

Refrigeration, Air Conditioning & Service Division (UA-NJ)
Status Report January 2025

Welfare Fund

The Comparison of Plan Operations found on the back of this sheet illustrates an annualization of the nine months of financial results for the current Plan year as compared to the last four full Plan years. On an annualized basis, Total Income is up over 8.6% while Total Expenses are up 18.7% resulting in a \$747,823 increase in the Fund balance as compared to the \$4,663,156 increase realized in the prior year. Please note that the number of employees, both active and retired, who are covered by the Welfare Fund increased 4.4% which represents almost one-fourth of the 18.7% increase in Total Expenses. As previously reported, the current healthcare cost climate is very concerning. Across the nation, healthcare costs are increasing at a rate unseen in over a decade.

As indicated on the Comparison of Plan Operations, over the last five years, the average annual increase in benefit cost per employee for the Welfare Fund has been 5.5%. The contribution rate to the Welfare Fund must keep pace with increasing healthcare costs. To put this into perspective, a 5.5% increase in the current \$16.03 per hour contribution rate to the Welfare Fund would be \$0.88 per hour.

A contribution increase that just matches the anticipated increase in benefit costs will not help the Welfare Fund recover any of its reserve, which has decreased from twelve months on February 28, 2021, to eight months on November 30, 2024. At the current level of work activity and cost experience, the contribution rate would need to increase 8.5%, or \$1.36 per hour, just to recover one month of reserve.

Given the considerations outlined above, it is recommended that the contribution rate to the Welfare Fund be increased by a minimum of 5.5%, or \$0.88 per hour, effective March 1, 2025. Serious consideration should be made to a larger increase in the contribution rate to help protect and restore the Fund's reserve.

Pension Fund

At the last Trustees meeting held on December 17, 2024, the Pension Fund was estimated to be over 100% funded as of November 30, 2024. At the meeting, the Trustees agreed that if the membership increased the contribution rate \$0.45 per hour, effective March 1, 2025, the Trustees would increase the benefit accrual rate from \$110 to \$115 per year for all past and future Credited Service for active employees retiring on or after March 1, 2025. It was also agreed that if the membership increased the contribution rate \$0.10 per hour effective March 1, 2025, the Trustees would change the benefit accrual rate from 1/10th a year of Credited Service per 200 hours, to 1/20th a year of Credited Service per 100 hours for all hours worked on or after March 1, 2025. Regarding the retired participants, the Trustees also agreed to consider issuing a thirteenth pension check after the Fund's funded status as of March 1, 2025, is determined.

Education Fund

During the six months ended August 31, 2024, the liquid assets of the Education Fund increased \$232,507 from \$2,393,648 to \$2,626,155. During the period, contributions were \$994,496. Other income was \$168,864 resulting in total additions of \$1,163,360. Total deductions for operations were \$930,853, of which approximately 64% was salaries, benefits, and payroll taxes. There is a growing need to make improvements at the Education Fund and the contribution rate is very low as compared to other building trades education funds in New Jersey.

REFRIGERATION, AIR CONDITIONING & SERVICE DIVISION (UA-NJ) WELFARE FUND**Comparison of Plan Operations
Plan Years Ending February 2021 - 2025**

	February <u>2021</u>	February <u>2022</u>	February <u>2023</u>	February <u>2024</u>	9 mo. thru 11/24 <u>Annualized</u>
<u>Income:</u>					
Investment	856,263	(196,819)	(1,448,848)	992,237	1,610,755
Contributions	34,872,798	38,516,190	42,243,776	46,347,742	50,212,847
Other including Stop Loss reimbursement	832,276	805,930	267,298	651,170	340,535
Total Income	36,561,337	39,125,301	41,062,226	47,991,149	52,164,136
<u>Expenses:</u>					
Medical, Dental, Disability Benefits	24,673,438	28,532,647	32,586,845	31,659,397	38,366,662
Prescription Benefits	5,555,698	7,010,955	6,913,144	5,560,789	7,216,455
Employee Assistance	46,221	47,953	50,694	48,166	0
Premiums and Fees	2,426,017	2,649,805	3,787,480	5,026,525	4,689,524
Total Benefit Expenses	32,701,374	38,241,360	43,338,163	42,294,877	50,272,641
Operating Expenses	788,255	922,457	1,063,368	1,033,116	1,143,672
Total Expenses	33,489,629	39,163,817	44,401,531	43,327,993	51,416,313
Change In Fund Balance	3,071,708	(38,516)	(3,339,305)	4,663,156	747,823
Beginning Fund Balance	29,135,796	32,207,504	32,168,988	28,829,683	33,492,839
Ending Fund Balance	32,207,504	32,168,988	28,829,683	33,492,839	34,240,662
Active Employees & COBRA	1,440	1,502	1,539	1,627	1,682
Retired Employees	259	287	314	327	357
Total Employees	1,699	1,789	1,853	1,954	2,039
Retiree %	15.2%	16.0%	16.9%	16.7%	17.5%
Contributions/EE/Month	1,710.46	1,794.12	1,899.79	1,976.62	2,052.18
Investment Income/EE/Month	42.00	(9.17)	(65.16)	42.32	65.83
Other Income/EE/Month	40.82	37.54	12.02	27.77	13.92
Benefit Cost/EE/Month	1,603.95	1,781.32	1,949.01	1,803.77	2,054.63
Operating Cost/EE/Month	38.66	42.97	47.82	44.06	46.74
Total Expense/EE/Month	1,642.61	1,824.29	1,996.83	1,847.83	2,101.37
Surplus(Deficit)/EE/Month	150.66	(1.79)	(150.18)	198.87	30.56
Months of Reserve	12	10	8	9	8
Ave. Journeyman Hourly Contrib Rate	13.76	14.11	14.61	15.41	16.03
Increase in Contributions/EE	-5.8%	4.9%	5.9%	4.0%	3.8%
Increase in Total Income	-7.2%	7.0%	5.0%	55.4%	44.6%
Increase in Benefit Cost/EE	0.8%	11.1%	9.4%	-7.5%	13.9%