



New England Carpenters Benefit Funds
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**IMPORTANT
INFORMATION
ABOUT CHANGES
TO YOUR BENEFITS
INSIDE!**

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GREAT

BENEFITS | F O R L I F E

JULY 2018

CARPENTERS BENEFIT FUNDS

PENSION FUND | ANNUITY FUND | HEALTH FUND | VACATION FUND | CARPENTERS ASSISTANCE PROGRAM

SPECIAL EDITION

PROTECTING OUR FUTURE

Learn how your benefits
are changing today for a
more secure tomorrow.

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A STREAMLINED APPROACH, A SOLID FOUNDATION

It's been six months since the New England, Connecticut and Rhode Island Benefit Funds joined forces. In that time, our Boards of Trustees have examined the issues facing the Funds, asked a lot of tough questions and explored a variety of approaches for future action. Now, we're ready to move forward.

This special-edition newsletter provides an overview of important changes we're making to the Benefit Funds. The Trustees have established the following common goals as we enter a new era: **simplified plans, aligned benefits and, perhaps most important, a set of guiding principles that will serve as our blueprint for keeping our plans strong and in place for generations to come.**

Why are we making these changes? We're looking to the future. Over the years, our participants have enjoyed comprehensive benefits as we've gained from the hard work of our active members and retirees. However, some subsidized benefits are not sustainable in today's economy. We want our active and future members to be able to continue to enjoy solid benefits—so we're making changes now. Keep in mind: while there is a lot that is changing, there's also much that's not. You will continue to be able to take advantage of the tremendous health and retirement security that you have—made possible by the sacrifices of the carpenters who came before you.

Please feel free to contact your Fund Office if you have questions that aren't covered here. We will send you more information on these changes and will provide detailed answers to questions at local union meetings.

Yours in Brotherhood,



Thomas J. Flynn
Chairman, Combined Board of Trustees



“Over the years, our participants have enjoyed comprehensive benefits as we've gained from the hard work of our active members and retirees.”

PROTECTING OUR FUTURE

Find out what's changing in your area and what it means for you and your family.

We have a lot of information to share with you. Most benefit plan changes you'll read about will become **effective on January 1, 2019.** We're committed to making sure all of our members have an accurate understanding of what's changing in the Connecticut, Rhode Island and New England Benefit Plans. Changes will be different in different areas, but our guiding principles (stated below) are unified.

We encourage you to take the time to carefully read this information to learn about what's changing in your area and what it may mean for you and your family. You're also welcome to attend an upcoming local meeting to get more information. Please contact your Fund Office if you have additional questions.

GUIDING PRINCIPLES OF THE BENEFIT FUNDS

- ✓ **OUR FUNDS ARE STABLE.** We want to make sure that the benefits you have earned and worked hard for are there for you when you need them, whether that's next week, next year or next decade. We're in this for the long haul and will manage plan finances and operations accordingly. We want members to have a solid foundation that can support their health and financial security needs.
- ✓ **OUR FUNDS WILL BE RESPONSIVE.** Our Funds are strong because we constantly evaluate them and make changes when needed. We will be proactive and address potential problems before they become real ones.
- ✓ **OUR FUNDS WILL BE FAIR.** We will do our best to keep benefits equitable for all participants.
- ✓ **OUR FUNDS WILL BE COMPETITIVE.** We want to make sure that the costs of our plans are manageable. We will manage plan finances so that they serve member needs without pricing them out of the market. We want to be able to grow without putting undue pressure on members or participating employers.

GREAT BENEFITS FOR LIFE!

Although we are entering a time of change, we believe it's important to reiterate the value of our benefit plans. Our plans are exceptional; far superior in quality, benefits and coverage than most plans operating today.



WE'RE LOOKING TO THE FUTURE

IMPORTANT PENSION AND HEALTH FUND CHANGES

Please take the time to read this information and learn about what's changing in your area and what it may mean for you and your family.

The following sections provide specific information about changes made by the Trustees of the New England Carpenters Benefit Funds to the New England Carpenters Pension and Health Benefits Plans for Massachusetts, Maine, New Hampshire and Vermont participants. The majority of these changes will become effective January 1, 2019. The information included here is the start of an ongoing effort to keep you up-to-date about decisions made by your Board of Trustees.

