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**OPERATING ENGINEERS HEALTH
BENEFIT FUND**

PRE-FUNDING RETIREE BENEFITS

LOCAL 139





The Trustees of the Operating Engineers Local 139 Health Benefit Fund are pleased to provide participants with retiree coverage. If you are eligible and elect retiree coverage, you are required to make self-payment contributions for this coverage.

To ensure that your self-payment contributions are kept as low as possible and to reward our participants with long-term service under the Plan, the Fund uses a Pre-Funded method to calculate the amount of self-payment contributions for retiree coverage. This method is used for eligible retirees, disabled participants, and surviving spouses.

Please note that for Non-Bargaining Unit and Alumni participants, your individual employers must elect to participate in the Pre-Funded program. If your employer does not participate, or if you retired, became disabled, or were a surviving spouse receiving coverage before January 1, 2003, contact the Fund Office for more information on how your cost is determined.



HOW THE PROGRAM WORKS

- The cost of retiree coverage is determined by the Trustees. The cost of retiree coverage is different depending on your age.
- You receive a service credit amount for your work as an operating engineer under the Plan (subject to certain maximums). The service credit amount varies by age.
- Your self-payment contribution amount is then determined by reducing the cost of coverage by your service credit amount.

The longer you work as an operating engineer, the larger your service credit amount will be, and the less you (or your surviving spouse) will pay for retiree coverage. The remainder of this brochure describes how the program works.

COST OF PROVIDING RETIREE COVERAGE

While the Fund shares the cost of retiree coverage with you, the cost of retiree coverage is determined by the Board of Trustees based on the Plan's *actual* cost of providing this coverage. The monthly cost of retiree coverage is divided into two categories based on age; for retirees younger than age 65 and for retirees age 65 and older (Medicare-eligible retirees). The monthly cost of retiree coverage is determined based on the retiree's age, not the dependent's age.

The cost is reviewed annually and adjusted to reflect the actual cost of providing retiree coverage.

SERVICE CREDIT AMOUNT

To determine your self-payment contribution amount, the cost of retiree coverage is reduced by your service credit amount. Your service credit amount is based on:

- The number of service credits you earn; and
- The service credit rate applied to your service credits, which differs depending on your age at retirement and whether you are currently younger than 65 or age 65 and older.

When you multiply your total service credits by the applicable service credit rate, the result is your service credit amount.

Service Credits

You are awarded service credits based on the number of hours for which your employer makes Pre-Funding contributions to the Plan on your behalf each year. The maximum number of service credits you can earn is 42.

Service credits are awarded based on your hours of employer contributions each calendar year as follows:

Hours of Employer Contributions in a Calendar Year*	Service Credit Earned for that Calendar Year
2,400 hours or more	1.40
2,100 – 2,399 hours	1.30
1,800 – 2,099 hours	1.20
1,500 – 1,799 hours	1.10
1,250 – 1,499 hours	1.00
1,000 – 1,249 hours	0.75
750 – 999 hours	0.50
500 – 749 hours	0.25
0 – 499 hours	0.00

* Any hours for which you make self-payment contributions to continue coverage or are credited with during a disability for which you are receiving Loss of Time or workers' compensation benefits are not counted in determining your hours of employer contributions.



You receive service credits for all of your covered employment under the Plan, which may include certain covered employment before the Program became effective on January 1, 2003.

Past service credits were offered on a one-time only basis to participants who had Pre-Funding contributions made on their behalf immediately following June 2002 and to Non-Bargaining Unit and Alumni participants whose employers chose to participate in the program as of June 2002.

You may also be entitled to one additional service credit for each year from 1971 through 1975 if, during those years, you were:

- A member in good standing with Local 139; and
- Working in the jurisdiction of Local 139.

In addition, when counting hours of employer contributions made on your behalf, the Fund includes reciprocal hours of employer contributions made on your behalf. However, these hours are prorated, using the Fund's contribution rate. Each year, during the month of March, the Fund Office mails Pre-Funding Statements that detail accumulated service credits by calendar year.

SERVICE CREDIT EXAMPLE

Pat, who retires at age 64, has worked 1,400 hours each year for 30 years. Pat will receive 30 Service Credits (1.0 x 30).

Service Credit Rates

At the time of your retirement, disability, or death, each service credit you have earned is applied a service credit rate. The service credit rate will vary depending on your age at retirement and whether you are younger than 65 or age 65 and older. The younger you are when you retire, the lower the service credit rate is because you will be benefiting from the program for a longer period than a participant who retires at an older age. In addition, the service credit rate is lower once you reach age 65 because when an individual reaches age 65, he or she becomes eligible for Medicare and Medicare will pay benefits first, before the Plan.

