expenses. Last year, 17.6% of plans held assets that were less than six months of total expenses, while 23.6% of total plans held assets that were more than 24 months of total expenses. For the fourth straight year, 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. The percentage of plans whose assets were between six and 24 months of total expenses decreased slightly compared to 2018 and 2019, but there was still an overall increase in fund capitalization due to the higher concentration of plans with greater than 24 months of total expenses (the average plan saw an increase in net assets from 14.1 months of total expenses to 16.3 months).

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

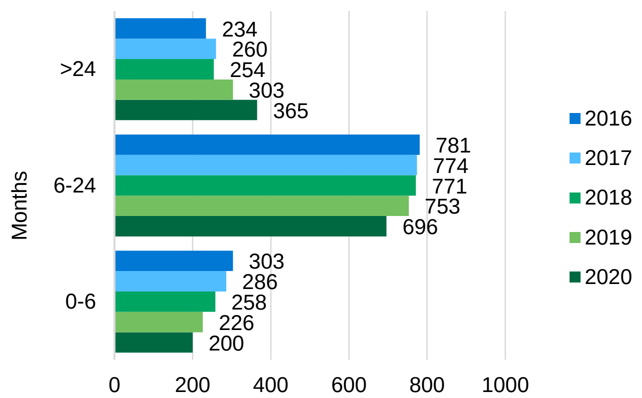


Figure 3 shows the average net assets in terms of months of expenses for the last five calendar years. Average net assets in terms of months of expenses have increased in each year of our analysis. Figure 4 shows the net assets in terms of months of expense by plan size and calendar year for the last 10 years. Overall, regardless of size, funds have experienced an increase in capitalization over the last several years.

FIGURE 3: AVERAGE MONTHS OF EXPENSE BY CALENDAR YEAR

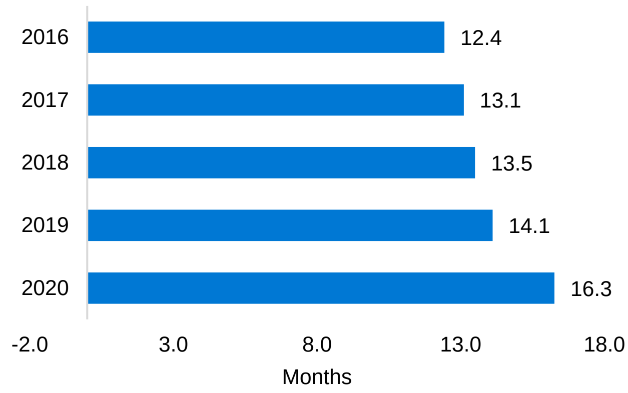


FIGURE 4: NET ASSETS IN MONTHS OF EXPENSE BY PLAN SIZE AND CALENDAR YEAR

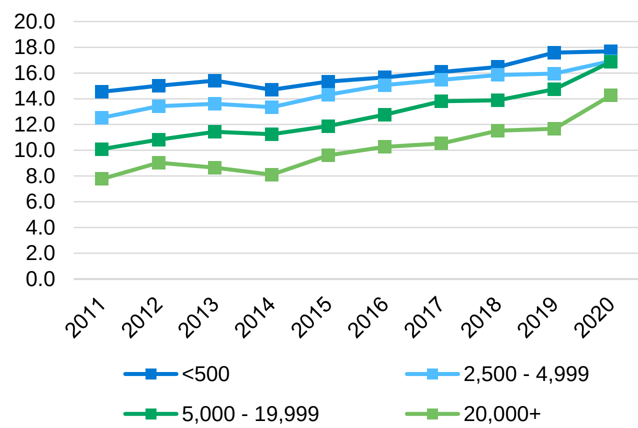


Figure 5 groups plans by total income over total expenses on a percentage basis, with each bar representing the average gain/(loss) by subgroup. Total income over total expenses reflects the excess/(shortage) of income versus expenses. For example, if total income is greater than total expenses, then the plan is building surplus (increasing net assets). There were 284 plans (22.5% of total plans) that had their net assets reduced in 2020 (i.e., had a loss for the year), while 972 plans (77.1% of total plans) increased net assets (i.e., had a gain for the year). Five plans covered total expenses exactly for the year. This is a modest negative shift of approximately 1.1 percentage points from the prior year, when 21.4% of total plans had a loss for the year while 78.2% of total plans had a gain for the year.

