MILLIMAN WHITE PAPER

Multiemployer health and welfare fund statistics: 2024 report

Milliman analysis finds that net assets (in terms of months of expenses) decreased overall due to lower investment returns, despite expenses decreasing.

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This is the seventh 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 1,259 plans covering approximately 5.2 million members as of 2022, 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 two-and-a-half months of benefits and expenses with its net assets, a decrease of approximately half a month of total expenses from last year.

Total expenses exceeded total income by 1.0%. This is the first time since 2008 that expenses exceeded income, driven by investment losses.

The average investment return was -3.7% in 2022, compared to 2.7% in 2021. Generally speaking, both equities and fixed income returns were negative in 2022, which contributed to the overall reduction in net assets expressed in terms of months of expenses.

On a per member basis, expenses decreased by 2.4% and total contribution income increased by 1.7% year over year. However, these changes were offset by a 229.8% decrease in investment and other income.

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	332	294	$6.2	$4.0	$4.2	17.8
500–2,499	587	1,224	$25.1	$17.4	$17.7	17.0
2,500–4,999	160	3,506	$72.2	$49.7	$50.8	17.0
5,000–19,999	136	9,758	$176.2	$129.5	$131.7	16.0
20,000 or more	44	55,712	$625.4	$630.0	$627.5	12.0
Total	1,259	4,095	$63.4	$51.5	$52.0	14.6

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 215 plans (17.1% of total plans) holding assets that equaled less than six months of total expenses as of the end of their 2022 plan years, while 327 plans (26.0% 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 25.3% of total plans held assets that were more than 24 months of total expenses. There has only been one year (2021) since 2018 where the concentration of plans holding fewer than six months of expense has increased and the concentration of plans holding more than 24 months of expense decreased year-over-year. While the number of plans whose assets were between six and 24 months of total expenses increased compared to 2021, the percentage of plans decreased. There was an overall decrease in fund capitalization within each segment, as well as overall. The average plan saw a decrease in net assets from 15.1 months of total expenses to 14.6 months.

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

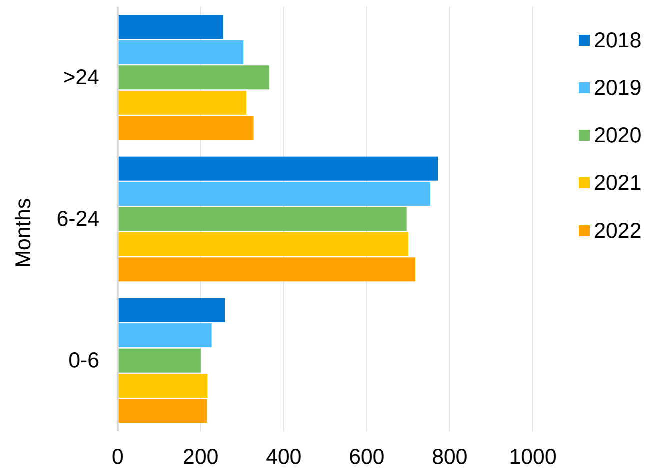


Figure 3 shows the average net assets in terms of months of expenses for the last five calendar years. Average net assets in terms of months of expenses increased in each year from 2018 through 2020 and decreased in each of the last two years (2021–2022). This year, there is a decrease of 0.5 months of expense when compared to 2021. Figure 4 shows the net assets in terms of months of expense by plan size and calendar year for the last 10 years. Groups with between 5,000 and 19,999 members had the largest increase in continuation value, with net assets expressed as number of months of expenses increasing from 14.6 months in 2021 to 16.0 months in 2022. Groups with 20,000 or more members had the largest decrease in continuation value, with net assets expressed as number of months of expenses decreasing from 13.6 months in 2021 to 12.0 months in 2022.