The service credit rates are:

Age at Retirement	Service Credit Rate Before Age 65	Service Credit Rate at Age 65 and Older
55	\$21.30	\$10.76
56	\$22.11	\$11.17
57	\$22.92	\$11.58
58	\$23.72	\$11.99
59	\$24.53	\$12.39
60	\$25.34	\$12.80
61	\$26.15	\$13.21
62 or older	\$26.96	\$13.62

* *Service credit rates are subject to change.*

Generally, your service credit rate is determined as of your age when you initially retire. However, if you retire before age 65, your service credit rate will change when you turn 65. In addition, if you subsequently return to work and have 1,000 or more hours of employer contributions made on your behalf within one year, because the Pension Fund recalculates at 1,000 hours your service credit rate may be adjusted when you subsequently retire based on your age at that time. You may only have your service credit rate adjusted once under these circumstances. However, if you return to work more than once and have 1,000 or more hours of employer contributions made on your behalf within a year, you may choose which year you want to have your service credit rate adjusted.

SELF-PAY CONTRIBUTION AMOUNT

Your self-payment contribution amount for retiree coverage is calculated as follows:

$$\begin{array}{r}
 \text{Cost of Retiree Coverage} \\
 - \text{Service Credit Amount} \\
 \hline
 = \text{Self-Payment Contribution Amount}
 \end{array}$$

The Trustees established this program to address the long-term funding of providing retiree coverage. This does not mean that your self-payment contribution amount will not change. As health care costs rise, the cost of coverage may also increase. The monthly cost of retiree coverage and the service credit rates will be reviewed annually by the Trustees and may be adjusted appropriately. For each new eligible retiree, the Fund Office will calculate the self-payment contribution amount.



SELF-PAYMENT CONTRIBUTION EXAMPLE

Pat retired at age 64 on **June 1, 2019** with 30 service credits. The monthly cost of providing retiree coverage for a retiree younger than age 65 is **\$1,346** and the service credit rate for retirement at age 62 or older is **\$26.96**. Pat's monthly self-payment contribution, before age 65, is calculated as follows, rounded to the nearest whole dollar:

<i>Service Credit Rate for Retirement at Age 64 (Before Age 65)</i>	<i>\$26.96</i>
<i>Service Credits</i>	<i>x 30.00</i>
<hr/>	
<i>Service Credit Amount</i>	\$809.00
	<i>(\$808.80 rounded to \$809.00)</i>
<i>Monthly Cost of Retiree Coverage</i>	<i>\$1,346.00</i>
<i>Service Credit Amount</i>	<i>- 809.00</i>
<hr/>	
<i>Monthly Self-Payment Contribution Amount</i>	\$537.00
	<i>(\$537.20 rounded to \$537.00)</i>

Once Pat reaches age 65, the monthly cost of providing retiree coverage for a retiree age 65 and older is **\$740.00**. Pat's monthly self-payment contribution, at age 65, will be calculated as follows:

<i>Service Credit Rate for Retirement at Age 64 (At Age 65 and Older)</i>	<i>\$13.62</i>
<i>Service Credits</i>	<i>x 30.00</i>
<hr/>	
<i>Service Credit Amount</i>	\$409.00
	<i>(\$408.60 rounded to \$409.00)</i>
<i>Monthly Cost of Retiree Coverage</i>	<i>\$740.00</i>
<i>Service Credit Amount</i>	<i>- \$409.00</i>
<hr/>	
<i>Monthly Self-Payment Contribution Amount</i>	\$331.00
	<i>(\$331.40 rounded to \$331.00)</i>

Please note that if the cost of retiree coverage increases Pat's monthly self-payment contribution will also increase.

Disabled Retired Participants

If you are eligible for retiree coverage due to a disability, your self-payment contribution amount is calculated the same as for retiree coverage, based on your age at the time you become disabled. However, if you are not yet age 55 at the time of your disability, the service credit rate applied to your service credits will be the age 55 rate.

Surviving Spouses

If you are eligible for retiree coverage as a surviving spouse, your self-payment contribution amount is calculated the same as for retiree coverage. However, the amount will be based on your spouse's age. For the cost of retiree coverage, the Plan looks at the age your spouse would have been were he or she still living. For service credits, the Plan looks at your spouse's age at the time of his or her retirement or death, if earlier.

Surviving Spouse Self-Payment Contribution Example

Chris retired at age 55 on **June 1, 2019**. Since Chris was younger than age 65, the monthly cost of his retiree coverage is **\$1,346** and his service credit rate is **\$21.30**. In the event of Chris' death before age 65, his surviving spouse's self-payment contribution will continue at the before age 65 cost and rates until Chris would have reached age 65. Then, when Chris would have turned age 65, the amount will be adjusted to the monthly cost of retiree coverage for age 65 and older and a service credit rate of **\$10.76**.

