

# Multiemployer health and welfare fund statistics

## 2021 Report

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

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This is the fourth 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 1,282 plans covering approximately 4.9 million members as of 2019, the most recent year for which data is available.<sup>1</sup>

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 months of benefits and expenses with its net assets, an increase of approximately half a month of total expenses from last year. This is also a similar increase to last year's increase.
- Total income exceeded total expenses by 12.3%. This represents a 6.8 percentage point increase compared to the prior year.
- The average investment return was 9.0% in 2019, compared to 2.6% in 2018. As a result, investment income accounted for a larger percentage of the overall income in 2019 (9.0% in 2019 vs. 2.8% in 2018).
- Total income per member in 2019 increased by a greater rate than total expenses per member (9.1% vs. 2.5%), a reversal from last year's study.

FIGURE 1: AVERAGE PLAN INFORMATION SPLIT BY MEMBER COUNT

| MEMBER COUNT <sup>1</sup> | NUMBER OF PLANS | AVERAGE MEMBERS | AVERAGE NET <sup>2</sup> ASSETS (IN MILLIONS) | AVERAGE INCOME (IN MILLIONS) | AVERAGE EXPENSES (IN MILLIONS) | NET ASSETS (IN MONTHS OF EXPENSES) <sup>3</sup> |
|---------------------------|-----------------|-----------------|---|------------------------------|--------------------------------|---|
| FEWER THAN 500            | 325             | 291             | \$5.7   | \$4.3                        | \$3.9                          | 17.6  |
| 500 – 2,499               | 604             | 1,201           | \$21.8  | \$17.9                       | \$15.8                         | 16.6  |
| 2,500 – 4,999             | 170             | 3,501           | \$61.6  | \$53.5                       | \$46.3                         | 16.0  |
| 5,000 – 19,999            | 144             | 9,873           | \$149.4                                       | \$137.5                      | \$121.6                        | 14.7  |
| 20,000 OR MORE            | 39              | 53,931          | \$546.3                                       | \$618.3                      | \$561.7                        | 11.7  |
| <b>TOTAL</b>              | <b>1,282</b>    | <b>3,853</b>    | <b>\$53.3</b>                                 | <b>\$50.9</b>                | <b>\$45.3</b>                  | <b>14.1</b>                                     |

<sup>1</sup> 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.

<sup>2</sup> Net assets in Figure 1 are defined as total assets minus liabilities.

<sup>3</sup> 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, even if all contributions and other income ceased and expenses remained unchanged from the prior year.

This year's study found there were 226 plans (17.6% of total plans) holding assets that equaled less than six months of total expenses as of the end of their 2019 plan years, while 303 plans (23.6% of total plans) held assets that equaled more than 24 months of total expenses. Last year, 20.1% of plans held assets that were less than six months of total expenses, while 19.8% of total plans held assets that were more than 24 months of total expenses. For the third 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, 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 13.5 months of total expenses to 14.1 months).

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

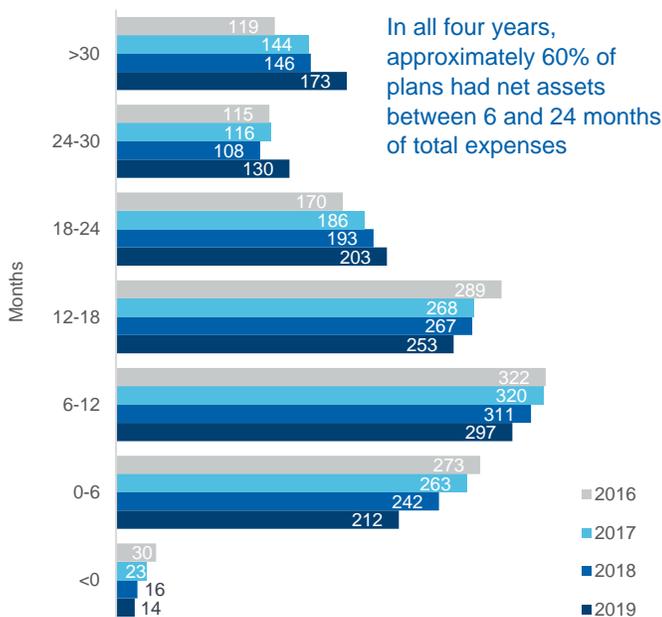


Figure 3 shows the average net assets in terms of months of expenses for the last four calendar years. Average net assets in terms of months of expenses have increased in each year of our analysis.

