



District Council 16 Northern California Health and Welfare Trust Fund

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Date: December 8, 2010

To: *All Active Hourly Participants in the District Council 16 Northern California Health and Welfare Trust Fund*

From: Board of Trustees

Re: Changes to your Health Plan Eligibility Rules Effective January 1, 2011

This Participant Notice shall advise you of certain changes to the District Council 16 Northern California Health and Welfare Trust Fund which shall become effective on March 1, 2011. These changes are being made pursuant to the outcome of the Participant vote held on Tuesday, November 23, 2010. This information is VERY IMPORTANT to you and your dependents. Please take the time to read it carefully.

The Following Eligibility Changes Will Be Implemented:

- Effective with the hours you work in January of 2011 for March 2011 eligibility, the Trust Fund will replace the current Hour Bank System with a Health & Welfare Cash Bank System effective March 1, 2011.
- Effective January 2011, you will need to work a minimum of 130 hours per month in order to receive 100% employer paid health care coverage effective March 1, 2011.

How These Eligibility Changes Will Work

Your monthly eligibility will be determined by hourly cash contributions made by your employer during each month you work. If you work 130 hours or more in a month, your employer hourly cash contributions will pay 100% of the cost of your monthly health care premium. If you work less than 130 hours in a month, you will need to make up the dollar shortfall. The shortfall will first be withdrawn from your Health & Welfare Cash Bank (if funds are available). If any shortfall remains, the balance may be made up through a participant self-payment directly from you. The amount of the shortfall you will need to make up in the months you work less than 130 hours will be the difference in the actual hours you worked and 130 hours at your Employer's contribution rate. For example, if you work 125 hours in a month, you will be required to self-pay for the 5-hour shortfall to maintain your eligibility. Your self-payment is due on or before the 20th of the month following the month you worked less than 130 hours.

If you work more than 130 hours in a month, the administrator shall credit \$8.00 to your Health & Welfare Cash Bank for each hour you work over 130 hours in a month. Please refer to the "Health & Welfare Cash Bank" section below for more information.

The following are examples of the payment process under two scenarios: 1) 130 hours are worked and 2) under 130 hours are worked:

Example 1

In January, you work 130 hours, your employer hourly cash contributions will pay 100% of the monthly premium for your health care coverage for March. You do not need to make a self-payment or use any of your Health & Welfare Cash Bank money to obtain coverage for March.

Example 2

In January, you work 125 hours, your employer will pay for most of the cost of your health care premium cost for March. However, your employer's hourly cash contributions would be five hours short of covering your health care premium. You can make up the shortage by using your Health & Welfare Cash Bank (if funds are available) or by making a participant self-payment, or by a combination of Health & Welfare Cash Bank and participant self-payment. If you choose to make a participant self-payment, it would be due to the Trust Fund by February 20.

You should carefully keep track of your hours worked in each month to make sure you are prepared to make a participant self-payment for the months that you worked less than 130 hours and your Health & Welfare Cash Bank is insufficient to make up the difference if you wish to continue your health care coverage.

Health & Welfare Cash Bank

Effective March 1, 2011, all current Hour Banks will be converted to individual Health & Welfare Cash Banks by the following formula: 600 hours equals \$1,242.80 which is the monthly health care premium effective March 1, 2011 through December 31, 2011. Hour Banks with less than 600 hours will be credited on a pro-rated basis.

In months that you work more than 130 hours, \$8.00 per hour for each hour you worked in excess of 130 hours per month shall be credited to your Health & Welfare Cash Bank. The maximum amount you can accumulate in your Health & Welfare Cash Bank is \$3,728.40 which is equivalent to 3 months worth of health care premiums.

If there are no employer contributions made on the employee's behalf for a 12-month consecutive period, then the Health & Welfare Cash Bank will be cancelled. It will reinstate if the employee returns to work within 12-months of the cancellation.

The cash bank is not vested. Participants do not have the right to receive payment of their cash bank balances in cash. The Board of Trustees reserves the right to modify the rules of the cash bank at any time.

Other Important Information

- All participant self payments must be received by the Trust Fund Administrator by the 20th of the month following the month in which the participant worked less than 130 hours.
- Active Participant self-payments may be made in any amount and any time IN ADVANCE of the due date.

- Each participant shall receive a monthly statement that will show the amount of money residing in each participant's Health & Welfare Cash Bank.
- New participants who work 130 hours in their first month of employment shall receive coverage at the beginning of their third month as a participant. If new participants work less than 130 hours in their first month of employment, they may elect to make a participant self-payment in order to establish eligibility in the beginning of their third month as a participant.
- COBRA rules will remain unchanged. You will be given the option to elect COBRA, instead of self-payment, if you work 0 hours in a given month.
- Retirees who work in covered employment after retirement shall receive no credit towards eligibility for any employer cash contributions and shall lose the benefit of the Active Participant funded 25% Retiree Health Care subsidy.

Receipt of this notice does not constitute a determination of your eligibility. If you wish to verify eligibility, or if you have any questions regarding the Plan changes, please contact the Fund Office.