



# Retiree Health Reimbursement Accounts

## Introduction

The Board of Trustees introduced a new benefit program effective January 1, 2009. The new benefit program – Retiree Health Reimbursement Accounts – is for participants in the Carpenters Health and Security Plan of Western Washington. The new program provides eligible carpenters and retirees with tax-advantaged accounts which can grow during their careers and then be used to *help pay the cost of their retiree health coverage after retirement*. This new program is described below.

## Background

The Carpenters Health and Security Plan of Western Washington is comprised of two benefit packages – the “Employee Health Plan” for carpenters currently working for a contributing employer and the “Retiree Health Plan” for retirees who satisfy specific eligibility requirements. The Employee Health Plan is funded by employer contributions while the Retiree Health Plan is funded by retiree contributions and subsidized by employer contributions. The retiree subsidies may be described as follows:

### Retiree Medical Reserve Fund.

Effective January 1, 1998, the Board of Trustees established a retiree medical reserve fund within the Carpenters Health and Security Trust to help retirees offset the rising cost of medical coverage. This reserve fund is used to partially subsidize the

monthly contributions paid by retirees. The retiree medical reserve fund is funded by new employer contributions and transfers from the Employee Health Plan reserves, when possible.

**Service-Based Subsidy.** Effective January 1, 2004, the Board of Trustees further subsidized the monthly contributions paid by retirees through a “service-based subsidy” which reduces a retiree’s monthly contributions from between 0% and 25%, depending upon the retiree’s total career hours reported to the Carpenters Health and Security Plan. The longer the service, the greater the reduction.

## New Retiree Health Reimbursement Accounts

The Board of Trustees added a new program – Retiree Health Reimbursement Accounts – effective January 1, 2009. If you have covered hours in the Carpenters Health and Security Plan in 2008 or later, you are automatically eligible to participate in this new program. You are also eligible to participate if you were eligible for retiree medical benefits from the Retiree Health Plan in December 2008.

Under the new program, an individual account will be established in the name of each eligible carpenter and retiree. There will be an annual allocation of employer contributions to these accounts beginning

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with hours worked in 2008. The first annual allocation will be made in September 2009 for 2008 hours. Future allocations will also be made in September for the previous plan year. Some accounts will also be allocated with a one-time allocation to help jumpstart the accounts. All active accounts will receive investment gains or losses, posted quarterly. These funding methods are described in detail below.

## Methods For Funding Accounts

There are three methods for funding Retiree Health Reimbursement Accounts:

**Annual Allocations to Accounts From Employer Contributions.** There will be an annual allocation of employer contributions to the Retiree Health Reimbursement Accounts beginning with hours worked for 2008. Employer contributions are held in the retiree medical reserve fund pending the allocation. The Trustees, with the assistance of the plan's actuary, will determine the amount of reserves available for the annual allocation based on the plan's experience.

The annual amount allocated to your account will depend upon the available reserves and the hours reported on your behalf to the Carpenters Health and Security Plan for the plan year. Allocations are on a cents per hour basis. For example, if the Trustees approve an allocation for 2008 of \$.20 per hour, and you worked 1,500 hours in 2008, your account will be allocated \$300.

The amount allocated to your account for each plan year ending

December 31, will be reflected in your benefit statement for the third quarter of the following year. For example, the amount allocated to your account for hours worked during 2008 will appear in your statement for the calendar quarter ending September 30, 2009. This lag time allows for reporting of year-end hours, evaluation of the plan's experience, and administration of the allocation. This allocation process will be repeated each year.

**Important:** Employer contributions allocated to your account from the retiree medical reserves are the only source of contributions. No employee contributions are allowed.