FIGURE 5: AVERAGE GAIN OR LOSS (SHOWN AS % OF TOTAL EXPENSES)

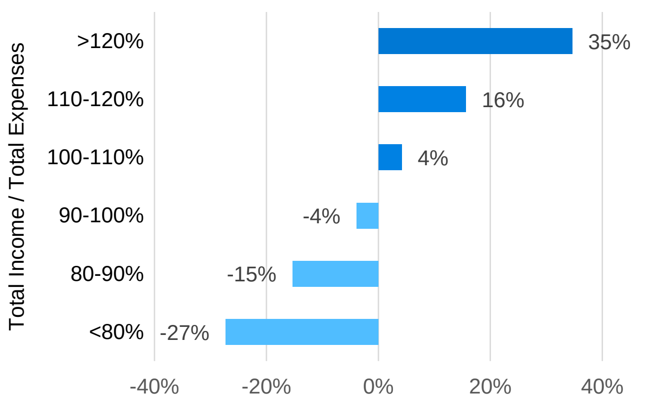


Figure 6 summarizes the percentage of plans that had gains versus losses in each calendar year of our analysis.

FIGURE 6: PERCENTAGE OF PLANS WITH OVERALL GAIN BY YEAR

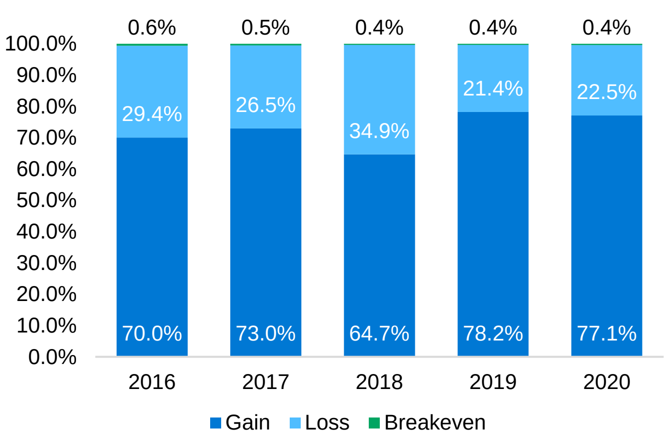
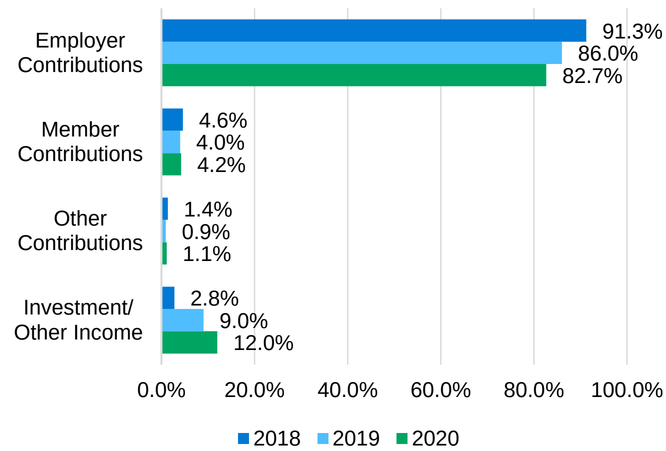


Figure 7 summarizes the income by source (employer contributions, participant contributions, other contributions, and investment/other income) for 2018, 2019, and 2020.