Please keep these points in mind as you continue to read:

- **What you have earned so far under the Pension Plan will not be changed—only credits earned after January 1, 2019 will be affected.**
- **We will manage the Funds the same way you manage your personal finances—we will not spend more than we take in and we will invest in the future.**
- **We continue to offer benefits that far exceed what most American workers receive.**

NEW ENGLAND CARPENTERS PENSION FUND

Our Pension Fund is strong and rated in the “Green Zone,” but we need to invest in the future to strengthen the Pension Fund for today’s carpenters and tomorrow’s apprentices. The Pension Fund should also be equitable for all participants. With these goals in mind, the Combined Board of Trustees approved the following changes **for credits earned after January 1, 2019:**

HOW THE EARLY RETIREMENT PENSION IS CALCULATED

For many years, participants who retired prior to Normal Retirement Age (age 62) received a minor reduction in their monthly benefit while those participants who retired at Normal Retirement Age subsidized the cost.

Currently, the value of a pension for participants who worked 500 hours after December 31, 1997 is reduced by 1% for each year the participant is younger than Normal Retirement Age. Participants working under the wood frame agreement receive a reduction of 2% for each year. **The actual cost to the Plan to retire on an Early Retirement Pension is approximately 6% per year.**

To better align benefits paid with contributions received, benefits accrued after January 1, 2019 will be subject to a 6% Early Retirement reduction.

The *eligibility* requirements for an Early Retirement remain unchanged. You must have 10 pension credits and be age 55 or older. What has changed is the *reduction percentage* associated with Early Retirement. **However, the percentage reduction will remain unchanged for pension credits accrued through December 31, 2018, no matter when you retire.**

The Fund Office will calculate your pension benefits in two parts: (i) the benefits accrued prior to January 1, 2019 with the 1% reduction (in most cases), and (ii) the benefits accrued after December 31, 2018 with the 6% reduction.

Below is an example:

Assumptions:

- Participant earned a total of 18 pension credits:
 - 13 pension credits prior to January 1, 2019
 - 5 pension credits after December 31, 2018
- Worked 1,600 hours each year
- Participant is 58 years old at retirement, January 1, 2024

BENEFITS ACCRUED PRIOR TO JANUARY 1, 2019

2006 – 2018	
13 pension credits x \$127.00 =	\$1,651.00
4 years younger than age 62: 4 x 1% =	4%
Early Retirement reduction: \$1,651.00 x 4% =	(\$66.04)
After Early Retirement Reduction:	\$1,584.96

BENEFITS ACCRUED AFTER DECEMBER 31, 2018

2019 – 2023	
5 pension credits x \$127.00 =	\$635.00
4 years younger than age 62: 4 x 6% =	24%
Early Retirement reduction: \$635.00 x 24% =	(\$152.40)
After Early Retirement Reduction:	\$482.60

2006 – 2018 Total:	\$1,584.96
2019 – 2023 Total:	482.60
Total:	\$ 2,067.56 (before options)

WHAT BONUS AMOUNTS YOU CAN EARN

Participants who have worked over 1,700 hours and receive an accrual rate of either \$127.00 or \$64.00 can receive a bonus amount in addition to the accrual rate. (Please note that Northern New England Carpenters and Northern New England Millwrights do not have bonus amounts.)

Bonus Amounts For Hours Worked Prior to January 1, 2019:

HOURS WORKED	\$127.00 ACCRUAL RATE	\$64.00 ACCRUAL RATE
1,700 – 1,849	\$13.00	\$6.00
1,850 – 1,999	\$15.00	\$7.00
2,000+	\$18.00	\$9.00

New Bonus Amounts Effective January 1, 2019:

HOURS WORKED	\$127.00 ACCRUAL RATE	\$64.00 ACCRUAL RATE
1,850+	\$5.00	\$3.00

HOW YOU EARN PENSION CREDITS

Listed below is the new pension credit scale that will be used for hours worked after January 1, 2019. Pension credits earned prior to January 1, 2019 remain unchanged.

HOURS WORKED	PENSION CREDIT EARNED
Less than 140 hours	0.0
140 – 279	0.1
280 – 419	0.2
420 – 559	0.3
560 – 699	0.4
700 – 839	0.5
840 – 979	0.6
980 – 1,119	0.7
1,120 – 1,259	0.8
1,260 – 1,399	0.9
1,400	1.0 Maximum



Pension credits earned prior to January 1, 2019 remain unchanged.

