



PLUMBERS AND PIPEFITTERS LOCAL UNION 322

Southern New Jersey AFL-CIO

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January 9, 2023

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:

Thursday, February 2, 2023 at 6:00 PM

The meeting will be held at the Holiday Inn located at 399 Monmouth Street, East Windsor, New Jersey, NJ Turnpike Exit 8.

The purpose of this meeting will be to allocate \$2.35 for the contract effective March 1, 2023. Enclosed you will find information regarding your Welfare and Pension Funds.

Please make every effort to attend this meeting.

Fraternally yours,

LOCAL UNION 322

David R Bruce

David R. Bruce
Business Manager/Sec. Treas.

DRB/bls

Refrigeration, Air Conditioning & Service Division (UA-NJ)
February 2023
Welfare Fund

2022 was a uniquely challenging year for many union welfare funds, including this one. While employment was strong, financial gains from increased hours were more than offset by post pandemic healthcare costs from an increase in large medical cases, driven by delayed routine screenings, coupled with historic levels of inflation and fixed income investment losses.

As indicated in the Comparison of Plan Operations found on the back of this sheet, contributions in the current Plan Year are up 4.7% as compared to the Plan Year ended February 2022. This is a result of the combination of a high level of work activity coupled with the 3.5% increase in the contribution rate that was effective March 1, 2022. The number of covered active and retired employees has also increased more than 5% during the same period. Medical and prescription claims expenses have increased 7% in the current Plan Year following an average 2.7% annual increase over the last 6 years. Prescription expenses are up 18% as compared to last year which was up 26% from the prior year. On December 1, the Fund implemented the United Association's new contract with the largest pharmacy benefit manager in the United States, Express Scripts, which features pricing based on the combined membership of all the UA welfare funds across the country. This new arrangement is forecasted to provide over \$2.3M in annual savings for the Fund. The other main driver of the 7% increase in medical costs has been a significant increase in the number of very serious medical cases among the individuals covered by the Plan. On September 30, 2022, the plan was covering a total of 4,207 pre-Medicare eligible individuals (members and dependents). Expenses on just 7 of these individuals totaled more than \$3M, an average of over \$400K each.

Because of the dramatic increase in interest rates during the year, the fixed income investment market posted its worst annual loss ever. While the Welfare Fund is invested in an insurance contract that provides a guaranteed return, ERISA (the Federal law that governs the Fund's operation), requires that this investment be carried at its "market value" and not its guaranteed "book value". As a result, the attached comparison also indicates investment losses of over \$1.3M on the guaranteed investment contract. This is truly a "paper loss". These factors drive the March 1, 2023 contribution rate increase recommendation as follows:

Cost and Savings Components	Rate Per Hr.
Return the Fund to "break even" ignoring the present investment "market value" paper loss	\$0.48
Cover the historic 2.7% anticipated annual increase in medical trend	\$0.39
Credit for the forecasted \$2.3M in savings from the new UA prescription plan	(\$0.76)
Credit for average anticipated annual investment "book value" returns	(\$0.19)
Increase the Fund's reserve by ½ a month from 8.1 to 8.6 months	\$0.62
Total	\$1.05

This recommendation of a 7.1% increase in the contribution rate from \$14.61 per hour to \$15.66 per hour (an increase of \$1.05 per hour) includes the cost to recover just ½ a month of reserve. Serious consideration should be given to a larger contribution increase to further recover the Fund's reserves. 1 month of reserve equates to \$1.24 per hour.

Pension Fund

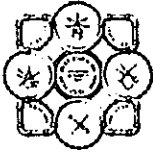
Following several years of excellent returns, the market volatility and historic increase in interest rates that occurred in 2022 have taken a toll on the Pension Fund's investment returns. As of November 30, 2022, the Fund had realized an investment loss of 2.77% since the beginning of the current Plan year on March 1, 2022. The Fund was 105% funded on March 1, 2022 and, even with this investment loss, was estimated to still be over 100% funded on November 30, 2022.