**One-Time Allocation of Reserves For Pre-Funding of Accounts.** The Board of Trustees also allocated approximately \$45 million from the retiree medical reserve fund to pre-fund the Retiree Health Reimbursement Accounts of

carpenters and retirees who meet specific service-related criteria. Your account was credited with a share of the reserves if: (1) you were eligible for medical benefits from the Employee Health Plan in January 2008; or (2) you were eligible for medical benefits from the Retiree Health Plan in December 2008. If you were eligible for medical benefits from the Employee Health Plan in January 2008 and subsequently became eligible for medical benefits from the Retiree Health Plan, you must have been eligible for the Retiree Health Plan in December 2008 to receive pre-funding. This was a one-time allocation to help jumpstart the accounts. An example of the pre-funding calculation is presented in the box below.

**Investments.** Your Retiree Health Reimbursement Account is invested along with the Carpenters Health and Security Plan reserves. The

## Pre-Funding Calculation

The amount allocated to your account for purposes of pre-funding (if applicable) was based on your total career hours reported to the Carpenters Health and Security Plan as of December 31, 2007, divided by the total hours reported for all carpenters and retirees eligible to share in the pre-funding allocation. For example, if you had 25,000 career hours reported through December 31, 2007, and there were 220 million career hours reported for all carpenters and retirees eligible for pre-funding, the amount allocated to your account would be \$5,113, calculated as follows:

$$(25,000 \text{ hours} \div 220 \text{ million hours}) \times \$45 \text{ million} = \$5,113$$

This is only an example of how the allocation is calculated. You were or will be notified of the actual pre-funded amount allocated to your account in a separate letter mailed in February. Account balance will also be provided on future benefit statements.

investment strategy of this plan is conservative and is designed to provide some inflation protection. Your account will be credited with your pro rata share of investment gains or losses on a quarterly basis. These gains and losses will be provided on future benefit statements.

## Tax Advantages

Investment earnings and annual contributions to your account, if applicable, are not taxable. Further, when you use your account to pay for part of your monthly retiree medical contribution, it does not generate taxable income, since it is an expense reimbursement within the health plan.

## Applying For Benefits

If you qualify for the Retiree Health Plan when you retire from service, you will be provided with information on how to use this new benefit.

If you are currently covered under the Retiree Health Plan and received a pre-funded allocation, you may elect to use your Retiree Health Reimbursement Account to pay a portion of your monthly retiree medical contribution. The monthly payment from your Retiree Health Reimbursement Account cannot exceed your monthly contribution to the Retiree Health Plan less \$10. For example, if your current monthly contribution is \$600, the payment from your Retiree Health Reimbursement Account cannot exceed \$590. The amount of your retiree medical contribution that is deducted from your pension benefits will be automatically reduced by the

amount paid from the Retiree Health Reimbursement Account. If the balance of your monthly retiree medical contribution is not deducted from your pension benefits, the Trust Office will bill you.

If you are eligible for the Retiree Health Plan but elect COBRA coverage before starting retiree medical coverage, you can use your account to help purchase COBRA coverage. Remember, you must be retired and eligible for the Retiree Health Plan. Account balances cannot be used for purchasing other insurance, or to reimburse any out-of-pocket medical expenses.

Your account balance can also be used by your surviving spouse or dependent to help pay the monthly contribution for the Retiree Health Plan, if your spouse or dependent was eligible under the plan at the time of your death, and continues to remain eligible. At this time, domestic partners are not eligible to use the Retiree Health Reimbursement Accounts.

*Remember, the Retiree Health Reimbursement Accounts are a benefit within the Retiree Health Plan. You must be eligible to participate in the Retiree Health Plan and be retired in order to use the account for monthly contributions.* Account balances may only be used to pay a portion of your Retiree Health Plan monthly contributions or a portion of your COBRA contributions after retirement.

## Forfeitures

The sole purpose of the Retiree Health Reimbursement

Accounts is to help pay monthly contributions for the Retiree Health Plan and COBRA coverage if you are retired under the Carpenters Retirement Plan of Western Washington and eligible for the Retiree Health Plan. If you leave covered employment or leave the area, your account becomes inactive. If your balance is \$500 or more, it can remain inactive for up to 10 years before it is forfeited. If your account balance is less than \$500, it is forfeited after 12 months of inactive status. Forfeited amounts are allocated to remaining active accounts.