NEW ENGLAND CARPENTERS HEALTH BENEFITS FUND

Most of us recognize that, through the New England Carpenters Health Benefits Fund, we have some of the best health coverage in the area—low out-of-pocket costs for services and a broad national network of doctors through Blue Cross Blue Shield. Unfortunately, health care costs continue to rise and the cost increases confronting us are not sustainable. Even if the union could raise hourly contributions enough to maintain current benefits, that would lead to a competitive disadvantage for union employers and a reduction in hours worked and the number of carpenters eligible for coverage.

We have made significant efforts in recent years to contain costs: renegotiating contracts with our vendors, redesigning our prescription drug benefit, curtailing use of non-network substance abuse providers that were attempting to over-bill us, and investing in the United Brotherhood of Carpenters specialty drug pharmacy, Level Care. Despite all this, 2018 costs have overtaken contributions coming in. Our Fund is in a strong reserve position, but if we don't make changes now, our Health Fund will weaken.

New England Carpenters Health Benefits Fund PROJECTED INCOME, EXPENSES AND SURPLUSES/LOSSES

	2018	2019 (ASSUMING NO BENEFIT CHANGES)
Total Income	\$138,963,200	\$139,241,200
Total Expenses	\$164,639,000	\$174,906,800
Annual Deficit	\$25,675,800	\$35,665,600

Clearly, the Health Fund is due for some changes. We are redesigning medical and prescription benefits, increasing the worked hours' requirement to reflect the current work environment, reducing unsustainable subsidies, and ending less effective programs.

Our Fund is in a strong reserve position, but if we don't make changes now, our Health Fund will weaken.



NEW ENGLAND CARPENTERS HEALTH BENEFITS FUND CONTINUED

The following summary of changes has been approved by the Combined Board of Trustees.

ELIGIBILITY HOURS REQUIREMENT CHANGES

Effective August 1, 2018:

	PLAN I	PLAN II	12-MONTH LOOKBACK
Massachusetts Carpenters, Piledrivers, Floorcoverers and Millwrights (Mass/RI)	Current: 500 hours New: 600 hours	Current: 300 hours New: 450 hours	Current: 1,050 hours New: 1,250 hours
Western Massachusetts and Northern New England Locals	Current: 600 hours New: 685 hours	Current: 350 hours New: 510 hours	Current: 1,250 hours New: 1,420 hours
Northern New England Millwrights	Current: 575 hours New: 650 hours	Current: 345 hours New: 485 hours	Current: 1,200 hours New: 1,350 hours
Woodframe Local 723	Current: 700 hours New: 685 hours	Current: 420 hours New: 410 hours	Current: 1,450 hours New: 1,420 hours

Short Hour Buy-In Maximum Effective with the April 1, 2019 Eligibility Period

Short Hour Buy-In hours will decrease from 100 hours or less to 50 hours or less. Please note the rules for the Short Hour Buy-In provision remain the same.

MEDICAL PLAN CHANGES

Effective January 1, 2019:

In general, you will share more of the cost when you receive services; however, you will find that our coverage still compares very well to other plans available. Here is a summary of the changes:

	PLAN I		PLAN II	
	In-Network	Out-of-Network	In-Network	Out-of-Network
Deductible	Current: \$250 individual/\$500 family New: \$300 individual/\$600 family		Current: \$400 individual/\$800 family New: \$500 individual/\$1,000 family	
Coinsurance	Current: 10% New: 20%	Current: 15% New: 25%	Current: 20% New: 30%	Current: 25% New: 40%
Out-of-Pocket Maximum	Current: \$1,500 individual/\$3,000 family New: \$2,000 individual/\$4,000 family	Current: \$3,000 individual/\$6,000 family New: \$3,200 individual/\$6,400 family	Current: \$3,000 individual/\$6,000 family New: \$3,200 individual/\$6,400 family	Current: \$3,000 individual/\$6,000 family New: \$4,300 individual/\$8,600 family

Most significantly, many services previously covered 100% will now be subject to deductibles and coinsurance. Examples include: the first \$10,000 for an inpatient stay after \$250 copay (Plan I only); outpatient diagnostic and X-ray services; outpatient hospital/facility services; and CT scans and MRIs, after a copay.

Please note that office visit copays will remain at \$15.