FIGURE 3: AVERAGE MONTHS OF EXPENSE BY CALENDAR YEAR

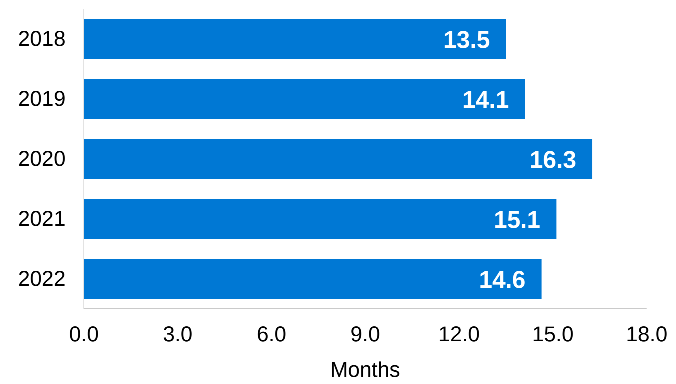


FIGURE 4: NET ASSETS IN MONTHS OF EXPENSE BY PLAN SIZE AND CALENDAR YEAR

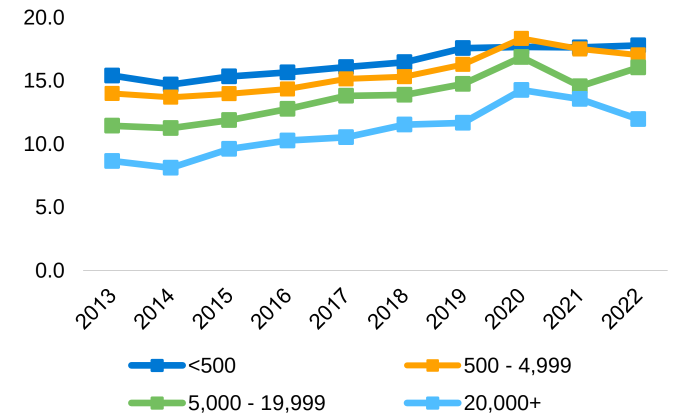


Figure 5 groups plans by total income over total expenses on a percentage basis, with each bar representing the average gain/(loss) by subgroup. Total income over total expenses reflects the excess/(shortage) of income versus expenses. For example, if total income is greater than total expenses, then the plan is building surplus (increasing net assets). There were 635 plans (50.4% of total plans) that had their net assets reduced in 2022 (i.e., had a loss for the year), while 620 plans (49.2% of total plans) increased net assets (i.e., had a gain for the year). Four plans covered total expenses exactly for the year. This is a negative shift from the prior year, when 47.1% of total plans had a loss for the year and 52.4% of total plans had a gain for the year.

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

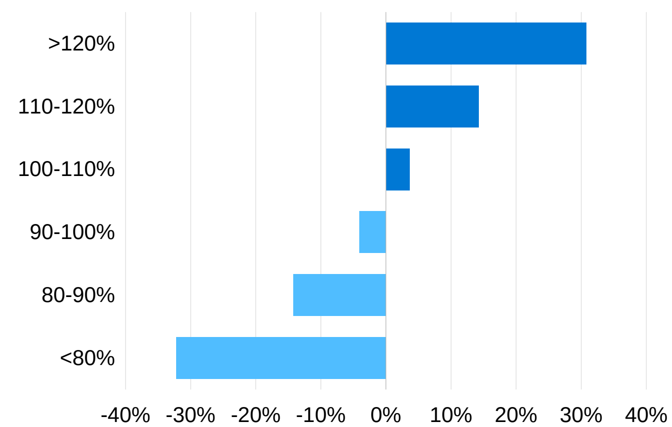


Figure 6 summarizes the percentage of plans that had gains versus losses in each calendar year of our analysis.