Making Retiree Coverage Self-Payment Contributions

To assist you in making your self-payment contributions in a timely and consistent manner, the Fund provides for automatic payments. When you are eligible for retiree coverage, you **must enroll** to have your monthly self-payment contributions automatically withdrawn from your checking or savings account. The withdrawal will be made on the fourth of each month so that you will continue to be eligible for coverage that month. If the fourth of the month falls on a weekend or holiday, the money will be withdrawn on the following business day.



ELIGIBILITY FOR RETIREE HEALTH COVERAGE

You are eligible for retiree health coverage if you:

- Retire at age 62 or older with 10 or more Pre-Funding service credits (normal retirement);
- Retire between the ages of 55 and 62 with 10 or more Pre-Funding service credits (early retirement);
- Are the surviving spouse of a participant that had 10 or more Pre-Funding service credits; or
- Are entitled to a Social Security Disability award at any age with 10 or more Pre-Funding service credits.

In addition to the previous requirements, you must:

- Be and remain a member in good standing of, or maintain continuous payment of a service fee to, Local 139 (this does not apply to Fund-Related Non-Bargaining Unit participants that are not members of Local 139 or to Non-Bargaining Unit participants);
- Be eligible for coverage through the Fund at the time of your retirement (or disability); and
- Have been credited with employer contributions (not including self-payment contributions) of at least:
 - > 3,000 hours in the three consecutive calendar years immediately preceding retirement, or immediately preceding the onset of a disability for disabled participants; or
 - > 4,000 hours in the four consecutive calendar years immediately preceding retirement, or immediately preceding the onset of a disability for disabled participants; or
 - > 5,000 hours in the five consecutive calendar years immediately preceding retirement, or immediately preceding the onset of a disability for disabled participants.



For retirements that occur on or after June 6, 2011: If the above hours requirement is not met, you can still be eligible to participate in the retiree plan provided you have at least 20 Pre-Funding credits and at least 20 years of Fund contributions.

Hours for which you make self-payment contributions, as well as disability credits and Workers' Compensation credits, are not included toward meeting the hours requirement.

In addition, if you are a Non-Bargaining Unit Employee you must:

- Be receiving Social Security retirement benefits; or
- Not be receiving wages subject to Social Security taxes from any contributing employer (you will be required to provide a copy of your federal and state income tax returns to the Fund Office).

For purposes of determining eligibility for retiree coverage, if you are employed full-time with the International Union, you will be credited as if you remained continuously eligible, provided:

- You were eligible for benefit coverage through the Fund immediately preceding your full-time employment with the International Union; and
- Upon termination of employment by the International Union, you immediately;
 - > Begin employment under a contract requiring contributions to the Fund; or
 - > Apply for retiree coverage by contacting the Fund Office.



ENROLLMENT IN MEDICARE PARTS A & B IS REQUIRED

As of the date of your retirement (not the date on which your active bank of hours runs out), you and any of your dependents who are eligible for Medicare Parts A & B must enroll for that coverage. Eligibility for enrollment in Medicare Parts A & B generally occurs at age 65 but could be earlier for anyone who has been granted a social security disability award.

If you are a retiree with 39 or more service credits and you reach age 65 and become eligible for Medicare, you may remain covered under the program. You can continue to pay the same pre-Medicare monthly contribution rate, if the Medicare monthly self-pay contribution rate is higher.

A FINAL NOTE

With the cost of health coverage continually increasing, this method of calculating self-payment contributions benefits you and helps reduce the financial burden on the Fund. This program rewards both long-serving participants and those that work more hours, which results in greater contributions made to the Health Fund. In recognition of this, these individuals are rewarded by having to pay less after retirement.

This brochure describes the Plan's Retiree Pre-Funded Program as of **January 1, 2020**. Your Summary Plan Description (SPD) booklet describes the Plan's eligibility requirements, benefits, and related terms and conditions of the Plan in more detail. Please keep this brochure with your SPD. If you have any questions about this brochure or your benefits in general, please contact the Fund Office.

This brochure contains only highlights of certain features of the Plan. Full details are contained in the documents that establish the Plan provisions. If there is a discrepancy between the wording here and the documents that establish the Plan, the document language will govern. While the Trustees intend to continue this program, as with all Plan provisions, this is subject to change. The Trustees reserve the right to amend, modify, or terminate the Plan at anytime.



Operating Engineers Local 139 Health Benefit Fund

PRE-FUNDING RETIREE BENEFITS

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