

PLUMBERS AND PIPEFITTERS LOCAL UNION NO. 9

CENTRAL NEW JERSEY AFL-CIO

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BUSINESS MANAGER

Michael K. Maloney
Secretary-Treasurer

BUSINESS AGENTS

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Robert A. Dill Michael A. Tranberg
Dean Feasel, *Air Conditioning/Refrigeration division*

ORGANIZERS

William K. Graybush
Patrick M. Scharnitz

January 2018

Dear Brothers and Sisters:

This letter is to notify you that there will be a statewide meeting of the Air Conditioning/Refrigeration Division members on:

Tuesday, February 6, 2018 at 6:00 PM

The meeting will be held at the Holiday Inn (formally the Ramada Inn) located at 399 Monmouth Street, East Windsor, New Jersey, off exit 8 on the NJ Turnpike.

The purpose of this meeting is to vote on the allocation of the \$1.50 increase effective March 1, 2018.

Also enclosed is the status of your Health and Welfare Fund. The trustees will ask the body for an increase to the fund.

Please make every effort to attend this very important meeting.

In Solidarity,

Michael Maloney
Business Manager, Secretary-Treasurer

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Refrigeration, Air Conditioning & Service Division (UA-NJ)

Welfare Fund

**Status Report
February 2018**

As indicated on the Comparison of Plan Operations found on the back side of this sheet, for the current Plan year that will end on February 28, 2018, the net assets of the Welfare Fund are projected to decline by \$671,000. This will follow a decline in the Fund's assets of \$469,320 that occurred in the Plan year that ended February 28, 2017 and a similar decline of \$1,246,682 that occurred during the Plan year that ended February 29, 2016. These losses will have reduced the reserve of the Welfare Fund from 11 months to 8 months over the last three years. Ideally the Fund should maintain at least a 12 month reserve to weather future financial impacts from changes in the level of employment and increases in the cost of health care.

Over the last 5 years, the Welfare Fund has experienced an average annual increase in cost of 7.1%. Unfortunately, this rate is consistent with national trends during the same period of time. Meanwhile, the contribution rate to the Welfare Fund during the same period of time has increased from \$10.41 per hour to \$11.76 per hour which equates to an average annual increase of 2.6%. The Trustees have worked diligently to preserve the high level of benefits provided by the Welfare Fund. Over the last 5 years the Trustees made changes to the PPO network and the prescription benefits to help reduce costs while at the same time the only reduction in coverage made was the increase in physician co-payments from \$10 to \$15 that went into effect on January 1, 2016. With costs going up 7.1% per year over the last 5 years, and contributions going up less than 3% per year over the last 5 years, the Welfare Fund will continue to operate at a loss and further reduce its reserve unless some action is taken.

The Welfare Fund receives contributions based on approximately 2,550,000 hours of work annually. In order to just make up the projected loss of \$671,000 forecasted for the current plan year, the contribution rate would need to be increased \$0.26 per hour. The Fund's total expenses are projected to be \$32,071,000 in the current plan year. \$31,291,000 of this amount is benefit expense with the remaining \$780,000 being operating costs. At a 7.1% rate of annual increase, total expenses will go up approximately \$2,277,041 next year. The contribution rate needs to be increased an additional \$0.89 per hour just to cover this anticipated increase in benefit costs. It is important to note that these calculations do not provide for any restoration of the Fund's reserve, but are required just to break even.

Based on the situation outlined above, the contribution rate would have to be increased by \$1.15 per hour just to cover the anticipated losses in the current Plan year, and the anticipated increase in benefits cost based on the last 5 years of experience. As a result, it is recommended that the contribution rate be increased by a minimum of \$1.00 per hour, effective March 1, 2018. Additionally, serious consideration should be given by the Union membership to a larger increase in response to the depleted Fund reserves. Each additional \$.10 per hour increase in the contribution rate will provide approximately \$255,000 of additional income to the Welfare Fund.

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REFRIGERATION, AIR CONDITIONING & SERVICE DIVISION (UA-NJ) WELFARE FUND**Comparison of Plan Operations
Plan Years Ending February 2014 - 2018 (Projected)**

	February 2014	February 2015	February 2016	February 2017	Projection February 2018
Income:					
Investment	336,549	981,435	75,793	516,757	500,000
Contributions	26,104,279	25,561,952	25,814,974	27,178,409	30,200,000
Stop Loss Reimb & Other	926,437	104,147	696,295	751,491	700,000
Total Income	27,367,265	26,647,534	26,587,062	28,446,657	31,400,000
Expenses:					
Medical, Dental, Disability Benefits	18,502,521	18,580,847	20,333,710	21,029,623	24,400,000
Prescription Benefits	4,159,510	4,540,692	4,955,059	5,364,503	5,000,000
Employee Assistance	37,387	37,826	38,664	40,128	41,000
Premiums and Fees	1,766,419	1,649,499	1,776,298	1,751,710	1,850,000
Total Benefit Expenses	24,465,837	24,808,864	27,103,731	28,185,964	31,291,000
Operating Expenses	697,153	698,085	730,013	730,013	780,000
Total Expenses	25,162,990	25,506,949	27,833,744	28,915,977	32,071,000
Change In Fund Balance	2,204,275	1,140,585	(1,246,682)	(469,320)	(671,000)
Beginning Fund Balance	20,292,396	22,496,671	23,637,256	22,390,574	21,921,254
Ending Fund Balance	22,496,671	23,637,256	22,390,574	21,921,254	21,250,254
Contributions/EE/Month	1,557.16	1,541.36	1,485.67	1,534.46	1,705.06
Investment Income/EE/Month	20.08	59.18	4.36	29.18	28.23
Benefit Cost/EE/Month	1,459.43	1,495.95	1,559.84	1,591.35	1,766.66
Prescription Cost/EE/Month	248.12	273.80	285.17	302.87	282.29
Operating Cost/EE/Month	41.59	42.09	42.01	41.22	44.04
Total Expense/EE/Month	1,501.01	1,538.05	1,601.85	1,632.56	1,810.69
Surplus(Deficit)/EE/Month	131.49	68.78	(71.75)	(26.50)	(37.88)
Months of Reserve	11	11	10	9	8
Ave. Journeyman Hourly Contrib Rate	10.41	10.41	10.41	10.76	11.76
Annual Hours/EE	1,995	1,991	1,924	1,943	1,975
Increase in Benefit Cost/EE	3.8%	2.5%	4.3%	2.0%	11.0%
Increase in Prescription Cost/EE	15.6%	10.3%	4.2%	6.2%	-6.8%
Increase in Total Expenses	10.2%	1.4%	9.1%	3.9%	10.9%
Increase in Total Annual Hours	4.0%	-2.1%	1.0%	1.9%	1.7%