FIGURE 6: PERCENTAGE OF PLANS WITH OVERALL GAIN/LOSS BY YEAR

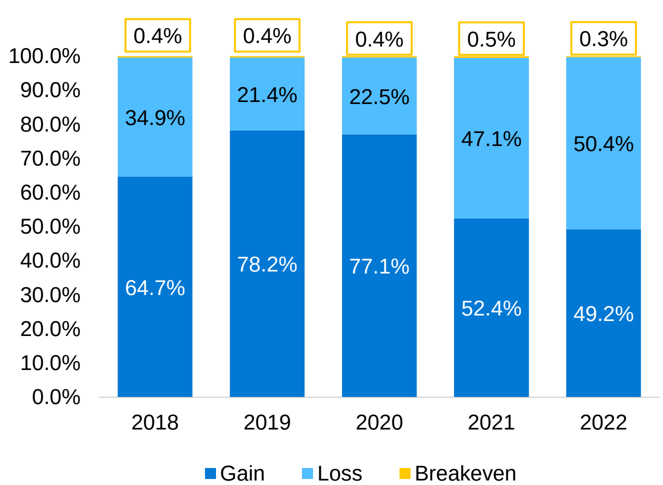
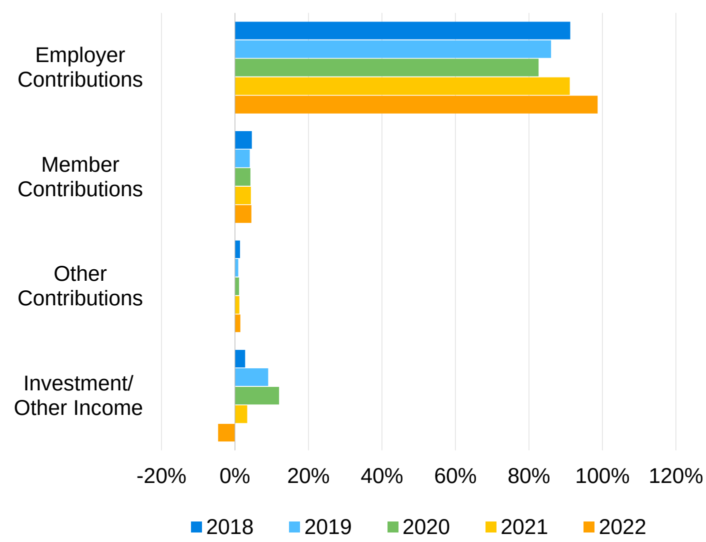


Figure 7 summarizes the income by source (employer contributions, participant contributions, other contributions, and investment/other income) for the most recent five years.

FIGURE 7: INCOME BY SOURCE FROM 2018 THROUGH 2022



Annual per member change in income and expenses

There was a 6.0% decrease in income per member from 2021 to 2022, driven by a 229.8% decrease in per member investment and other income, and partially offset by a 1.7% increase in per member contributions. Total per member expenses decreased 2.4% from 2021 to 2022, with benefit expenses decreasing 2.5% and administrative expenses decreasing 1.1% on a per member basis from 2021 to 2022. Figures 8 to 11 summarize the percentage change in both income and expense on a per member basis.

