

WASHINGTON IDAHO OPERATING ENGINEERS HEALTH & SECURITY TRUST

ZENITH AMERICAN SOLUTIONS
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October 2015

TO: All Participants of the Washington-Idaho Operating Engineers and Employers Health & Security Trust

FROM: Board of Trustees

RE: **Changes to Benefits and Retiree and Disability Self-Pay Rates**

This is a summary of material modification describing changes adopted by the Board of Trustees. Please be sure that you and your family read it carefully and keep this document with your Plan Booklet.

This notice includes information about upcoming changes to the Trust's medical and prescription drug benefits and changes to the self-pay contribution rate structure for the Trust's retiree and disability medical plan. Since these changes impact all Trust participants, it is being distributed to both Active and Retired Participants. Please read the notice carefully, especially if you are retired or are planning to retire in the near future.

MEDICAL BENEFIT CHANGES

The following changes will be made to the Trust's medical benefits effective with claims incurred on or after January 1, 2016:

1) *Increase in Calendar Year Deductible.*

The calendar year deductible for medical expenses will increase from \$300 per person to \$390 per person. The maximum family deductible will increase from \$600 per family to \$780 per family.

2) *Increase in Calendar Year Maximum Out-of-Pocket.*

The calendar year maximum out-of-pocket limit for medical expenses will increase from \$2,500 per person to \$3,250 per person. The maximum family out-of-pocket limit will increase from \$5,000 per family to \$6,500 per family. The out-of-pocket limit does not include deductibles or copayments.

3) *Increase in Office Visit Copay.*

The office visit copay under the medical plan will increase from \$20 per visit to \$25 per visit.

4) *Increase in Emergency Room Copay*

The emergency room copay for non-emergency care will increase from \$75 to \$95. The copay is waived if the covered person is admitted directly to the hospital from the emergency room, or if the emergency room visit is the result of an accident or life threatening illness.

PRESCRIPTION DRUG BENEFIT CHANGES

The following changes will be made to the Trust's prescription drug benefit plan administered by CVS/Caremark:

1) Dispense as Written (DAW) penalty.

Beginning January 1, 2016, if you are prescribed a brand name drug with a generic equivalent, and you choose to have the brand name drug filled, you will be responsible for the applicable coinsurance, plus the difference in cost between the brand name drug and the generic equivalent (penalty). If your doctor indicates the brand name drug is required, the penalty will not apply.

2) Prescription Drug Formularies

Beginning April 1, 2016 the Trust's prescription drug coverage will be subject to CVS/Caremark's Standard Formulary and Advanced Control Specialty Formulary. A formulary is a list of drugs covered by the plan. Drugs are included and/or excluded from the formulary based on cost and effectiveness. The formularies include generic, brand name and specialty drugs to treat all conditions. If you are currently using a drug that is not included in the formulary, you will need to work with your doctor to switch to a drug that is on the formulary. If your doctor believes a non-formulary drug is medically necessary for your specific circumstance, you and your doctor will need to work with CVS/Caremark to request an exception.

Watch your mail carefully. You will be receiving more detailed information directly from CVS/Caremark in advance of the effective date of the formularies, including notice of any medications you are taking which are non-formulary.

RETIREE SELF-PAY CONTRIBUTION RATE CHANGES

As a Participant in the Washington-Idaho Operating Engineers and Employers Health & Security Trust (the Trust), you have access to retiree and disability medical coverage at a discounted (subsidized) cost if certain criteria are met. The Trust subsidy is equal to the actual cost of providing the coverage less the self-pay rate. The retiree and disability subsidy is provided from the reserves of the Trust, and is only sustainable if sufficient reserves are maintained. The Trustees have been reviewing contribution rate options to provide a more financially sustainable and equitable distribution of the Trust subsidy over the long term. The goal is for coverage to be both affordable and equitable for the retiree and/or disabled member and sustainable for the Trust.

The Trustees have adopted a new contribution rate structure which will be effective beginning January 2016. The new structure is as follows:

1) Rules for qualifying for retiree and disability coverage will NOT change (see page 32 of the current SPD for full details).

- Totally and Permanently Disabled, or
- Age 55 or older and ten credits or 15,000 hours earned, including 3,000 hours accumulated in this Trust within the five years immediately preceding the commencement of retirement benefits from the Engineers-AGC Retirement Trust Fund of the Inland Empire or the Idaho Operating Engineers-Employers Pension Trust Fund.

2) Self-pay rates and subsidy will be based on age at initial retirement and total eligible hours accumulated in the Trust.

For Members Retiring on or after January 1, 2016 - Retiree self-pay rates will be equal to the actual cost of coverage multiplied by a percentage that is based on initial age at retirement and total eligible hours accumulated in this Trust. The more hours a member works during their career, and the later their initial retirement date, the greater the subsidy will be during their retirement. Conversely, a member with fewer hours who retires at a younger age will have a lower subsidy during their retirement, and therefore a higher self-pay rate. The self-pay percentage for an eligible spouse will be equal to the percentage for the retiree.

For Members Retired prior to January 1, 2016 – The Board of Trustees has approved a special “grandfathering” provision for current retirees and those retiring prior to January 1, 2016. These retirees will have the lowest self-pay percentage (highest subsidy level) based on hours worked, regardless of their actual age at retirement. The same percentage will apply for the eligible spouse of a retiree.