**FIGURE 3: AVERAGE MONTHS OF EXPENSE BY CALENDAR YEAR**

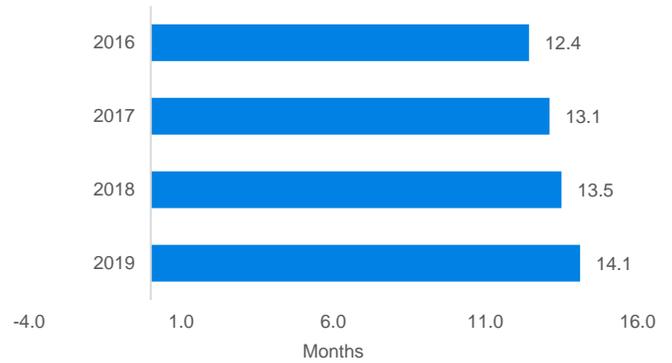


Figure 4 groups plans by total income over total expenses on a percentage basis, with each bar representing the average gain/(loss) by subgroup. Total income over total expenses reflects the excess/(shortage) of income versus expenses. For example, if total income is greater than total expenses, the plan is building surplus (increasing net assets). There were 274 plans (21.4% of total plans) that had their net assets reduced in 2019 (i.e., had a loss for the year), while 1,003 plans (78.2% 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 positive shift of approximately 13.5 percentage points from the prior year, when 34.9% of total plans had a loss for the year while 64.7% of total plans had a gain for the year.

**FIGURE 4: AVERAGE GAIN OR LOSS (SHOWN AS % OF TOTAL EXPENSES)**

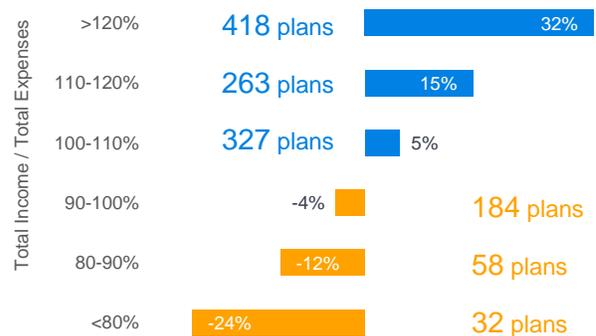
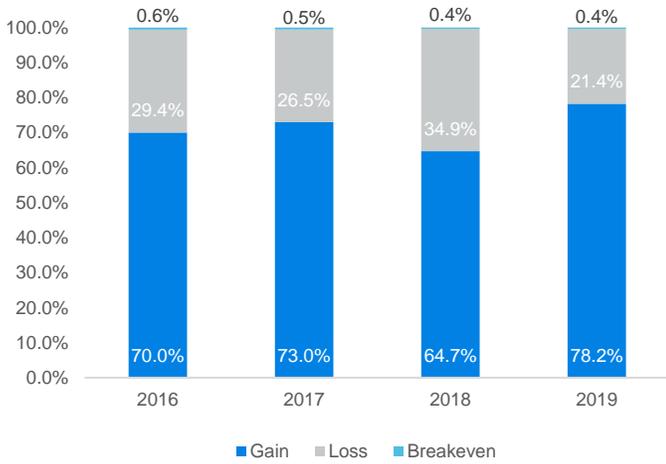


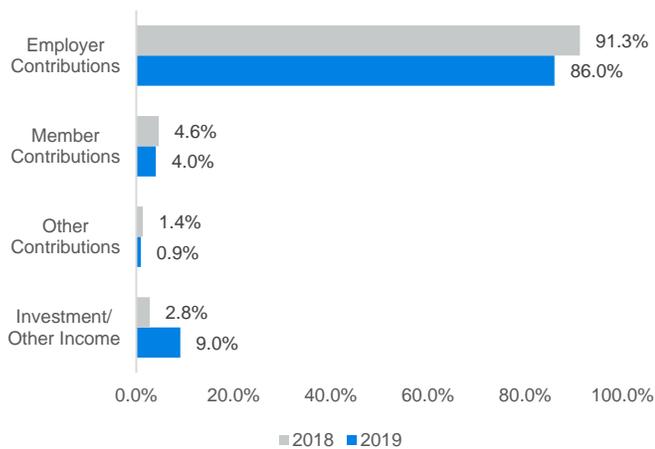
Figure 5 summarizes the percent of plans that had gains versus losses in each calendar year of our analysis.