REFRIGERATION, AIR CONDITIONING & SERVICE DIVISION (UA-NJ) WELFARE FUND

**Comparison of Plan Operations
Plan Years Ending February 2017 - 2022**

	February <u>2017</u>	February <u>2018</u>	February <u>2019</u>	February <u>2020</u>	February <u>2021</u>	February <u>2022</u>	9 Months Ended Nov <u>2022</u>
Income:							
Investment	516,757	342,174	455,335	1,451,433	856,263	(196,819)	(1,393,771)
Contributions	27,178,409	30,345,675	33,636,442	37,146,963	34,872,798	38,516,190	31,854,303
Stop Loss Reimb & Other	751,491	1,218,349	578,485	798,667	832,276	805,930	227,411
Total Income	28,446,657	31,906,198	34,670,262	39,397,063	36,561,337	39,125,301	30,687,943
Expenses:							
Medical, Dental, Disability Benefits	21,029,623	24,343,885	25,091,857	24,723,758	24,673,438	28,532,647	24,363,007
Prescription Benefits	5,364,503	4,231,544	4,770,372	5,396,217	5,555,698	7,010,955	6,243,104
Employee Assistance	40,128	41,412	43,384	45,802	46,221	47,953	37,709
Premiums and Fees	1,751,710	2,454,342	2,789,124	2,376,550	2,426,017	2,649,805	1,706,522
Total Benefit Expenses	28,185,964	31,071,183	32,694,737	32,542,327	32,701,374	38,241,360	32,350,342
Operating Expenses	722,945	772,075	826,859	894,404	788,255	922,457	804,916
Total Expenses	28,908,909	31,843,258	33,521,596	33,436,731	33,489,629	39,163,817	33,155,258
Change In Fund Balance	(462,252)	62,940	1,148,666	5,960,332	3,071,708	(38,516)	(2,467,315)
Beginning Fund Balance	22,426,110	21,963,858	22,026,798	23,175,464	29,135,796	32,207,504	32,168,988
Ending Fund Balance	21,963,858	22,026,798	23,175,464	29,135,796	32,207,504	32,168,988	29,701,673
Active Employees & COBRA	1,328	1,348	1,431	1,467	1,440	1,502	1,577
Retired Employees	176	191	219	237	259	287	308
Total Employees	1,504	1,539	1,650	1,704	1,699	1,789	1,885
Retiree %	11.7%	12.4%	13.3%	13.9%	15.2%	16.0%	16.3%
Contributions/EE/Month	1,505.90	1,643.15	1,698.81	1,816.66	1,710.46	1,794.12	1,877.65
Investment Income/EE/Month	28.63	18.53	23.00	70.98	42.00	(9.17)	(82.16)
Other Income/EE/Month	41.64	65.97	29.22	39.06	40.82	37.54	13.40
Benefit Cost/EE/Month	1,561.72	1,682.43	1,651.25	1,591.47	1,603.95	1,781.32	1,906.89
Operating Cost/EE/Month	40.06	41.81	41.76	43.74	38.66	42.97	47.45
Total Expense/EE/Month	1,601.78	1,724.24	1,693.01	1,635.21	1,642.61	1,824.29	1,954.33
Surplus(Deficit)/EE/Month	(25.61)	3.41	58.01	291.49	150.66	(1.79)	(145.44)
Months of Reserve	9.1	8.3	8.3	10.5	11.5	9.9	8.1
Ave. Journeyman Hourly Contrib Rate	10.76	11.76	12.76	13.51	13.76	14.11	14.61
Increase in Contributions/EE	1.4%	9.1%	3.4%	6.9%	-5.8%	4.9%	4.7%
Increase in Total Income	7.0%	12.2%	8.7%	13.6%	-7.2%	7.0%	4.3%
Increase in Benefit Cost/EE	0.1%	7.7%	-1.9%	-3.6%	0.8%	11.1%	7.0%

PLUMBERS AND PIPEFITTERS LOCAL UNION NO. 9

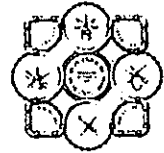


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Secretary-Treasurer

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Dean Feasel, *Air Conditioning/Refrigeration division*

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William K. Graybush
Patrick M. Scharnitz

January 3, 2023

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Please make every effort to attend this important meeting.

In Solidarity,

Michael Maloney
Business Manager, Secretary-Treasurer

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