



June 27, 2008

MEMORANDUM

**TO: Active and Retired Participants of the
Carpenters Health and Welfare Trust Fund for California**

**FROM: BOARD OF TRUSTEES
Carpenters Health and Welfare Trust Fund for California**

RE: Retiree Health & Welfare Self-Payment

This is to announce two major changes that will affect the method of determining how much Retirees pay for the cost of Retiree Health and Welfare.

EFFECTIVE NOVEMBER 2008 – RETIREE SELF-PAYMENT REBATE

Based on the investment earnings of the Health and Welfare Fund, up to half of the investment earnings in a given Fiscal Year (September 1 through August 31) may be used to rebate a portion of the amount Retirees self-pay for medical coverage. However, the amount available for rebate will not be greater than 12.5% of the total cost of providing Retiree coverage.

Examples:

Please note: Your individual self-pay percentage may vary from the average based on your Pension Effective Date, Years of Service, Age, and choice of coverage.

- 1) *In a year where investment earnings are sufficient to provide a 6% rebate, the average amount Retirees self-pay for coverage would drop from approximately 50% of the cost of coverage to approximately 44% of the cost.*
- 2) *In a year where the maximum rebate of 12.5% is available, the average amount Retirees self-pay for coverage would drop from approximately 50% of the cost of coverage to approximately 37.5% of the cost.*

The amount of the rebate will vary each year depending on investment earnings. Once the amount available for rebate is determined, the amount available will be divided by the number of eligible Retired Participants. Rebates will be issued in a flat amount with each eligible Retiree receiving the same rebate amount regardless of Medicare status, Years of Service, Age, or Plan elected (Indemnity, Kaiser, Health Net). **NOTE: Surviving Spouses are not eligible for the rebate program.**

When investment earnings are available, rebate checks will be issued in November to eligible Retirees participating in the Health and Welfare Fund.

TO BE ELIGIBLE FOR THE REBATE PROGRAM:

1. A Retiree must be a member in good standing with the United Brotherhood of Carpenters International Union as of August 31st, and
2. A Retiree must have at least 12 years Vesting Credit in the Carpenters Pension Trust Fund for Northern California, and
3. A Retiree must have been enrolled in the Retiree Health & Welfare Plan for all 12 months of the Fiscal Year (September 1 through August 31) for which the rebate is issued.

Surviving Spouses are not eligible to participate in the rebate program.

EFFECTIVE JANUARY 1, 2009 – RETIREE SELF-PAYMENT SUBSIDY

(Retiree Self-Payment rates are set annually independent of the New Rebate Program)

The method of determining how much of the total cost of health insurance a Retiree pays will change. In the past Active Participants paid, or subsidized, approximately 50% of the cost of Retiree health coverage and Retirees paid the remaining 50% in the form of Self-Payment deductions from the Retiree's pension check. Spouses of deceased Retirees, who continued to receive a monthly Surviving Spouse pension payment, paid 100% of the cost of their Retiree coverage.

Currently the actual amount each Retiree pays for health coverage is based on a number of factors including:

Medicare Eligibility

- If a Retiree is eligible for Medicare, the Self Payment amount is 50% of the cost of the Health Plan Option elected (Indemnity, Kaiser, Health Net). The remaining 50% is subsidized by the Active Participants.
- If a Retiree is not eligible for Medicare, the self-payment amount is between 35% and 55% of the cost of the Health Plan Option elected depending on Pension Effective Date and Years of Service.

Plan Selection

Because the cost of Health Plan Options are not the same, even though two Retirees are the same age, have the same number of Years of Service, the same Medicare status, and have the same Pension Effective Date, the amount of subsidy paid by Active Participants may be different depending on the Health Plan Option elected by the Retiree.

Effective January 1, 2009, the way individual Retiree self-payments are determined for Retirees that elect an HMO option will change. Rather than rewarding an HMO for raising premium rates by paying more towards a Retiree's HMO premium than towards another Retiree's Indemnity premium, all subsidies (the difference between the cost of coverage and the amount the retiree pays) will be based on the cost of the Indemnity Plan. **This change will be phased in as follows:**

**FOR RETIREES WITH A PENSION EFFECTIVE DATE OF
DECEMBER 31, 2008 OR BEFORE**

MEDICARE ELIGIBLE RETIREES who elect:

Indemnity: *No change.* The Retiree self-payment amount will be 50% of the cost of the Indemnity Medicare Plan. The remaining portion of the cost will be subsidized by the Active Participants.