FIGURE 7: INCOME BY SOURCE IN 2018, 2019, AND 2020



Annual per member change in income and expenses

The moderate 4.9% increase in income from 2019 to 2020 was driven by a 1.5% increase in per member contributions and 39.3% increase in per member investment and other income. Total per member expenses increased 4.7% from 2019 to 2020, as compared to a 2.5% increase from 2018 to 2019. Figures 8 to 11 summarize the percentage change in both income and expense on a per member basis.

FIGURE 8: OVERALL INCOME AND EXPENSE CHANGE BY YEAR

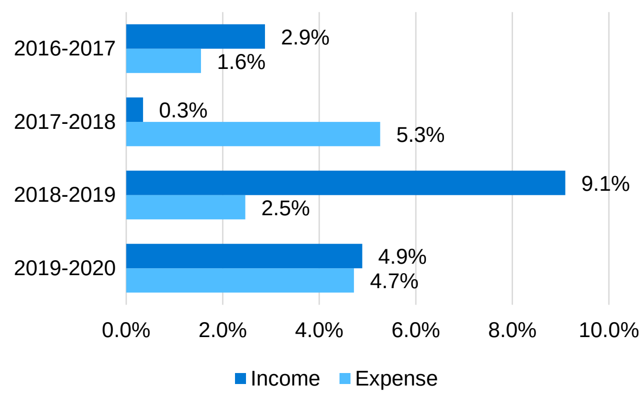


FIGURE 9: SOURCE OF PER MEMBER PER MONTH INCOME AND EXPENSE CHANGE BY YEAR

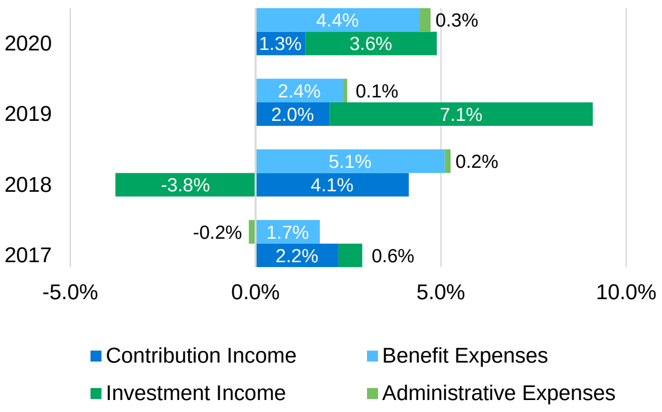


FIGURE 10: CHANGE IN PER MEMBER INCOME BY SOURCE

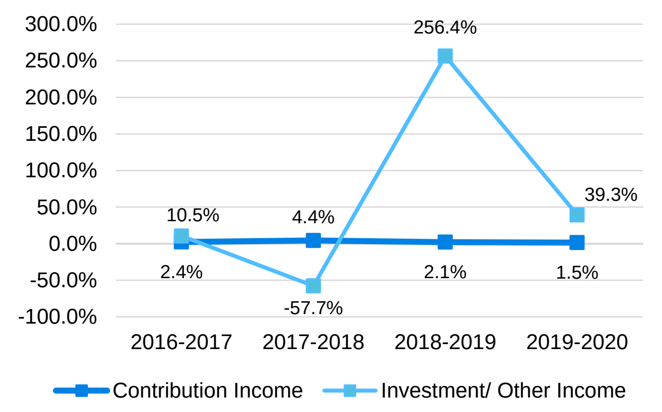
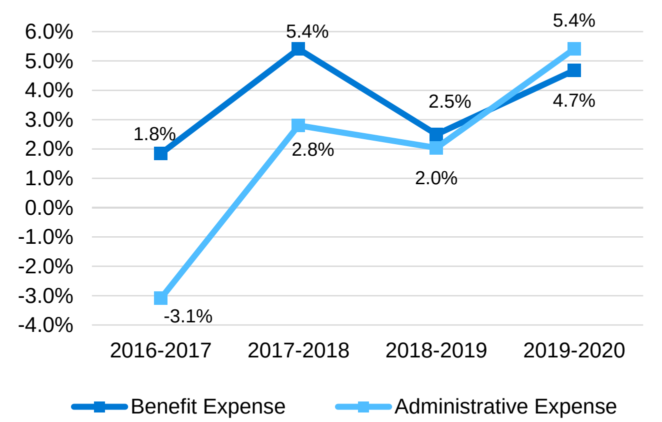