FIGURE 8: PER MEMBER INCOME AND EXPENSE CHANGE BY YEAR

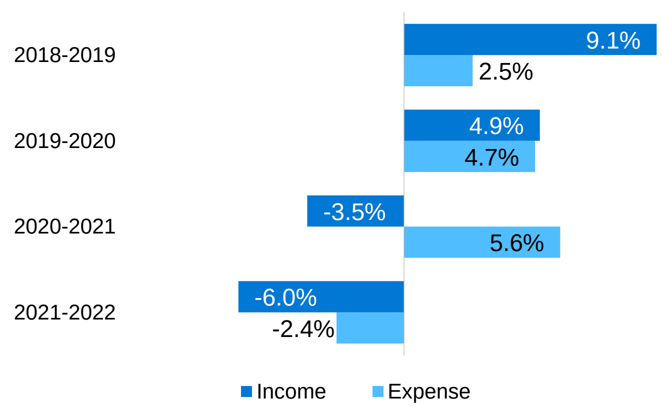


FIGURE 9: SOURCE OF PER MEMBER PER MONTH INCOME AND EXPENSE CHANGE BY YEAR

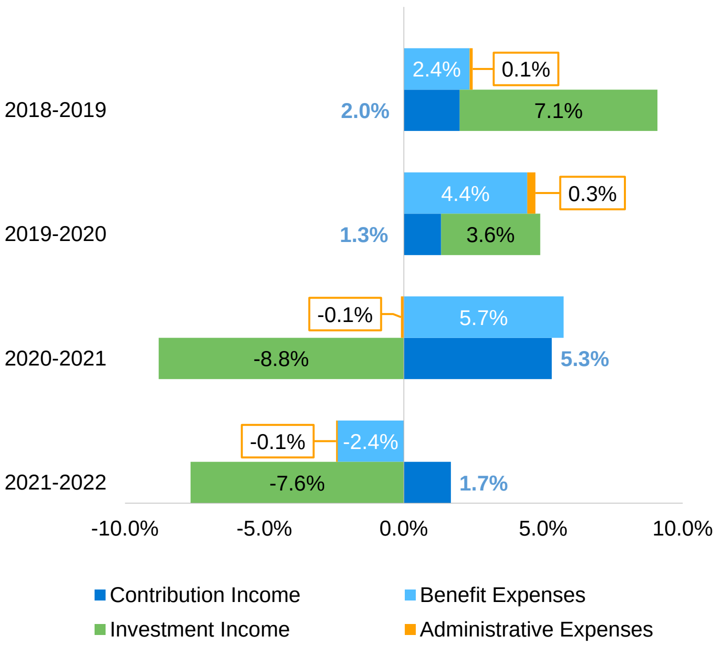


FIGURE 10: CHANGE IN PER MEMBER INCOME BY SOURCE

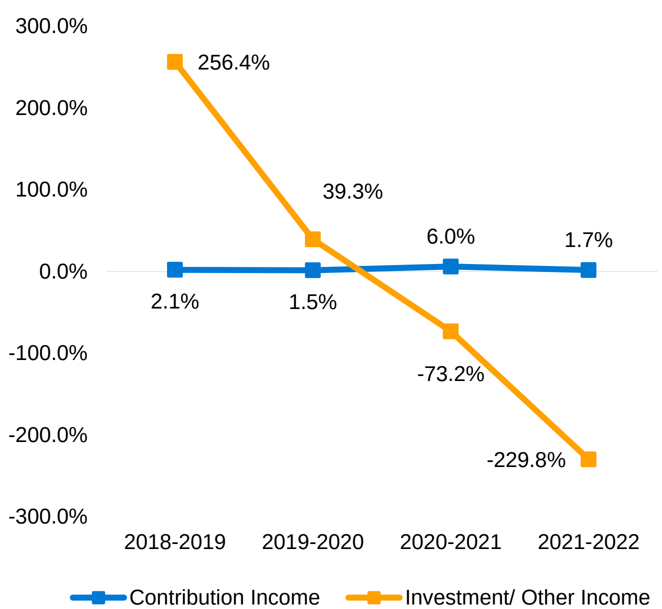
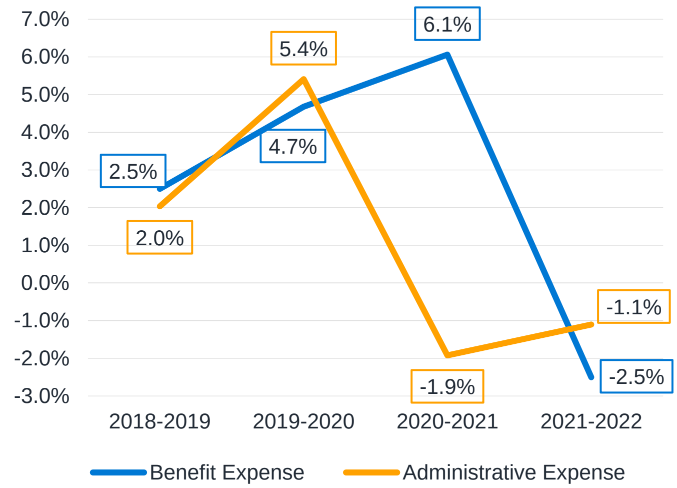


