**MEMORANDUM**

To: Teamsters Health and Welfare Fund of Philadelphia and Vicinity Contributing Employers & Participating Local Unions

From: Board of Trustees

Date: September 23, 2016

Re: Tiered Health & Welfare Contribution Rates Available as of January 1, 2017

We are pleased to announce that effective with contracts renewing on or after January 1, 2017, all contributing employers and participating local unions will be able to adopt a tiered contribution rate to the Teamsters Health and Welfare Fund of Philadelphia and Vicinity. This change is designed to make participation in the Health and Welfare Fund more cost effective while having no negative impact on Fund participants and their covered dependents. This memorandum explains the change in detail and how the bargaining parties may avail themselves of it.

1. **BACKGROUND**

Presently, the Health and Welfare Fund permits contributing employers to pick from one of two

basic contribution methodologies: normal eligibility and same month eligibility. Both contribution

methodologies utilize a composite contribution rate, regardless of the number of dependents covered in the group.

Normal eligibility requires the employer to contribute to the Fund based on a composite hourly or

daily rate, per the terms of a collective bargaining agreement (e.g., all hours worked, or all hours worked

and paid). Contributions are remitted one month in arrears (e.g., January's work history is reported and

contributions are paid to the Fund in February). Under the same month eligibility rules, the employer pays

a monthly premium to the Fund on or before the fifth or tenth day of the month for that month's eligibility.

The Health and Welfare Fund currently permits large groups two potential opportunities to deviate from the Fund's standard composite contribution methodologies. First, groups of at least 150 Teamsters may "split out the singles." This means that employers may pay a lower single only rate for its single employees, but must pay the composite contribution rate for everyone else. The second option is to permit employers with groups of at least 100 Teamsters to offer tiered coverage whereby the employer would pay differing rates depending on how many dependents the employee has in his or her household (e.g., single, member and spouse, family).

**II. THE NEW TIERED RATES AVAILABLE TO ALL EMPLOYERS**

The Trustees have determined that offering tiered contribution rates to all contributing employers

is advantageous to the bargaining parties participating in the Fund. The Fund's composite rate can be

fiscally challenging for employers. This is particularly the case when the bargaining unit in question has a

sizable population of single employees because the composite rate assumes that most participants will

have at least one dependent. Permitting all bargaining parties to opt for tiered coverage with certain firm

rules will ease some of the economic pressure on the bargaining parties while providing the Fund with the

contribution revenue it needs to continue providing the valuable benefits its participants expect.

**Please note, however, that tiered contribution rates are not mandatory.** The Fund will

continue to accept contracts that comply with its established same month and normal eligibility contribution methodologies. In addition, please also note that the tiered contribution rates have zero adverse impact on Fund participants and their covered dependents.

1. **The Health & Welfare Fund's Policies Regarding Tiered Contribution Rates**

In order for the Health and Welfare Fund to offer tiered contribution rates to all employers regardless of their size, there are certain rules that must be followed by the bargaining parties. Each of these rules ***must*** be followed in order for the Fund to accept any contract containing tiered contribution rates. The rules are as follows:

**1.** There are only three tiers of coverage available: Employee Only; Employee and One

Dependent (either a spouse or a child); and Family. The Fund will publish the contribution rates for each tier, and they are set forth in Section II.B. of this memorandum as well.

**2.** Each tier must reflect the actual demographics of the group. No employee may opt out of coverage or opt a dependent out of coverage under any circumstances. The Fund's mandatory coordination of benefits provisions ("COB") continue to apply.

o **Example 1:** If a single employee was to get married, he would need to move from the Employee Only tier to the new Employee and One Dependent tier as of the month following that in which he got married.

o **Example *2:*** If the same Employee as in Example 1 subsequently has a child with his wife, he and his dependents would move to the Family Tier as of the month following the month in which the child was born.

**3.** Tiered coverage is only available on a same month eligibility basis with the contributions due to be remitted to the Fund no later than the fifth day of the month for that month's benefits. Such tiered coverage methodology must remain in place, at a minimum, for the entire collective bargaining cycle.

**4.** Any contract offering tiered coverage is required to contain a 10% liquidated damages

clause for delinquent contributions.

**5.** The bargaining parties must use the Fund-prepared contract language related to tiered

coverage without alteration. The mandatory language will be posted on the Fund's

website and will be available upon request by the parties.

Each and every one of the five requirements set forth above must be met for the Fund to accept any contract calling for tiered contribution rates. Any contract deviating from the above-stated rules will be returned to the parties to be revised. All of the Fund's other rules related to acceptable contribution methodologies remain in effect to the extent they are not inconsistent with the foregoing rules.

1. **How to Take Advantage of the New Tiered Rates**

As noted above, the Health and Welfare Fund's new tiered contribution rates will be available for

contracts renewing or those that are reopened on or after January 1, 2017. If you are interested in

analyzing whether the tiered rates could save your company money, please contact Fund administration at

(856) 382-2470 or Christina Evans at (856) 382-2411 and we will be pleased to conduct an analysis for you or to provide you with the rates and contract language.

