Summary of Material Modification

Dear Participant:  

February 2018

Effective March 1, 2018 the Trustees announce the following changes to the Health and Welfare plan of benefits. This Summary of Material Modification replaces pages 21 – 23 and pages 25 – 30 of your Summary Plan Description:

Retired Bargaining Unit Employees Eligibility

If you do not meet the eligibility requirements as outlined below, you will not be eligible for the Operating Engineers Local Union #49 Health and Welfare Fund (Fund) Retiree Health Benefit Plan.

In order to participate in the Fund as a retiree you must satisfy (a) or (b) below. In addition to satisfying (a) or (b) below you must also satisfy (c) below:

a. 1. Be at least 55, receiving a pension from the Central Pension Fund of Operating Engineers and have been eligible for benefits provided by this Fund during the 12 months prior to retirement, or

2. Be at least 62 and have been covered for at least 10 consecutive years under this Fund immediately prior to retirement, or

3. Be at least 65 and have been covered for at least 5 consecutive years under this Fund immediately prior to retirement.

b. Be at least age 55 with at least 10 consecutive years of employment, or age 65 with 5 consecutive years of employment with the same contributing public sector employer (i.e. city, county or other municipality) to the Fund as his last day of work prior to retirement.

c. Eligible for coverage under the Health and Welfare Fund at the time of retirement, death, or disablement.

For Disability retirement you must have 10 service credits and be totally disabled as defined in the rules and regulations for the Central Pension Fund of Operating Engineers. If you were injured and applied for Workers’ Compensation because your injury occurred on the job, and you are at least age 54, then you are eligible to self-pay for no more than one year to bridge the gap to age 55 and then be eligible for the Retiree Health Benefit Plan.

For pre-retired Surviving Spouse coverage, you must have had 10 service credits.

Retired Non-Bargaining Employee Eligibility

An employee of an employer covered under the Operating Engineers Local #49 Health and Welfare Fund Participation Agreement for Non-Bargained Employees will be eligible to participate in the Fund’s Retiree Plan if:

a. The employee is age 55 or older and has at least ten (10) consecutive years of employment with one or more participating Employers, and

b. The employee retires from employment with a participating Employer while participating in the Fund.
Such individuals will receive a Retiree Contribution Allowance credit only for years of participation in the Fund.

You must elect to participate in the Retiree Health Benefit Plan within 30 days of either of the following dates:

a. Receipt of initial payment from the Central Pension Fund of Operating Engineers, or
b. The last day of the sixth consecutive quarter of full self-payment.

Failure to enroll in the Retiree Health Benefit Plan within the above-described timeline will disqualify you from future enrollment in the Retiree Health Benefit Plan.

**West River Retired Employees can receive retiree coverage upon meeting the eligibility requirements. However, as a West River Retired Employee, you will not receive any contribution allowance and will need to pay the entire cost of coverage.**

**Retirees Who Return To Active Employment**

If you are a retired employee and you return to active employment, you will become eligible for regular Fund benefits on the first day of the second calendar month after any six consecutive calendar month period in which you have been credited with at least 300 hours. If 300 hours are credited in less than the full six-month period, coverage will begin on the first day of the second calendar month after the last of the 300 hours was worked.

If you have earned Service Credits under the Retiree Contribution Allowance Program, the amount of each credit will not change when you subsequently retire and go back into the retiree program.

You will not earn any additional Service Credit when you return to active employment unless you work 1,600 hours after returning to active service. The amount of any new Service Credit earned will be the amount that Service Credits are worth when you return to the retiree program.

**If you are retired and intend to return to active employment, you must notify the Fund Office before you return to active employment.**

**Medicare**

When you reach age 65 and are eligible for Medicare, you should apply for both Medicare Parts A and B. When Medicare becomes your primary coverage, you will no longer be enrolled in Blue Cross Blue Shield AWARE Participating Provider Organization (PPO). You will receive information regarding enrollment in the Medicare Program available at that time. Your prescription drug coverage will change. You will receive information on the Medicare program at the time of your retirement.

If you have coverage under Medicare or Medicaid and become eligible for medical assistance, you may waive the Fund’s coverage. If your spouse is not eligible for medical assistance, your spouse can continue to be covered through the Fund if you continue making timely self-payments.