PRESCRIPTION DRUG CHANGES

Effective January 1, 2019:

In an effort to spread the high cost of specialty drugs for a small group of people over our large population, the Combined Board of Trustees approved the following changes:

CURRENT PLAN		
Non-Specialty		
	RETAIL	HOME DELIVERY
Generic	25% \$8 Min \$16 Max	25% \$20 Min \$40 Max
Formulary	25% \$20 Min \$40 Max	25% \$50 Min \$100 Max
Non-Formulary	25% \$35 Min \$70 Max	25% \$88 Min \$175 Max
Specialty		
	RETAIL	HOME DELIVERY
Generic	25% \$100 Min \$200 Max	25% \$100 Min \$200 Max
Formulary	25% \$100 Min \$200 Max	25% \$100 Min \$200 Max
Non-Formulary	25% \$100 Min \$200 Max	25% \$100 Min \$200 Max

NEW PLAN		
Non-Specialty		
	RETAIL	HOME DELIVERY
Generic	30% \$10 Min \$20 Max	30% \$25 Min \$50 Max
Formulary	30% \$25 Min \$50 Max	30% \$63 Min \$125 Max
Non-Formulary	30% \$40 Min \$80 Max	30% \$100 Min \$200 Max
Specialty		
	RETAIL	HOME DELIVERY
Generic	30% \$150 Min \$300 Max	30% \$150 Min \$300 Max
Formulary	30% \$150 Min \$300 Max	30% \$150 Min \$300 Max
Non-Formulary	30% \$150 Min \$300 Max	30% \$150 Min \$300 Max

In an effort to spread the high cost of specialty drugs for a small group of people over our large population, the Combined Board of Trustees approved these changes to prescription drug coverage.



RETIREE HEALTH COVERAGE CHANGES

Effective January 1, 2019:

Providing retiree health coverage is very challenging for any organization, and our Health Fund is no exception. After a lengthy discussion regarding current subsidies, the current financial condition of the Health Fund and equity among all participants, the Combined Board of Trustees has made the following changes:

Pre-Medicare Retirees:

- The current subsidy will be reduced from 50% to 25%. Therefore, the current monthly retiree cost of \$974.69 per month will increase to \$1,462.04, effective January 1, 2019. These costs will continue to be evaluated annually, and rates will be adjusted on April 1 each year.
- Coverage will be available for 36 months, or until you become eligible for Medicare, whichever comes first. This 36-month term starts on January 1, 2019 for retirees with pre-Medicare coverage on January 1. The 36-month term also will start when a retiree elects the coverage after January 1. For example, if a carpenter retires and starts his pension on January 1, 2019, but maintains active coverage through worked hours until September 30, 2019, his 36-month term would start on October 1, 2019 when he elects pre-Medicare coverage.

We anticipate that pre-Medicare retirees will shop the market for alternative coverages that may be better suited to their individual situations, relating to coverage and cost.

Medicare Retirees:

The Health Fund will discontinue offering the Medex Bronze Plan through Blue Cross Blue Shield of Massachusetts on December 31, 2018. (Currently, the Health Fund does not offer a subsidy for this plan and Medicare retirees pay 100% of the cost.) There are many good Medicare Advantage plans available in this very competitive market, including some offered by Blue Cross Blue Shield. If you would like assistance in finding coverage to replace your Medex coverage, please call our Fund Office and we will assist you.



IORA PRIMARY CARE

The Fund is discontinuing its partnership with Iora Primary Care. This program will remain active until March 31, 2019 at the latest, depending on how quickly patients transition from Iora to other physicians. When this partnership was launched in 2013, we expected that, after five years, Iora would have practice locations convenient for the majority of our members. Unfortunately, that has not happened. Due to the limitations on where members can receive care, too few Health Plan participants are taking advantage of the Iora program and the Fund has decided to discontinue this partnership.

NEW ENGLAND CARPENTERS COMBINED BENEFITS FUNDS

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The Board of Trustees recognizes that these changes are significant and difficult. However, the Board feels that they are necessary to create a better balance between excellent benefits and future sustainability. The Fund Office pledges to work very hard to assist you through these changes and will maintain the high levels of service that you deserve.

If you have questions or need assistance, we encourage you to attend local union meetings, where Fund Trustees and union leaders will provide greater context for Benefit Funds decisions, or contact our office at 800-344-1515.