FIGURE 11: CHANGE IN PER MEMBER EXPENSE BY SOURCE



Per member statistics

Figure 12 shows the average total income and average total expenses per member by plan size, while Figure 13 shows the average annual change from 2018 through 2022 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 2018 through 2022 in 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

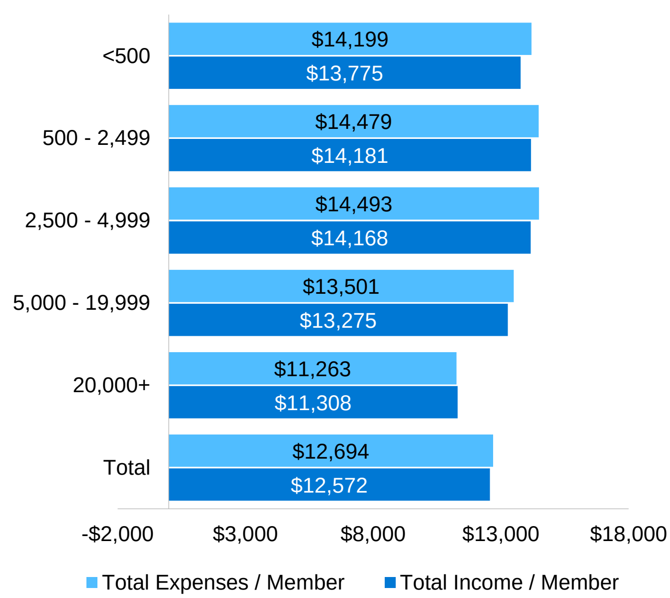


FIGURE 13: AVERAGE ANNUAL CHANGE FROM 2018 THROUGH 2022 IN TOTAL INCOME AND TOTAL EXPENSES PER MEMBER

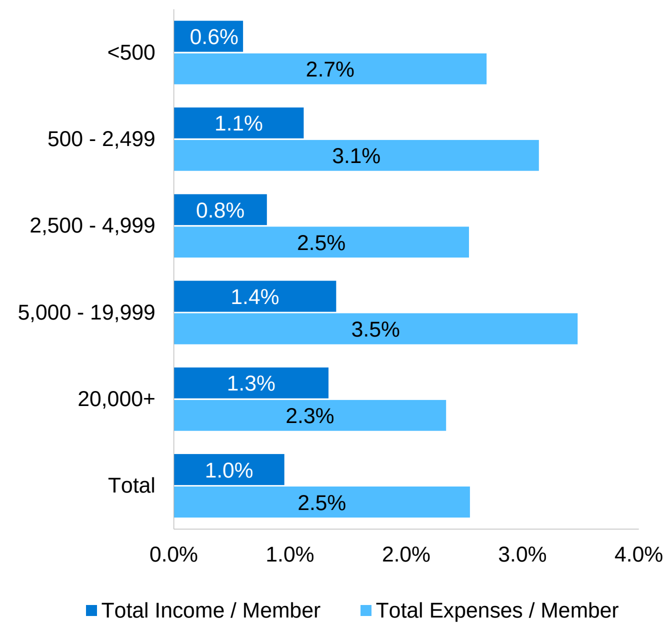
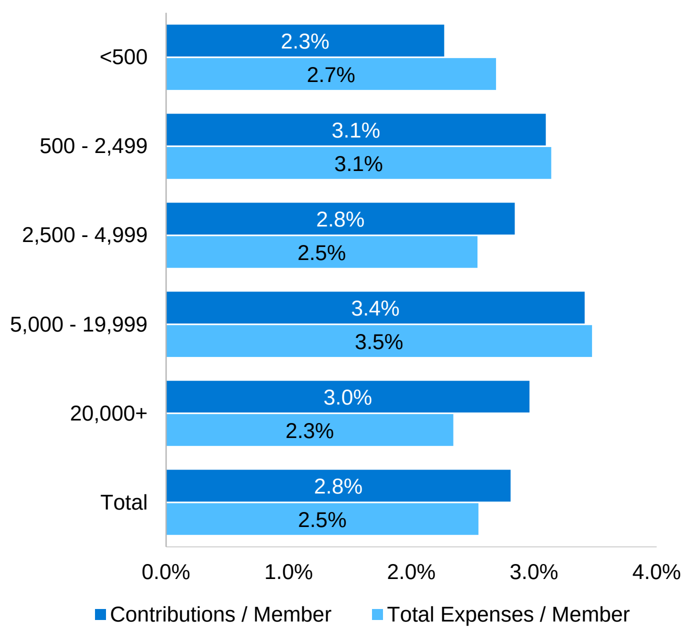