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You must notify the Fund when you intend to retire, when you become disabled, or when you become eligible for Medicare.
Termination Of Eligibility - Retired Employees

Benefits will terminate for you and your Eligible Dependents on the last day of the benefit month preceding any month for which a timely self-payment has not been made.

Health Coverage Continuation - Dependents Of Deceased Retired Employees

If a retired employee dies, Eligible Dependents may continue health benefits by making self-payments to the Fund Office. The amount of the self-payment will be determined by the Trustees.

The Fund Office will send notification of the self-payment requirements. Payment must be received by the Fund Office by the due date specified on the statement. Payments received after the due date will not be accepted and coverage will terminate effective on the first day of the quarter or month for which self-payment was due. Otherwise coverage will end on the earliest of:

1. the day the surviving spouse remarries, or
2. the day coverage would otherwise terminate for dependents.

If a dependent’s coverage ends because of failure to make self-payments, the right to make future self-payments is forfeited.

Special Enrollment Rights – Retired Employees Only

If you are an Employee and you decline coverage for yourself or an Eligible Dependent because of other group health plan coverage, you may, in the future, be able to enroll yourself and your Eligible Dependents in this Plan, provided that you request enrollment within 30 days after the other coverage ends. If that other coverage was COBRA coverage, a special enrollment is only available after the COBRA continuation coverage has been exhausted. If that other coverage was coverage under Medicaid or the State Child Health Insurance Program (SCHIP) or you became eligible to participate in a financial assistance program through Medicaid or SCHIP for coverage under the Plan, you must request special enrollment within 60 days after that other coverage ended.

If you acquire a new Eligible Dependent because of marriage, birth, adoption, or placement of a child for adoption, you may enroll yourself and your Eligible Dependents, provided you enroll within 30 days of the marriage, birth, adoption, or placement for adoption.

Certificate of Coverage

When your coverage ends, you will be provided with certification of your length of coverage under this Plan. This Certificate of Coverage may help reduce or eliminate any pre-existing limitation under a new group medical plan.

The Plan will automatically provide this certification when coverage ends for you and your Dependents. If you choose to continue coverage through COBRA Continuation Coverage, the Plan will provide another certificate. You may also request a Certificate of Coverage, as long as you do so in writing before losing coverage, or within 24 months after losing coverage.
Reserve Accumulation Account (Bank)

You will stay on active coverage until all bank hours have been used. You can make a partial self-payment to make up any difference in a final month and commence participation in the Retiree Contribution Allowance Program in the month following the last coverage month where your bank hours were totally depleted. You may also forfeit your partial month of hour bank and commence participation in the Retiree Contribution Allowance Program immediately.

One-Time Opt-Out Provision

This provision allows you and your dependents to opt out of the Retiree Health Benefit Plan if you have group health coverage elsewhere. You and your dependents must opt out together. During the opt-out period, you will not need to make any retiree self-payments for coverage with the Fund. For example, if you are retired, but your spouse is still working and has health coverage through his/her employer, if your spouse’s coverage is available to dependents, that coverage may be less expensive for your family than the Retiree Contribution Allowance program. Once this other coverage ends, you may return to the Retiree Contribution Allowance program. This section describes the rules related to the opt out provision.

Eligibility for Opt Out

To be eligible, you and your dependents must:

a. be eligible to enroll in other group health coverage (including coverage under the Veterans’ Administration); and

b. have exhausted all bank hours and must not be making self-contributions or COBRA payments.

You must provide the Fund Office with:

a. documentation of the other group health insurance coverage, with the effective dates and who is eligible for coverage; and

b. a completed and executed opt-out application form (available from the Fund Office).

Documentation and application forms must be received by the Fund Office at least 15 days prior to the one-time opt-out period and will be effective on the first day of the applicable month.

Re-Enrollment in the Fund

You and your eligible dependents have a one-time opportunity to re-enroll in the Fund provided you meet the following conditions:

a. You and your dependents lose the coverage due to retirement, termination of employment, reduction in work hours, or by becoming eligible for Medicare; or

b. You, the retiree, are no longer eligible as a dependent under your spouse’s health plan due to divorce or legal separation. In this case, only you, the retiree, would be allowed to re-enroll in the Fund.