If the balance in your Retiree Health Reimbursement Account is \$500 or more at the time of your death, your surviving spouse and other eligible dependents may continue to use your account to pay retiree medical contributions, provided they are eligible for coverage from the Retiree Health Plan. If you are not survived by a spouse or dependents who are covered under the Retiree Health Plan, the balance in your account will be forfeited in order that the tax-advantages of the Retiree Health Reimbursement Accounts can continue to be maintained.

## Questions?

If you have questions about the Retiree Health Reimbursement Accounts, please contact Participant Services at the Trust Office.

**(206) 441-6514 Seattle Area**

**(800) 552-0635 Nationwide**

**[www.ctww.org](http://www.ctww.org)**

## Carpenters Health and Security Plan Benefit Changes

The following benefit changes are effective for dates of service on and after January 1, 2009.

### Annual Physical Exams

To help promote and encourage wellness in the carpenter population, annual physical exams for carpenters, spouses and domestic partners are no longer subject to the \$200 annual deductible, the \$10 office visit copayment or the 10 percent coinsurance. This benefit change is effective for dates of service on and after January 1, 2009 and applies to the Employee Health Plan only.

### Preventive Care For Children

Benefits are provided for a routine physical examination, screening x-rays and laboratory services for children through age 18. These services must be provided by a physician. Routine immunizations are also covered.

Effective for dates of service on and after January 1, 2009, the maximum benefit for children in the first year of life (0 months through 11 months) is \$550. Prior to January 1, 2009, the benefit maximum was \$400. This benefit is based on the child's date of birth, not calendar year. The benefit maximum for all other ages remains unchanged.

Effective for dates of service on and after January 1, 2009, the annual deductible no longer applies to preventive care for children. The \$10 office visit copayment and the 10 percent coinsurance do apply. This benefit change applies to the Employee Health Plan only.

### Orthotic Benefit

Benefits are provided for custom-made foot orthotics for participants and dependents covered under the Employee Health Plan. Foot orthotics must be:

- Prescribed by a physician (MD, DO, DPM).
- Constructed of acrylic, plastic or metal.
- Worn at all times that shoes are worn and not just for specific activities.

Effective for dates of service on and after January 1, 2009, the maximum benefit for covered services is \$400 paid in any 24 consecutive month period. Prior to January 1, 2009, the benefit was \$200 paid in any 36 consecutive month period. This benefit change applies to the Employee Health Plan only.

Physician services, including impression casting, are paid under a separate benefit. Shoes that accompany these devices are not covered.

### Bariatric Surgery

Effective January 1, 2009 surgery for morbid obesity (Roux-en-Y Gastric Bypass (RYGB) or FDA-approved adjustable gastric banding) will be covered under the Employee Health Plan for patients who meet the plan's medical criteria. The plan pays 80 percent of covered expenses with an annual maximum of \$15,000. If expenses exceed the \$15,000 annual maximum, including any expenses arising from complications of these covered services or supplies, this plan will not pay the additional costs. These services always require 20 percent coinsurance and these coinsurance expenses do not apply toward the \$2,300 annual coinsurance maximum.

All requests for morbid obesity surgery require preauthorization by the plan. Approved procedures must be performed at a Bariatric Surgery Center of Excellence. Please contact the Trust Office for assistance with the preauthorization process. This benefit change applies to the Employee Health Plan only.

### Medco Copayments

Medco By Mail offers convenience and cost savings on prescription drugs taken on a regular, long-term basis, such as medication to reduce blood pressure or treat respiratory conditions, asthma, diabetes, or high cholesterol.



Effective for purchases on and after January 1, 2009, the copayment for each prescription and refill is as follows:

- \$14 for each generic prescription.
- \$30 for each preferred brand-name prescription.
- \$60 for each non-preferred brand-name prescription.