FIGURE 11: CHANGE IN PER MEMBER EXPENSE BY SOURCE



Per member statistics

Figure 12 shows the average total income and average total expenses per member per year by plan size, while Figure 13 shows the average annual change from 2016 to 2020 in the total income per member and total expenses per member, both by plan size and in aggregate. Figure 14 shows the average annual change from 2016 to 2020 in the contribution income per member only, excluding investment and other income, and in total expenses per member, both by plan size and in aggregate.

FIGURE 12: AVERAGE TOTAL INCOME AND EXPENSES PER MEMBER PER YEAR

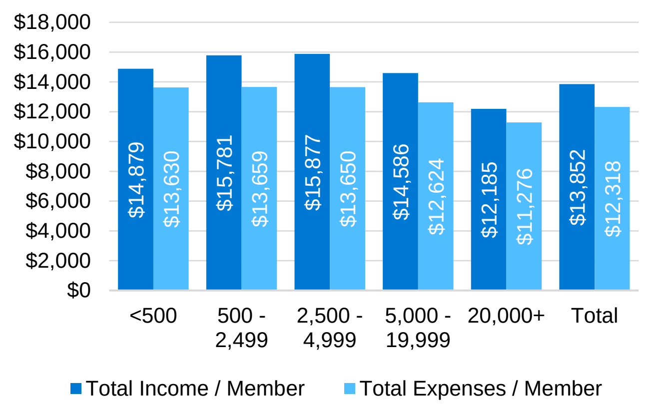


FIGURE 13: AVERAGE ANNUAL CHANGE FROM 2016 TO 2020 IN TOTAL INCOME AND TOTAL EXPENSES PER MEMBER

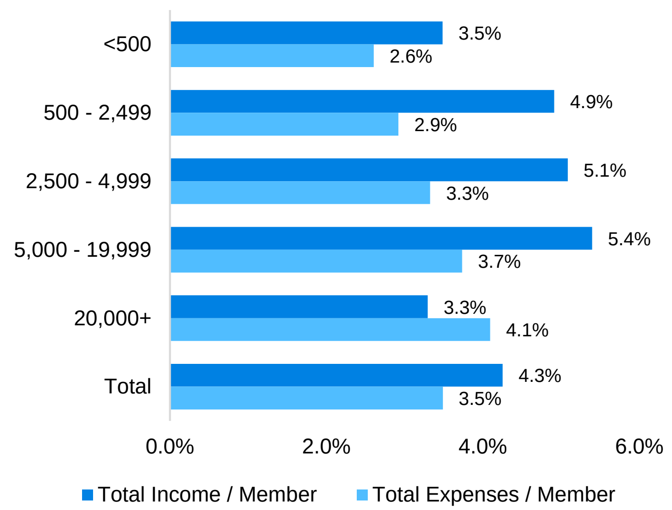
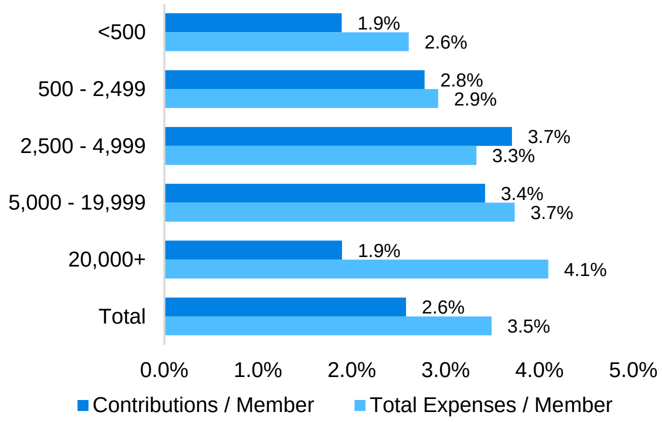