To re-enroll, you must provide documentation to the Fund of one of these two events. Coverage will begin on the first of the month after the Fund Office receives the notice of intent to re-enroll with the appropriate documentation. If you or your dependents lose the other coverage and do not re-enroll in the Fund, you and all your dependents will lose the right to re-enroll in the Fund in the future.
Coverage with the Fund will begin the first day of the month after the Fund’s receipt of the retiree’s notice of intent to re-enroll, along with the required documentation. For example, if the Fund Office receives your notice of intent to re-enroll on March 10, coverage will begin on April 1.

Medicare Eligibility after Opt Out

You and your dependents must each re-enroll in the Fund once you, the retired member, become eligible for Medicare, unless you and your dependents continue to be covered under a group plan associated with active employment. In that case, you and your dependents may defer re-enrollment until you and/or all your dependents experience another change in eligibility.

Retiree Contribution Allowance Program

If you retire on or after June 1, 2007, your self-pay rates are set at the actual full cost of retiree benefits, as determined annually by the Trustees. If you retire prior to June 1, 2007, you are subject to different self-pay rates. Your self-pay amount is then reduced by the Retiree Contribution Allowance, which is based on your period of work as an Operating Engineer within the jurisdiction of Local 49. Subject to certain maximums, the longer you have worked as an Operating Engineer, the larger your Retiree Contribution Allowance will be and the less you will have to pay. Your period of work will be measured in “Service Credits.”

Effective January 1, 2018, accumulated Service Credits under the Retiree Contribution Allowance Program will be frozen for non-bargaining employees of public sector employers currently participating in the Local 49 Health and Welfare Fund. Employees of public sector employers that have signed a Participation Agreement with the Local 49 Health and Welfare Fund before November 1, 2016 may accrue, at most, one (1) additional year of Service Credit for 2017 work hours.

Non-bargaining employees of public sector employers that sign a Participation Agreement with the Local 49 Health and Welfare Fund on or after November 1, 2016, will not be eligible to accumulate Service Credits under the Retiree Contribution Allowance Program.

All current and future non-bargained employees of public sector employers, and their dependents, participating under their employer’s Participation Agreement in the Local 49 Health and Welfare Fund will continue to be eligible for the Fund’s Retiree Plan. Affected Employees will continue to be eligible to apply all credits they earned prior to this change toward the purchase of Retiree Plan Coverage.

How Service Credits Are Determined

a. Your past service credits under the Health and Welfare Fund will be determined by using cumulative contribution hours in the Central Pension Fund of Operating Engineers through February 28, 1999 divided by 1,600. If you are not a Central Pension Fund participant, past service credits will be determined by your total years of covered employment under the Health and Welfare Fund through February 28, 1999, with a maximum of one service credit being awarded for each year you worked in covered employment, as determined by Trustees.

b. For service after March 1, 1999, cumulative contribution hours under the Health and Welfare Fund are divided by 1,600.

c. Service credits are provided for employer contribution hours only. Self-pay hours do not count.

d. For each week of disability, 25 hours will be credited, to a maximum of 600 hours during any 12 consecutive month period. No disability credit hours will be awarded after the initial 600 were credited in that 12 consecutive month period.
e. Prior service is lost if you have no eligibility for benefits for five consecutive years. A break in service can be repaired by earning eligibility after the break.

f. A non-bargaining or bargaining premium participant will be credited with 1 year of service for each calendar year he was covered by the Health and Welfare Fund.

How Your Contribution Allowance is Determined

The Accrued Amount used in determining the Retiree Contribution Allowance is calculated by multiplying the total number of service credits earned at retirement, subject to a maximum of 30 total service credits, by the applicable “Multiplier.” If you retired prior to March 1, 2011, and earlier than age 62, your Multiplier will be reduced for each year that your retirement age precedes age 62. When you first retire, the amount of your Retiree Contribution Allowance is calculated and fixed at the appropriate level as described below. Your Multiplier for determining your Retiree Contribution Allowance stays at the original pre-Medicare and Medicare levels even if you return to covered work and subsequently retire again.

The program is not intended to provide free coverage or coverage at a stationary self-pay amount for life. As self-pay requirements rise to keep up with the increasing cost of health care, you will be charged 100% of the actual increase in self-pay amounts into the future.

