

03 Oct 2022

## HEALTH PLAN UPDATE

Dear Members:

We have weathered through two years of pandemic lockdowns, restrictions, work interruptions, and the uncertainties of each passing Covid wave. Thankfully, the measures put in place by the Trustees since 2012 provided the tools needed to build the financial security of the Employee Life & Health Trust fund (the Fund) to get us through this difficult time. As life moves forward from the pandemic, the Fund is faced with new challenges.

The Trustees work hard to balance the economic stability of the Fund and the member experience, with the primary focus on health outcomes. Unfortunately, inflation impacts health benefits much the same as consumer goods. We are expecting to see the cost of providing the benefit plan increase by 7% or more this year, with a similar increase projected for 2023. The increased plan costs are due to an aging membership and declining health, the increased occurrence of chronic conditions, the higher cost of medical services not covered by MCP (paramedical services, vision care, and dental services), an overall increase in prescription drug costs, and general inflation. In addition, we expect a lower positive return on the Fund investment in the near future due to geopolitical issues that are creating market uncertainty. To ensure the financial stability of the Fund and its ability to sustain the benefit program into the future, the Trustees conducted a review of the plan's expenses. One expense stood out for additional consideration, the self payment subsidization levels.

The self payment subsidization level refers to the amount the Fund pays towards the premium rate when a member is self paying. When determining the self payment rates for active, disabled, and retired members, the Trustees consider the income level for each group, the number of members self paying in each group, the premium rates, and the subsidy level paid by the Fund to help offset the expense. In general, a subsidy level up to 50% of the premium rate is acceptable. If the subsidy level for a self payment plan goes over the 50% mark, it is reviewed annually to ensure the payment is sustainable for the Fund. **At this time, the self payment rates for active and disabled members are sustainable and will not be changed.** There are three (3) self payment plans for retired members. Unfortunately, two (2) of the plans are over the 50% subsidy mark. They have been trending this way for a number of years, but the Fund's financial stability allowed the Trustees to maintain the self payment rate. Currently, retired plan B is being subsidized by the Fund at 71% and retired plan C at 70%. In 2013 when the self payment rates were last changed, the annual subsidy for the retiree self payment plans was \$260,757.48 covering 226 retirees. In 2022, the annual subsidy for the retiree self payment plans is expected to reach \$628,842.12 covering 335 retirees. The increase in the annual subsidy is due to annual inflation on the insurance premiums and an increase in the number of retirees covered under the plan. Over the next 5 years, there are 137 members eligible to retire, which is estimated to bring the annual subsidy for the retiree self payment plans over 1 million. This is not sustainable for the Fund.

Considering this, the Trustees reviewed the age of the members covered under the retiree self payment plans, their annual pension benefit, the mortality tables for construction workers, and the cost-of-living expenses. The majority of our retired members are over age 70, with a monthly pension averaging just over \$1000. For those over 80, the average monthly pension drops to \$543. Recognizing the current cost of living expenses, **the Trustees will maintain the retiree self payment rates for members that retire up to December 1<sup>st</sup>, 2022.** This means that the self payment rate will not change at this time for retirees who are self paying for their health benefits. **A member that retires on or after January 1, 2023, the monthly self payment rate will be 50% of the premium rate,** as follows:


Plan	Premium Rate	Self Payment Rate (Member Pays)	Subsidy (the Fund Pays)
Retired Plan B	\$276.00	\$138.00	\$138.00
Retired Plan C	\$200.00	\$100.00	\$100.00
Retired Plan E	\$13.23	\$16.00 (no change)	\$0

A review of the active member monthly pension benefits for those close to retirement age shows that the change in the self payment rate will have less of an impact on their monthly income than the current self payment rates are having on many of our retired members. All of the self payment rates for the active, disabled and retired plans will be reviewed each year and are subject to change if necessary.

We understand that changes such as these are not what you want to see. These decisions are always difficult and unpleasant to make. However, it is important that the Fund remain healthy to ensure the benefit plan is there for you when you need it most.

If you have any questions or concerns, please contact our Administrator, Leslie Wells, at 709-747-2249 ext. 308 or [lwells@ualocal740.ca](mailto:lwells@ualocal740.ca).

Respectfully,



Bob Fiander, Chairman  
 Board of Trustees  
 UA Local 740 Benefit Trust Funds