**FIGURE 5: PERCENTAGE OF PLANS WITH OVERALL GAIN BY YEAR**



The higher concentration of plans with an overall gain in 2019 is driven by a significant increase in income. Total income per member increased 9.1% from 2018 to 2019, as compared to a 0.3% increase from 2017 to 2018. Meanwhile, total expenses per member increased by only 2.5%. In 2019, the overall investment return was 9.0%, a 6.4 percentage point increase from 2018, which had an overall investment return of 2.6%. Figure 6 summarizes the income by source (employer contributions, participant contributions, other contributions, and investment/other income) for 2018 and 2019.

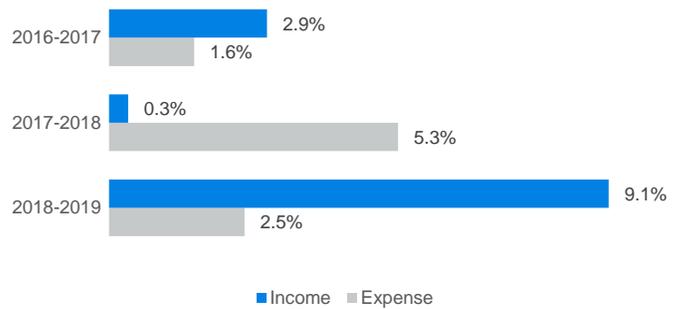
**FIGURE 6: INCOME BY SOURCE IN 2018 AND 2019**



## Annual per member change in income and expenses

The increase in income from 2018 to 2019 was largely driven by a 256.4% increase in per member investment and other income, as compared to a 57.7% decrease from 2017 to 2018. There was a more moderate increase in combined per member employer and member contribution income of 2.1% for 2018 to 2019, compared with a 4.4% increase from 2017 to 2018. Total per member expenses increased 2.5% from 2018 to 2019 versus a 5.3% increase from 2017 to 2018. Figures 7 to 10 summarize the percentage change in both income and expense on a per member basis.

