

THE ACADEMY OF ELECTRICAL CONTRACTING

Paper presented by

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A Quarter Century Experience with a Health and Welfare Fund

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This presentation is a twenty-five year history of a Health and Welfare program that has withstood the test of time.

Following the end of World War II, the leaders of the IBEW became aware that for the betterment of their membership, wages alone would not suffice, and fringe benefits were necessary to improve the lot of the membership of the IBEW.

Accordingly, through Collective Bargaining in 1950, our chapter in agreement with our Local IBEW Union established a Health and Welfare Trust Fund.

The Trust instrument provided in general that the Trust would be administered by a Board of Trustees consisting of six members, three appointed by the Union and three appointed by the Chapter. The Trustees were obligated to collect contributions from participating employers and would devote the Fund to payment of sickness, accident, death and similar benefits to employees.

Having been an Electrical Contractor since 1923 and a Charter Member of the Chapter since 1946, I was appointed by the Chapter to be a Trustee and in sequence was elected the Chairman of the Board of Trustees, a position I have held since.

The initial contribution by the contractors was ten cents (10¢) per hour from 1950 until 1965, and increased as follows:

1966-1968	\$.13 per hour
1968-1972	\$.18 " "
1973-1974	\$.38 " "
Ending 1975-1976	\$.48 " "

Attached is Exhibit A, and you will note that from the period 1950 to 1968 (line 18) we show a fund of \$465,221.08. During this period all this money was in savings banks and checking accounts in various banks of Rhode Island. When we ran out of banks in Rhode Island, the new money was placed in various out of state banks. This investment method was very unorthodox and through these years I voiced my objections but was overruled by the majority.

Referring back to Exhibit A, you will note the profit was increasing steadily and while this was good news it did bring the Internal Revenue into the picture. They reviewed the years 1963, 1964 and 1965 and informed us they wanted a piece of the profit - \$23,916.32 was the exact amount. But our attorney and our accountant advised us (and I agreed with them) that we should fight the payment to the IRS. The majority of the Board refused to accept their advice and, as a result, we had no choice but to pay the taxes.

Time and time again through the years, I proposed that we engage a tax attorney to change our tax status in accordance with IRS Tax Code Section 501 (c) (9).

In 1974 when we had a completely new Board of Trustees (I remained as the only holdover) I was able to get the Board to agree to my request.

The attorney we hired did an excellent job in presenting our case to the IRS. After a short period of time, the Government approved our request and our tax status was changed. The cost of the attorney was \$650.00.

It was around this same period 1963-1965 that the Union members became the most difficult to get along with. They were making many unnecessary demands of the Committee. Such as:

They took over the bookkeeping of the Fund, they would prepare a financial statement, pass them out at the Board meetings and after the meetings they would pick them up again.

There were internal political problems among the Union members at this time. We also believe it was an attempt by the Union to take control of the Fund. We were forced to fight back to avoid this, but in so doing had to make concessions to them. We are still living with problems today caused by the concessions made then.

It was around the period of 1967 that the Board finally agreed with me that we should purchase stock. In November 1967 we purchased 500 shares of #1 stock for \$24,667.26; in 1971 this particular stock had a two to one split and on my recommendation we sold the stock for \$38,715.71 which meant a net profit in four years of \$14,048.45.

Because of the success of our first venture into the stock market, the members of the Board agreed from time to time to the purchase of additional stock.

It was not all peaches and cream in the years following and there were many periods of frustration due mainly to the fact that electricians and electrical contractors, as a group, are not that knowledgeable in financial matters.

A case in point would be stock #2 which we began purchasing in 1967. During a period of two to three years we had accumulated 3,000 shares of this particular stock. The stock then split two to one giving us 6,000 shares at a cost of 14-3/4 a share.

In 1973 when this stock was selling at $43\frac{1}{2}$ I proposed we sell it. The Board did not agree with me and instead authorized me to sell 1,000 shares. (On this 1,000 shares, we made a profit of \$29,306.65). If they had allowed me to sell the balance as I requested, we would have added \$146,533.25 profit to our fund.

We still have the remaining shares of this stock in our portfolio, and for period ending December 31, 1976 this stock was selling for $16\text{-}3/4$ a share.