Medco By Mail covers up to a 90-day supply for each prescription drug or refill for a single copayment. These prescriptions are not subject to the plan's annual deductible and no claim form or other paperwork is required. This benefit change applies to the Employee Health Plan and Retiree Health Plan. The copayments for the Medco Retail Pharmacy Program remain unchanged. The copayments for retirees and spouses covered by the Medco Medicare Prescription Plan also remain unchanged.

## Dental Fee Schedule

Effective for dates of service on and after November 1, 2008, the

maximum fee allowed for many of the dental services listed on the dental fee schedule were increased. This benefit change applies to the Employee Health Plan only.

## Plan Exclusion Modified

The plan exclusion related to illnesses and injuries sustained in certain circumstances was changed as follows:

Illnesses or injuries sustained in any of the following circumstances, provided that this exclusion does not apply to illnesses or injuries sustained as a victim of domestic violence:

1. While engaged in any activity that results in committing an assault, battery or felony.
2. While performing any acts of violence or physical force that would not be performed by a reasonably prudent person in similar circumstances.
3. While participating in a riot.
4. Recreational use of, abuse of or overdose of legal, illegal or over-the-counter drugs or

other substances, whether or not the act was intentional.

Being under the influence of a chemical substance will not be considered to affect the individual's ability to form intent.

This change is exclusion 20 on page 149 in the Employee Health Plan booklet and exclusion 20 on page 129 in the Retiree Health Plan booklet.

## Rate Change for Retiree Medical Coverage

The monthly contribution rate for Medicare-eligible participants covered under the Carpenters Health and Security Plan of Western Washington increased effective January 1, 2009. The non-subsidized rate for Medicare eligibles in 2009 is \$292 per person per month, up from \$276 in 2008. Similarly, the non-subsidized rate for SecureHorizons in 2009 is \$295 per person per month, up from \$279 in 2008. The non-subsidized rate for non-Medicare eligibles in 2009 remains at the 2008 rate of \$520 per person per month.

## Carpenters Retirement Plan – Rule of 80 and the Washington, Idaho, Montana Retirement Plan

The Board of Trustees adopted a plan amendment that allows carpenters who worked under the Washington, Idaho, Montana Retirement Plan during a portion of their career to use those reciprocal hours to count toward rule of 80 early retirement with the Carpenters Retirement Plan of Western Washington. The reciprocal service in the Washington, Idaho, Montana Retirement Plan must predate 1991 when Money Follows the Man was added to the International Reciprocity Agreement. If the combination of your age and years of service in the Carpenters Retirement Plan of Western Washington and your years of service in the Washington, Idaho, Montana Retirement Plan prior to 1991 equals 80 or greater and you satisfy the activity test in this plan, you may elect rule of 80 early retirement. In no circumstances can you earn more than 1.00 year of service for any plan year. This rule applies to carpenters currently working and carpenters who are already retired. The Trust Office will contact those of you who are already retired for the opportunity to elect, retroactively to January 1, 2009, rule of 80 early retirement.

Please contact the Retirement Department at the Trust Office if you have questions about this plan amendment.



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## Carpenters Care

### Rate Change for Self-Contribution and COBRA Continuation Coverage

The monthly contribution rates for Self-Contribution Coverage and COBRA Continuation Coverage under the Carpenters Health and Security Plan of Western Washington increased effective January 1, 2009. These rate increases appeared on December 2008 billings for January 2009 coverage.

New Monthly Rates – January 1, 2009		
Self-Contribution Coverage	2008 Monthly Rates	2009 Monthly Rates
Unemployed or temporarily disabled (without dental)	\$294	\$316
Unemployed or temporarily disabled (with dental)	\$357	\$382
Military (without dental)	\$156	\$168
Military (with dental)	\$192	\$206
COBRA Continuation Coverage	2008 Monthly Rates	2009 Monthly Rates
COBRA (without dental)	\$605	\$650
COBRA (with dental)	\$711	\$761
COBRA disabled (without dental)	\$890	\$957
COBRA disabled (with dental)	\$1,045	\$1,119