**FIGURE 7: OVERALL INCOME AND EXPENSE CHANGE BY YEAR**



**FIGURE 8: SOURCE OF PER MEMBER PER MONTH INCOME AND EXPENSE CHANGE BY YEAR**

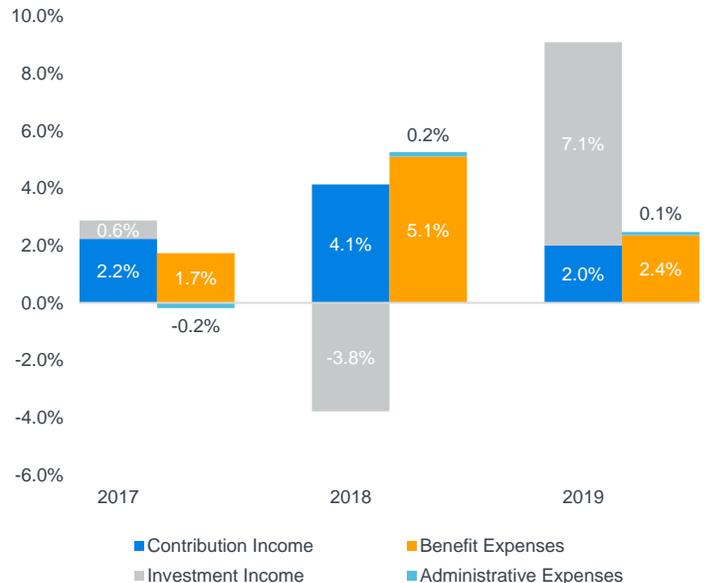


FIGURE 9: CHANGE IN PER MEMBER INCOME BY SOURCE

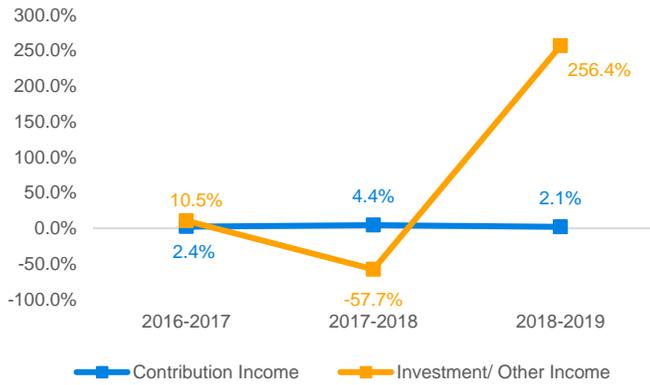
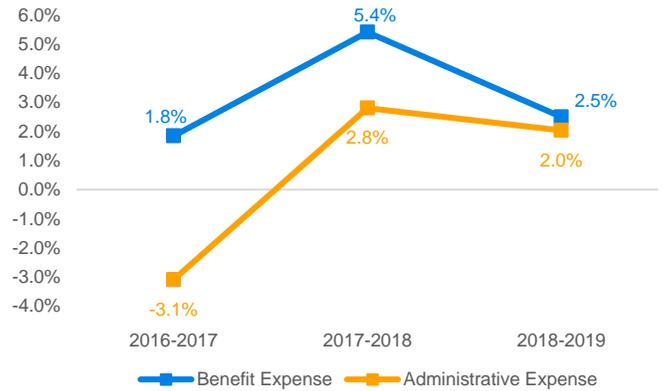


FIGURE 10: CHANGE IN PER MEMBER EXPENSE BY SOURCE



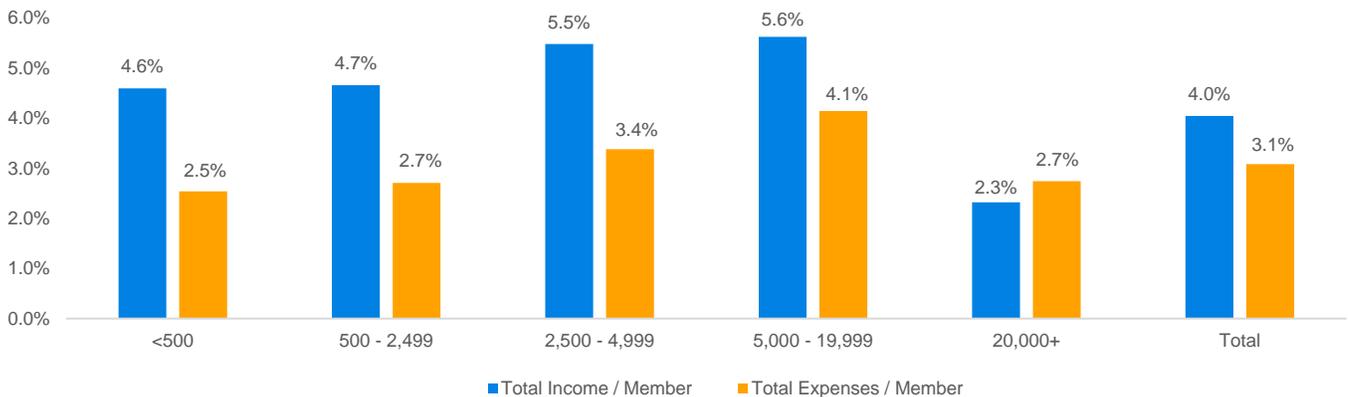
## Per member statistics

Figure 11 shows the average total income and average total expenses per member per year by plan size, while Figure 12 shows the average annual change from 2016 to 2019 in the total income per member and total expenses per member, both by plan size and in aggregate.

FIGURE 11: AVERAGE TOTAL INCOME AND EXPENSES PER MEMBER PER YEAR



FIGURE 12: AVERAGE ANNUAL CHANGE FROM 2016 TO 2019 IN TOTAL INCOME AND TOTAL EXPENSES PER MEMBER



For the Taft-Hartley plans included in this study, Figure 11 shows that income and expense patterns by plan size were largely similar to each other; for groups 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 12 shows that the average total income per member increased from 2016 to 2019 by a larger percentage than average total expense per member for all subgroups except for plans with over 20,000 members. All subgroups except for the 20,000+ membership group saw an increase in average total expenses per member ranging from 2.5% to 4.1%, whereas the increases in average total income per member ranged from 4.6% to 5.6%.

## 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 2019 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 2019 (17 plans).
4. Excluded plans that did not submit a Schedule H (405 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 (17 plans).
6. Excluded plans that included data that were determined to be outliers (263 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 1,282 plans.

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, retiree, and surviving spouse member counts as of the end of the plan year, as reported on the 2019 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 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, specifically Schedule H, 2019 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 1,984 multiemployer health plans that filed a Form 5500 in 2019, the statistics are based on data for 1,282 multiemployer plans that were determined to provide sufficient information for this study, as detailed above. The 2019 year was the most recent for which information was available for most Taft-Hartley plans.

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