HMO: The Retiree self-payment amount will be the full cost of the HMO premium minus the larger of either, the 2008 HMO subsidy or the current year's Indemnity subsidy for a similarly situated Retiree in the Indemnity Plan. *(Please see Example below)*

NON-MEDICARE RETIREES who elect:

Indemnity: *No change.* Depending on the Retiree's Years of Service AND Pension Effective Date, the self-payment amount will be between 35% and 55% of the cost of the Indemnity Medical Plan. The remaining portion of the cost will be subsidized by the Active Participants.

HMO: The Retiree self-payment amount will be the full cost of the HMO premium minus the larger of either, the 2008 HMO subsidy or the current year's Indemnity subsidy for a similarly situated Retiree in the Indemnity Plan. *(Please see Example below)*

Example:

For this example the 2009 cost of Indemnity is \$600 and the Retiree pays 50% of the cost. So, the self-payment amount is \$300 and the Subsidy paid by Active Participants towards the Retiree's coverage is \$300. If the 2009 HMO cost is \$700 and the 2008 HMO Subsidy was \$385, the 2009 HMO Self Payment will be determined as follows:

<i>Full Cost of HMO:</i>	<i>\$700</i>
<i>2009 Indemnity Subsidy:</i>	<i>\$300</i>
<i>2008 HMO Subsidy:</i>	<i>\$385</i>

Since the 2008 HMO Subsidy was greater than the 2009 Indemnity Subsidy, in this example the 2009 HMO self-payment would be $\$700 - \$385 = \$315$.

SURVIVING SPOUSE:

No change. Regardless of the Plan elected, surviving spouses will continue to pay the full cost of coverage.

**FOR RETIREES WITH A PENSION EFFECTIVE DATE
ON OR AFTER JANUARY 1, 2009**

MEDICARE ELIGIBLE RETIREES who elect:

Indemnity: *No change.* The Retiree self-payment amount will be 50% of the cost of the Indemnity Medicare Plan. The remaining portion of the cost will be subsidized by the Active Participants.

HMO: The Retiree self-payment amount will be the full cost of the HMO premium minus the same subsidy amount applied to the cost of Indemnity coverage for a similarly situated Retiree in the Indemnity Plan. *(Please see Example below)*

NON-MEDICARE RETIREES who elect:

Indemnity: *No change.* Depending on the Retiree's Years of Service AND Pension Effective Date, the Retiree self-payment amount will be between 35% and 55% of the cost of the Indemnity Medical Plan. The remaining portion of the cost will be subsidized by the Active Participants.

HMO: The Retiree self-payment amount will be the full cost of the HMO premium minus the same subsidy amount applied to the cost of Indemnity coverage for a similarly situated Retiree in the Indemnity Plan. *(Please see Example below)*

Example:

For this example the 2009 cost of Indemnity is \$600 and the Retiree pays 50% of the cost. So, the self-payment amount is \$300 and the Subsidy paid by Active Participants towards the Retiree's coverage is \$300. If the 2009 HMO cost is \$700, the 2009 HMO Self Payment will be determined as follows:

<i>Full Cost of HMO:</i>	<i>\$700</i>
<i>2009 Indemnity Subsidy:</i>	<i>- \$300</i>
<i>2009 HMO Self-Payment:</i>	<i>\$400</i>

SURVIVING SPOUSE:

No change. Regardless of the Plan elected, surviving spouses will continue to pay the full cost of coverage.

PLEASE NOTE: In November 2008 a personalized letter, describing the Retiree's 2009 self-payment rate will be sent to each eligible Retiree participating in the Retiree Health and Welfare Plan.

If you have any questions about this notice, please contact Benefit Services at the Trust Fund Office at (510) 633-0333 or toll free at (888) 547-2054. You may also send an email to benefitservices@carpenterfunds.com.

The Board of Trustees maintains the right to change or discontinue the types and amounts of benefits under this plan. The foregoing explanation of Plan modifications is a summary only. Actual eligibility and the amount of benefits are subject to the actual terms of the Plan.