For Disabled Members – Members who are Permanently and Totally Disabled may qualify for coverage at any age provided all other requirements for eligibility are met. Because disabled members do not have the opportunity to continue earning a retiree subsidy by working additional hours, all disabled members who qualify for coverage will receive the highest level of subsidy regardless of their actual hours worked or age at disability.

The Table below shows the percent of the total cost a retiree or disabled member will self-pay during their retirement based on total eligible hours and age at initial retirement. The remaining amount of the cost is the subsidy provided by the Trust. For example, a member with over 45,000 eligible hours who retires at age 60 or over will pay 55% of the total cost (45% Trust subsidy). Members with a minimum 10 years credited service or less than 22,500 eligible hours who retire prior to reaching age 58 will be required to pay the full cost of coverage during their retirement (no Trust subsidy).

Retiree Self-Pay Table (% of Cost)					
Age at Retirement	10 Years of Credited Service or 15,000 to 22,499 hours	22,500 to 29,999 hours	30,000 to 37,499 hours	37,500 to 44,999 hours	45,000+ hours and Disabled¹
55	100%	90%	85%	80%	75%
56	100%	85%	80%	75%	70%
57	100%	80%	75%	70%	65%
58	95%	80%	75%	65%	60%
59	90%	75%	70%	60%	55%
60+	85%	75%	65%	60%	55%
Grandfathered ²	85%	75%	65%	60%	55%

¹ Disabled self-pay percentage will be set at age 60+ amount.

² Self-pay percentage for retirees with retirement dates prior to January 1, 2016.

Non-Medicare Eligible Retiree Rates:

The following table shows the actual self-pay rates for 2016 for non-Medicare retirees and spouses. The amounts in the table are per individual per month (retiree or spouse).

Non Medicare Rates (Per Individual Per Month)					
Age	10 Years of Credited Service or 15,000 to 22,499 hours	22,500 to 29,999 hours	30,000 to 37,499 hours	37,500 to 44,999 hours	45,000+ hours and Disabled¹
55	\$495.00	\$446.00	\$421.00	\$396.00	\$371.00
56	\$495.00	\$421.00	\$396.00	\$371.00	\$347.00
57	\$495.00	\$396.00	\$371.00	\$347.00	\$322.00
58	\$471.00	\$396.00	\$371.00	\$322.00	\$297.00
59	\$446.00	\$371.00	\$347.00	\$297.00	\$272.00
60+	\$421.00	\$371.00	\$322.00	\$297.00	\$272.00
Grandfathered ²	\$421.00	\$371.00	\$322.00	\$297.00	\$272.00

¹ Disabled self-pay rate will be set at age 60+ amount.

² Self-pay rate for retirees with retirement dates prior to January 1, 2016.

Medicare Eligible Retiree Rates:

The following table shows the actual self-pay rates for 2016 for Medicare eligible retirees and spouses. The amounts in the table are per individual per month (retiree or spouse).

Medicare Rates (Per Individual Per Month)					
Age	10 Years of Credited Service				
	or 15,000 to 22,499 hours	22,500 to 29,999 hours	30,000 to 37,499 hours	37,500 to 44,999 hours	45,000+ hours and Disabled¹
55	\$283.00	\$255.00	\$240.00	\$226.00	\$212.00
56	\$283.00	\$240.00	\$226.00	\$212.00	\$198.00
57	\$283.00	\$226.00	\$212.00	\$198.00	\$184.00
58	\$269.00	\$226.00	\$212.00	\$184.00	\$170.00
59	\$255.00	\$212.00	\$198.00	\$170.00	\$160.00
60+	\$240.00	\$212.00	\$184.00	\$170.00	\$160.00
Grandfathered ²	\$240.00	\$212.00	\$184.00	\$170.00	\$160.00

¹ Disabled self-pay rate will be set at age 60+ amount.

² Self-pay rate for retirees with retirement dates prior to January 1, 2016.

Current retirees covered under the retiree medical plan will receive notification of their new self-pay rates, “grandfathered” at the lowest self-pay level based on hours worked. This notification will be provided by the Trust office prior to January 1, 2016.

3) New Three-year Break in Service Provision

Effective January 1, 2016 there will be a three-year break in service provision for active members. If a member does not have hours reported to the Trust for three consecutive calendar years, accumulation of hours for retiree eligibility and subsidy will reset to zero. One hour per year reciprocity credit will be granted for a member working outside the geographic area of this Trust fund for a union contractor under IUOE jurisdiction.

Please note that retiree and disability coverage, including any subsidy, is not a vested benefit. These benefits are available as long as it is economically feasible as determined by the Board of Trustees. The Trustees hope that these changes will allow retiree and disability coverage and subsidies to remain in place going forward.

The Trust is planning on conducting a series of member meetings in November to provide more information and answer your questions regarding the 2016 changes. You should have received a blue postcard regarding meeting dates and locations.

NOTE: Receipt of this notice does not constitute a determination of benefits or your eligibility. If you wish to verify benefits or eligibility, or if you have any questions regarding medical benefit changes, please contact the Administration Office at (800) 351-6480 or (509) 534-5625.

Please keep this important notice with your Plan Document/Summary Plan Description (SPD) for easy reference to all Plan provisions. If you have any questions or need any additional information, please contact the Administration Office.

Sincerely,

Board of Trustees