PHILADELPHIA

Update

Official Publication of Teamsters Health & Welfare and Pension Funds of Philadelphia and Vicinity

June 1999

Important Notice Regarding Plan Changes

Attention Health & Welfare Fund Participants:

Post-Mastectomy Reconstructive Surgery Benefits

On October 21, 1998, President Clinton signed into law the Women's Health and Cancer Rights Act of 1998. This new law requires group health plans that cover mastectomies to provide certain post-mastectomy reconstructive surgery benefits and to inform you of the availability of these benefits.

Your Plan has always provided benefits for mastectomies, prosthetic devices and reconstructive surgery to restore and achieve symmetry. Effective January 1, 1999, the Plan also covers:

1. Surgery and reconstruction of the other breast to produce a symmetrical appearance, and
2. Physical complications of all stages of mastectomy, including lymphedemas.

Contact the Fund office if you have any questions concerning your coverage.

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On the Road and on Target to YEAR 2000

Many of you have contacted us seeking assurance that the Funds are aware of the challenges presented by the Year 2000 and that we are taking the appropriate steps to ensure that our organization and the services it provides are ready for the Year 2000.

We want to take this opportunity to advise you that we are very aware of the Year 2000 challenges and have instituted an organization-wide program to identify and address those challenges. Our program is well underway and, in fact, began in July 1998. Our current evaluation is that an overwhelming majority of our mission – critical systems will be certified as Year 2000 ready by July 31, 1999. As of this writing, our medical claims processing system and pension benefit calculation systems are already "Y2K" compliant and in full operation. The Y2K complaint "rewrite" of our Pension Benefit Payroll system has been completed. Final testing has been successful. The new Pension Benefit Payroll system will go "online" and "live" beginning with the July 1, 1999 monthly benefit payments.

While our Year 2000 program is a complex and extensive undertaking, its goal is quite simple. We want to make the Year 2000 event "transparent" to the several hundred Contributing Employers and, more importantly, to the tens of thousands of Fund members, their dependents and beneficiaries that rely on the Funds to provide essential medical and retirement benefits. We are well on target toward meeting that goal. Our Plans are that our services in the 21st century will be as reliable, if not more reliable, than they have been over the nearly half century that the Funds have been in existence. (The Pension Fund has never been late in issuing monthly benefit payments, and we're not about to let a little thing like a change in the century ruin that record!) We know that you would expect nothing less from a leading benefits organization like ours.

If you have any concerns relating to the Year 2000 and services provided by the Trust Funds, please contact us.

Three Important Benefit Improvements to the Pension Plan

Though much hard work, careful planning and exhaustive study, the Trustees were able to put in place three significant improvements under the Pension Program.

I. The first improvement – ***25 benefit years and out at any age*** – represents the Trustees' continuing effort to permit members to retire at earlier and earlier ages at significantly higher benefit levels, but without any reductions for early retirement. Many years ago, the Trustees provided for unreduced retirement at any age if a member had 30 *Vesting* years of service. In 1995, the Trustees amended the Plan to allow a participant with 25 *Contributory Benefit* years of service to retire at age 55 with no early retirement reduction if his or her daily contribution rate was at least equal to $24.60.

Effective with those first retiring on or after July 1, 1999, an unreduced accrued benefit will be available to those with 25 years of *Benefit Service* at any age at any Daily Contribution Rate. Unlike the previous "25-and-out" at age 55, the 25 full benefit years needed for this benefit improvement can be either contributory or non-contributory, reciprocal, or non-reciprocal. This means that Past Benefit Service, as well as Reciprocal Service in other Teamsters-related plans counts in the measurement of whether you have 25 full years of *Benefit Service*.

II. A further benefit enhancement was made with respect to ***pre-retirement survivor annuity benefits***. Beginning July 1, 1999, for all participants whose benefits become effective on or after that date, the Plan will now provide a 100% pre-retirement survivor annuity (using the 100% joint & survivorship annuity factors) to the eligible spouse of a deceased employee who had at least 23 years of vesting service credit and had of Vesting Service credit and had worked in covered employment after January 1, 1999. Previously, the 100% pre-retirement survivor annuity was payable only if the member had at least 25 years of Vesting Service credit.

III. In addition to these benefit enhancements, sufficient funds were available to fund a one-time supplemental payment to retirees. With the regular monthly benefit payment on August 1, 1999, a one-time supplemental payment will be made to retirees or those receiving survivorship pensions in the following amounts:

Benefit Commencement Date	Amount
Before 1/1/80	$700
Between 1/1/80 and 12/31/86	500
Between 1/1/87 and 12/31/94	250
After 12/31/94	0

Disability Pensioners: Those individuals who are presently receiving a disability pension benefit and whose benefit commencement date occurs prior to January 1, 1995, will receive a one-time supplemental payment of $300.

Surviving Spouses of Deceased Members: Those receiving a 100% joint & survivorship pension benefit of members who retired before January 1, 1995, will receive 100% of the supplemental payment amount which the member would have received had he/she still been living. Those spouses receiving a 50% survivorship pension benefit of members who retired on or before January 1, 1995, will receive 50% of the supplemental payment amount which the member would have received had he/she still been living. No supplemental payments will be made to surviving spouses or other beneficiaries receiving the balance of the member's 60-month single life pension benefit.