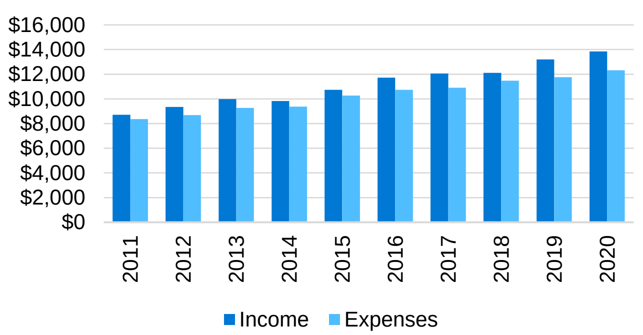
FIGURE 14: AVERAGE ANNUAL CHANGE FROM 2016 TO 2020 IN CONTRIBUTION INCOME AND TOTAL EXPENSES PER MEMBER



For the Taft-Hartley plans included in this study, Figure 12 shows that income and expense patterns by plan size were largely similar to each other; for plans with more than 5,000 members, average total expenses per member are markedly lower than those plans with lower membership. Plans with more membership generally have larger purchasing power and can reduce costs through economies of scale, as well as being more likely to be self-insured, which can reduce plan costs. Figure 13 shows that the average total income per member increased from 2016 to 2020 by a larger percentage than average total expense per member for all subgroups except for plans with over 20,000 members. Figure 14 shows this same information, but controls for investment income growth. For most plan sizes, the average increase in expenses per member has exceeded the average increase in contributions per member, indicating that investment and other non-contribution income sources have been important components to the continual improvement in the overall financial health of multiemployer health and welfare funds.

Figure 15 shows the per member per month income and expense over the last 10 years.

FIGURE 15: TOTAL INCOME AND TOTAL EXPENSES PER MEMBER FROM 2011 TO 2020



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 methodology was used to identify the plans to include in this study from the entire 2020 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 2020 (30 plans).
4. Excluded plans that did not submit a Schedule H (248 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 (33 plans).
6. Excluded plans that included data that were determined to be outliers (255 plans). Outliers were determined using an “inner fence” methodology for the statistics presented in this report, 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 1,261 plans.

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

The per member figures were developed using active, retiree, and surviving spouse member counts as of the end of the plan year, as reported on the 2020 Form 5500. The member counts include only active employees, retirees, and surviving spouses and exclude covered spouses, children, and other dependents. These counts might overstate or understate the actual per member figures if there were large increases or decreases 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.

Throughout the report, investment income also includes other non-contribution income. As a result, figures regarding investment income may be overstated if other non-contribution income were to be removed.

Using the information reported on the Form 5500, specifically Schedule H, 2020 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 1,827 multiemployer health plans that filed a Form 5500 in 2020, the statistics are based on data for 1,261 multiemployer plans that were determined to provide sufficient information for this study, as detailed above. The 2020 year was the most recent for which information was available for most Taft-Hartley plans.

All historical plan information for 2011 to 2015 was loaded from the publicly available Form 5500 filings using the methodology detailed above.

While COVID-19 had an impact on multiemployer health and welfare plans, the Form 5500 data does not contain the granularity required to provide in-depth commentary on the impact of the pandemic. The impact across plans was not uniform. Therefore, while we acknowledge the pandemic certainly contributed to the 2020 plan year experience, we have chosen not to speculate and draw conclusions attributable to it.

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