For example, if the monthly self-pay rate is $1,550 per month and your Contribution Allowance is $900, your Out-of-Pocket payment is $650 per month ($1,550 minus $900). If health care costs increase 10% in the following year, or $155 per month, then your Out-of-Pocket payment will increase $155 from $650 per month to $805 per month.

Your Multiplier is based on when you retire and whether or not you are eligible for Medicare. The Multiplier amounts are described below:

<table>
<thead>
<tr>
<th>Date of Retirement</th>
<th>March 1, 1999 through August 31, 2002</th>
<th>September 1, 2002 through November 30, 2003</th>
<th>December 1, 2003 through June 30, 2005</th>
<th>July 1, 2005 through May 31, 2007</th>
<th>June 1, 2007 and after</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Medicare</td>
<td>$17.00</td>
<td>$20.00</td>
<td>$23.00</td>
<td>$20.00</td>
<td>$30.00</td>
</tr>
<tr>
<td>Medicare</td>
<td>$10.00</td>
<td>$12.00</td>
<td>$14.00</td>
<td>$12.00</td>
<td>$12.00</td>
</tr>
</tbody>
</table>

The “accrued amount” is determined as the product of the service credits, described above, and the applicable Multiplier, also described above. The Contribution Allowance, which is the credit used to reduce your self-pay requirement, is your accrued amount adjusted based on your type of retirement as shown in the chart below:
<table>
<thead>
<tr>
<th>Type of Retirement</th>
<th>Contribution Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal</td>
<td>Full accrued amount.</td>
</tr>
</tbody>
</table>
| Early Retirement   | - If you retired prior to March 1, 2011, and earlier than age 62, your Multiplier was reduced $1 for each year your retirement preceded age 62.  
- If you retire after March 1, 2011 then no early retirement reduction is used.  
- Early retirements prior to June 2007 are subject to a different retirement reduction factor. |
| Disability         | - Prior to Medicare Eligibility – Full accrued amount for a maximum of 29 months  
- After Medicare Eligibility – Full accrued amount. |
| Surviving Spouse   | 100% of the early retirement amount that would have been provided at participant’s earliest retirement age. |

**Examples**

Below are some examples of how the Retiree Contribution Allowance affects the amount you would pay for coverage. These examples are based on rates for retirees who retire on or after June 1, 2016.

**Example 1**
A Member age 62 retires on June 1, 2016 with 15 service credits.

<table>
<thead>
<tr>
<th>Monthly Full Cost Rate</th>
<th>Monthly Contribution Allowance</th>
<th>Monthly Retiree Out-of-Pocket Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,550</td>
<td>$450*</td>
<td>$1,100</td>
</tr>
</tbody>
</table>

* 15 service credits times $30 per service credit.

**Example 2**
A Member age 60 retires on June 1, 2016 with 35 service credits.

<table>
<thead>
<tr>
<th>Monthly Full Cost Rate</th>
<th>Monthly Contribution Allowance</th>
<th>Monthly Retiree Out-of-Pocket Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,550</td>
<td>$900*</td>
<td>$650</td>
</tr>
</tbody>
</table>

* 30 maximum service credits times $30 per service credit.

**Example 3**
A Member age 65 retires on June 1, 2016 with 10 service credits.

<table>
<thead>
<tr>
<th>Monthly Full Cost Rate</th>
<th>Monthly Contribution Allowance</th>
<th>Monthly Retiree Out-of-Pocket Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>$530</td>
<td>$120*</td>
<td>$410</td>
</tr>
</tbody>
</table>

* 10 service credits times $12 per post-Medicare service credit.
Self-Payments and Termination of Coverage

The Fund office will send notification of the self-payment amount. Payment must be received by the due date specified on the statement. Payments received after the due date will not be accepted and coverage will terminate effective on the first day of the month for which the self-payment was due.

Coverage for surviving spouses will end on the day the surviving spouse remarries, or on the day coverage would otherwise terminate for surviving spouses.

You must waive COBRA coverage in order to take advantage of the Operating Engineers Local Union #49 Health and Welfare Fund (Fund) Retiree Health Benefit Plan.

Please keep this Summary of Material Modification with your benefit plan booklet so that you will have an up-to-date description of the Fund’s benefits. If you have any questions about this benefit change, please contact the Fund Office at the address or telephone number shown above.

Board of Trustees
Operating Engineers Local #49
Health and Welfare Fund