Getting back to the purpose of the Fund, with the surplus increasing through the years, we were able to do what I spent twenty-five years wanting to do. That is: we have increased the benefits for the men (many of them are the sons and grandsons of the men who started out with me in 1923). We increased Life Insurance for the retirees and we also gave the men a limited dental program of \$400.00 per person, per year.

Along with Exhibit A, which shows the receipts from the contractors, expenses, premiums, etc. from 1950 to December 31, 1976 (A History of Blood, Sweat and Tears) we have included Exhibit B showing the operations of the Trust for 1976, which unfortunately shows a loss of \$49,047.63, but the Trust is still solvent. It is my belief that this deficiency is caused by the present business conditions in our Local area. Also enclosed you will find Exhibit C which shows my own records of the operating cost of the Fund for 1976.

All things considered, I have enjoyed the challenge of the last twenty-five years, and as long as my health permits me I hope to spend my remaining years on the Committee.

Some changes will have to be made. Because of the requirements of the Employees Retirement Income Security Act of 1974, I have proposed to the Board of Trustees that we hire a paid administrator (with an expertise in the market) to handle all future investments of the Trust Fund. I recommend this to each and every group of Contractor-Union members who serve as Trustees on their Local Trust Funds. About the only stipulation is that the administrator be neither an Electrician nor an Electrical Contractor.

LOCAL UNION 99 HEALTH AND WELFARE FUND

*Includes Rebate from Insurance Company

Year	Contractor	Other	Total	Insurance Premium	Overhead	Total	Profit (Less)	Fund	Death Life	Casualty's Claims
1951	85815	10	85825	16282	720	17002	68823			
1952	61601	907	62508	27659	3073	30732	31775	100598		
1953	74591	1358	75949	34311	2494	36805	39144	139742		
1954	81407	1907	83314	66397	3159	69556	13757	153499		
1955	73369	2502	75871	45205	4941	50146	25725	172224		
1956	70922	4012	74934	40493	2965	43458	31476	210701		
1957	68079	6028	74107	40457	4018	44475	29632	240333		
1958	68891	7007	75898	47143	5737	53151	22746	263079		
1959	67292	8643	75935	47237	1574	48811	27124	290203		
1960	72804	10048	82852	56332	2674	59006	23846	314049		
1961	74302	10721	85024	55076	7734	62810	22213	336263	2) 4000	39703
1962	73276	12679	85955	53119	7420	60539	25414	361678	2) 4000	47209
1963	69324	12472	81796	56568	6312	62880	18916	380594	1) 2000	45755
1964	82957	14489	97446	59869	7723	67593	29853	410447	2) 4000	57730
1965	86468	22007	108475	65881	6255	72136	36338	446785	1) 2000	51112
1966	101339	19185	120524	80548	6798	87346	33177	479963	1) 4000	61089
1967	109325	19534	128859	126370	*17232	143602	(14742)	465221	1) 4000	92167
1968	121642	20485	142127	115848	*35364	151213	(9085)	456135	3) 10000	118861
1969	178897	20895	199792	169189	13103	182292	17499	473634	1) 4000	119060
1970	231952	27760	259712	191553	27292	218845	40865	514501	3) 9000	169602
1971	230714	33741	266335	276192	17250	293442	(27157)	487344	5) 17000	263823
1972	228037	16395	244432	290367	13449	303816	(59385)	427959	2) 5000	252863
1973	443547	73778	517325	381117	17832	398949	118376	446756	6) 26000	376140
1974	444138	*62843	506981	459010	29090	488100	18879	502441	15000	367508
1975	468153	*64485	532638	464290	31901	496191	40421	546936	12000	544337
1976	463873	42178	506051	484346	28574	512920	(6969)	574034	2) 8000	341299

EXHIBIT " C "

My Own

Ending 12/31/76

Income from Contracts @ .48		463,873.01	
Investments at cost	446,936.40		
Interest		34,570.00	
Short Term Note	100,000.00		
Interest		5,510.22	
Savings Account	27,098.07		
Interest		2,098.07	42,178.29
FUND	574,034.47		
TOTAL INCOME			506,051.30
OPERATING COST	28,574.63		
Insurance Premiums	484,346.01		512,920.64
			(6,869.34)
Checking Account	3,438.25		
Paid in advance for 1977 Insurance premiums	<u>24,313.24</u>		
	27,751.49		
Insurance premium paid	484,346.01		
Claims paid by Ins. Co.	<u>341,695.64</u>		
	142,650.37		