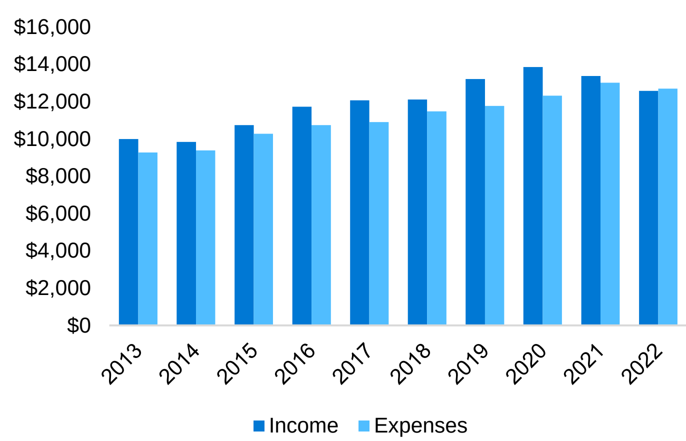
FIGURE 14: AVERAGE ANNUAL CHANGE FROM 2018 THROUGH 2022 IN CONTRIBUTION INCOME AND TOTAL EXPENSES PER MEMBER



For the Taft-Hartley plans included in this study, Figure 12 shows that income and expense by plan size were largely similar to each other; for plans with more than 5,000 members, average total expenses per member are 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. Note that average expenses surpassed average income in 2022, making 2022 the only year since 2008 with an overall deficit. Figure 13 shows that the average total income per member increased from 2018 through 2022 by a smaller percentage than average total expense per member for all subgroups. Figure 14 shows this same information, but controls for investment income growth. For plans with less than 2,500 members and between 5,000 to 20,000 members, the average increase in expenses per member has exceeded the average increase in contributions per member. For plans with between 2,500 to 5,000 members and above 20,000 members, the average increase in contributions per member has exceeded the average increase in expenses per member.

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

FIGURE 15: TOTAL INCOME AND TOTAL EXPENSES PER MEMBER FROM 2013 THROUGH 2022



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 2022 Internal Revenue Service (IRS) Form 5500 database:

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.

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.

Excluded plans where the fiscal plan year did not fall at least partially in 2022 (13 plans).

Excluded plans that did not submit a Schedule H (212 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.

Excluded plans that did not report any members (24 plans).

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 datasets. It does not necessarily mean that the data point is erroneous or unreasonable.

The resulting dataset consisted of 1,259 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 2022 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, 2022 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 1,763 multiemployer health plans that filed a Form 5500 in 2022, the statistics are based on data for 1,259 multiemployer plans that were determined to provide sufficient information for this study, as detailed above. The 2022 year was the most recent for which information was available for most Taft-Hartley plans.

All historical plan information for 2013 to 2015 was loaded from the publicly available Form 5500 filings using the methodology detailed above.

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