Out of Control Prescription Drug Costs Force Trustees to Make Changes

We have all read about it, seen it and experienced it ourselves. Prescription drug costs are out of control. ***In just the last four years, the Plan's prescription drug costs have risen a staggering 57.3%. With each passing year, the Plan spends more than $1 Million more than it did the previous year for the same number or fewer prescriptions for the Fund's participants. What was, only a few short years ago, a $3 Million expenditure will, in the 1999 Plan Year, exceed $8 Million!***

Despite these accelerating costs, the Trustees have, up to this point, been able to hold the participants' copayment to $3 per prescription, whether that prescription is for a generic drug or a very expensive brand name drug. And, despite these skyrocketing costs, the Trustees kept contribution rate increases to a minimum.

The problem has now reached a level where remedial action must be taken. Left unchecked, the adverse financial impact of these skyrocketing costs will jeopardize other aspects of the benefit program which are just as important, if not more important, than the Prescription Drug program. However, at the same time, the Trustees did not want to overreact by making drastic changes or cuts in the prescription card program over and above present needs. They balanced the needs of the Fund with the needs of the Fund's participants.

Effective with prescriptions filled on and after July 1, 1999, a new copayment schedule will go into effect. The copayment for generic drugs will remain at $3 for each prescription. However, prescriptions for brand name drugs will now carry a $9 copayment.

New prescription cards are now being prepared by the Fund's prescription card vendor, General Prescription Programs, and will be mailed to members shortly before July 1st. In addition, the number of unit doses per prescription that a member can obtain at the pharmacy will be limited to a 34 day supply.

Hopefully, these measures will enable the Fund to get these costs under control. If they do not, the Trustees have resolved that additional measures will have to be taken until this fastest growing cost item in the total benefit package is stabilized at a manageable level. You can help by asking your doctor whether there are safe and affective alternatives to high cost brand name drugs that might otherwise be prescribed.

With everyone's cooperation – the Fund, Fund members, prescribing physicians, and participating pharmacists – this important facet of your benefit plan can be maintained with minimal out-of-pocket costs to you.

Health and Welfare Benefit Plan Improvements :

At their recent Annual Meeting, the Fund's Board of Trustees approved several increases and improvements to the Benefit Schedule. Unless otherwise noted, these changes will become effective as of July 1, 1999 for all claims incurred on or after that date.

Dental Expense Benefits:

For those participants covered by the Dental Benefit Class 4 schedule, the following procedures have been approved for the increased allowances listed:

Procedure	Code	New Benefit
Periodic Exam	00120	$ 9.00
Additional X-ray	00230	6.00
Crown/Acrylic/Metal	02720	225.00
Crown/Porcelain	02740	225.00
Crown/Ceramic	02750	300.00
Porcelain Laminate	02760	225.00
Pontic/Cast Gold	06210	250.00
Pontic/Cast Metal	06231	250.00
Pontic/Ceramic	06240	300.00
Pontic/Md. Bridge	06241	225.00
Pontic/Acrylic/Metal	06250	225.00
Pontic/Acrylic/Gold	06251	225.00
Abut./Acrylic/Metal	06721	225.00
Abut./Ceramic	06750	300.00
Abut./Cast Gold	06790	265.00
Root Canal – 1 Canal	03310	185.00
Root Canal – 2 Canals	03320	210.00
Root Canal – 3 Canals	03330	275.00
Root Canal – 4 Canals	03340	350.00

Outpatient Mental/Nervous Treatment Benefit:

Previously, the usual, customary reasonable benefit maximum for the treatment of outpatient mental/nervous disorders was capped at $62.50. This benefit was also subject to a 20% patient copayment, resulting in a maximum Fund payment per visit of $50.00. Effective with services rendered on and after July 1, 1999, the benefit maximum for this type of service will increase to a maximum of $100.00, with a 25% patient copayment. This means that the Fund payment for this type of service will increase to a maximum of $75 per visit.

Life Insurance Benefit:

Effective June 1, 1999, ***active*** members and their eligible dependents will be covered under a group life insurance policy underwritten by Union Labor Life Insurance Company, rather than through the self-insured death benefit plan structure in existence prior to that date. Although the face amount of the benefits remains unchanged (for example, $20,000 in the case of the natural death of a member, $40,000 in the event of accident death of a member), these benefits, because they are funded through a group life insurance policy, rather than through a self-insured mechanism, will not be subject to a federal income tax. This results in a tremendous tax savings to the participant's beneficiary of anywhere from 15% to 28% of the proceeds. For example, under the self-insured mechanism, if an active member died and his or her beneficiary was entitled to a $40,000 death benefit payment, the entire $40,000 would be subject to federal income tax. If that beneficiary was in a 20% tax bracket, $8,000 of the $40,000 would be lost to taxes. The beneficiary would net, after taxes, $32,000. However, under the flexible life insurance arrangement for which the Trustees have contracted with Union Labor Life Insurance Company, the entire $40,000 would be paid to the beneficiary, tax-free – an $8,000 savings (or benefit increase) to the beneficiary in this example.

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Attention Pension Fund Participants:

Five Year Vesting is Here!

Effective January 1, 1999, for those who work one or more hours in Covered Employment (employment under a collective bargaining or other written agreement that requires contributions to be made to the Pension Fund for hours worked by or paid to you) on or after January 1, 1999, the requirement to be vested under the Pension Plan will change from a 10 year to a 5 year vesting requirement. Those not working in Covered Employment after December 31, 1998 will still be subject to the 10 year vesting requirement.

Once you are vested, your right to a pension benefit becomes non-forfeitable, even if you leave the industry. But be aware that before you become vested, all of your prior service could be forfeited under the Break-in-Service rules. If you're not sure of your status, feel free to request an Accrued Benefit Statement from the Pension Fund Office - you have the right to do so once each year.

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