The tiered rates in effect for contracts renewing between January 1, 2017 and June 30, 2017 are

set forth below. Tiered rates for contracts entered into on or after July 1, 2017 will not be available until

May 2017 at the earliest.

**Tiered Monthly Contribution Rates Effective January 1, 2017 Through June 30, 2017**

**Contract Renewing On or After Employee Only** **Employee & 1 Dependent Family**

 January 1, 2017 $820.16 $1550.10 $2337.46

 April 1, 2017 $832.48 $1573.39 $2372.57

 July 1, 2017 TBD TBD TBD

 October 1, 2017 TBD TBD TBD

**III. CONCLUSION**

The Trustees hope that the foregoing changes will assist the bargaining parties in their contract

negotiations. The Health and Welfare Fund provides valuable benefits and exceptional service to its

participants. It is the Trustees' goal to maintain that value while providing a benefit that is affordable to

contributing employers as well.

**Health and Welfare**

**Model Contract Language for Tiered Rates**

**HEAL TH AND WELFARE**

**Section 1.**

Effective the Employer agrees to remit contributions to the Teamsters Health

and Welfare Fund of Philadelphia and Vicinity in the manner described in the Sections below.

**Section 2.**

Effective the Employer shall contribute to the Teamsters Health and Welfare

Fund of Philadelphia and Vicinity (hereinafter "Health and Welfare Fund") at the monthly amounts

set forth immediately below on behalf of each employee (based upon the actual census of each

respective employee) of the Employer covered by the terms of this Agreement:

Single $

Employee + 1 $

Family $

Any change in the employee's family status (marriage, divorce, birth or adoption of a child,

etc.) shall be reflected in the Employer's contribution rate as of the 1st of the month following the

month in which the change occurs. ***It shall be the responsibility of the employee to report any***

***change in family status both to the Employer and to the Health*** *&* ***Welfare Fund office. Once***

***the change is reported, it shall be the responsibility of the Employer to remit the proper and***

***appropriate contribution rate.***

In the event adverse claims experience would otherwise require a reduction in any benefit

program during the term of this Agreement, the Employer's contribution, as set forth in this

Section, shall be increased in such amounts and at such times as the Trustees may determine to be

necessary to maintain the benefit programs at the levels in effect as of the date of the contribution

increase, but in any event, such increase may not exceed a maximum of ten percent (10%) per

contract year as needed during the second & third years of the agreement. The fourth and future years

will be at the Fund’s Published rate. The rate increases August 1st each year of the agreement.

**Section 3.**

The Employer contributions referred to above shall cover medical, dental, vision,

disability, prescription and death benefits. The nature and amount of such benefits shall be

determined from time to time by the Trustees of the Health and Welfare Fund.

**Section 4.**

Contributions shall be made by the Employer as set forth in Section 2 above for each employee

who performs work covered by this Agreement. Additionally, if an employee is absent because

of illness or off-the- job injury for two (2) consecutive weeks and notifies the Employer of such

absence, the Employer shall make the required contributions from the first day for a maximum of

one (1) additional month. If an employee is injured on-the-job, the Employer shall continue to pay

the required contributions until such employee returns to work; however, during any period of

such on-the- job injury, such contributions shall not be paid for a period of more than six (6)

months.

The amount of contribution payable under this Section shall be that set forth in Section 2

above and shall reflect the actual demographics of each respective employee. It is understood and agreed by and among the parties that no employee may opt-out of coverage or opt a dependent of that employee out of coverage under any circumstances.

**Section 5.**

The sums required by Section 2 above shall be remitted monthly to the Health and Welfare Fund. Such monthly payment shall be submitted to the Health and Welfare Fund on or before the fifth (5th) day of the month during which the employee is performing work covered by the terms of this Agreement.

**Section 6.**

The Union may suspend the operations of a delinquent Employer three (3) working days

after receipt of a verification by telegram, registered or certified mail, that such Employer is

delinquent in its contributory obligations to the Health and Welfare Fund. Copies of the verification

shall be sent by the Administrator of the Health and Welfare Fund to the Employer and the Local Union.

**Section** 7.

Failure on the part of the Employer to contribute as specified herein above, shall make the Employer liable for all claims, damages, attorneys' fees, court costs, plus all arrears in payment, plus ten percent (10%) as liquidated damages.

**Section 8.**

The Employer shall complete and deliver to the Health and Welfare Fund, on forms supplied

by the Health and Welfare Fund, an Employer's report stating the name and social security number

for each regular, probationary, extra or casual employee employed by the Employer during the

calendar month.

**Section 9.**

The Trustees of the Health and Welfare Fund shall have the right to require the Employer

to make available to the Trustees or their duly accredited representatives, all time cards, payroll

records, social security records, withholding tax records for the employees covered by this

Agreement.

**Section 10.**

By execution of this Agreement, the Employer authorizes the Transport Employers'

Association, or its successor, to enter into appropriate trust agreements necessary for the

administration of the Health and Welfare Fund and agrees to be bound by the terms of said trust

agreements, thereby waiving all notice thereof and ratifying all actions already taken or to be

taken by such Trustees within the scope of their authority.