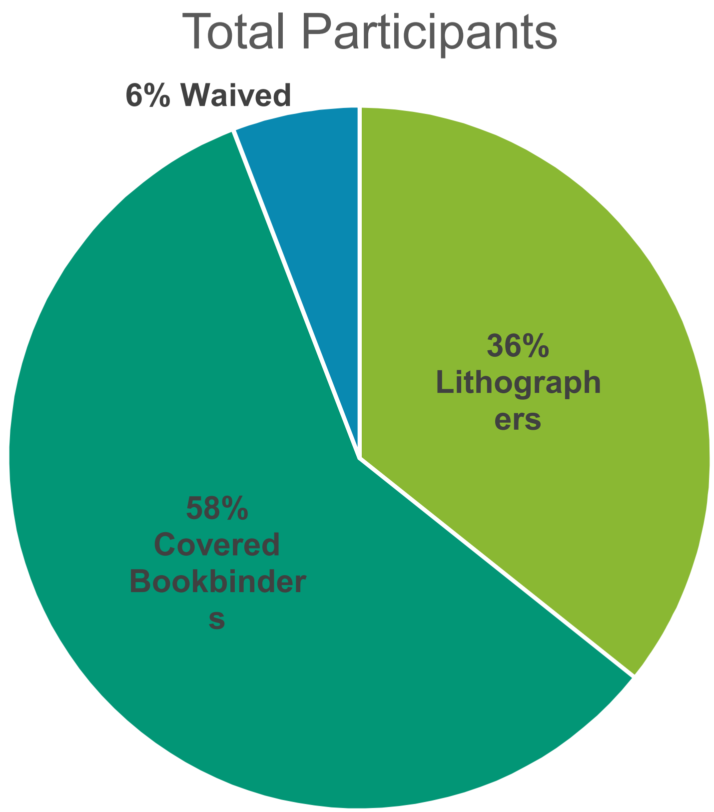
LITHOGRAPHERS AND PHOTOENGRAVERS LOCAL 285 WELFARE FUND

Waiver Contribution Program Study

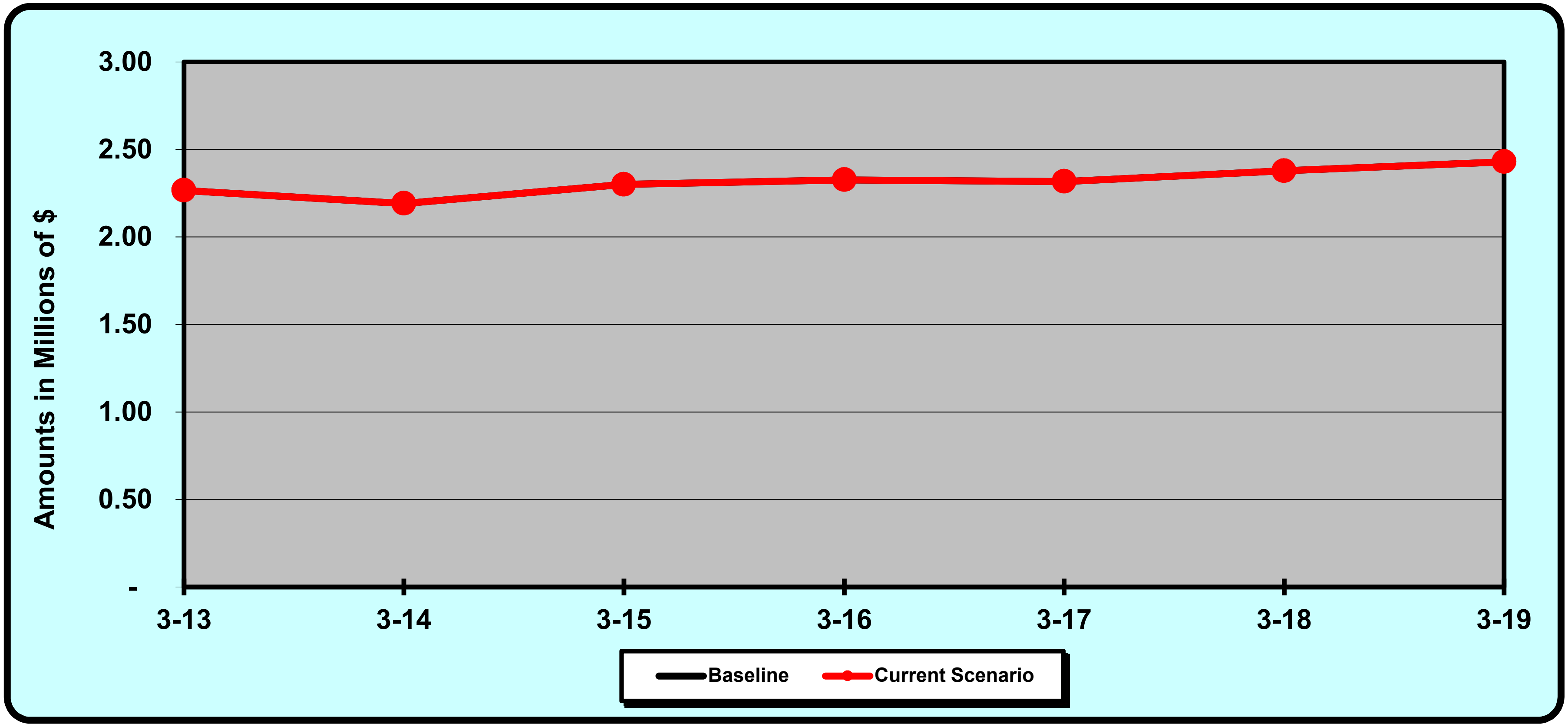
Background

Currently the Bookbinder group within the Lithographers and Photoengravers Local 285 Welfare Fund has the option to waive benefits. The employer for each member who chooses to waive coverage pays a waiver contribution of $544 per member per month.

At this time there is a total of 9 Bookbinder employees that choose to waive coverage. This represents 9.09% of all Bookbinder employees. We were asked to review this waiver contribution strategy, as well as additional options for consideration.



Baseline Projection



As of	3/1/2013	3/1/2014	3/1/2015	3/1/2016	3/1/2017	3/1/2018	3/1/2019
Assets (in millions)	2.27	2.19	2.30	2.33	2.32	2.38	2.43
# Months Reserves	10.78	10.69	11.32	12.44	12.37	12.09	11.56

Projection Assumptions

Plan Year Beginning March 1,	2016	2017	2018	2019
Benefits / Premiums				
Medical				
Select Low	5.50%	7.00%	7.00%	7.00%
HMO Signature	5.50%	7.00%	7.00%	7.00%
Select High	5.50%	7.00%	7.00%	7.00%
Flex Choice	5.50%	7.00%	7.00%	7.00%
Dental	-26.05%	5.00%	5.00%	5.00%
Vision	0.00%	0.00%	5.00%	5.00%
Life/AD&D	36.96%	0.00%	0.00%	3.00%
A&S	0.00%	0.00%	0.00%	3.00%
Expense Load	6.38%	6.38%	6.38%	6.38%
Investment Return	0.05%	0.05%	0.05%	0.05%
Waiver Election % (BB)	9.09%	9.09%	9.09%	9.09%
Waiver Contribution (BB)	$544	$544	$544	$544
Waiver Election % (L)	0.00%	0.00%	0.00%	0.00%
Waiver Contribution (L)	n/a	$544	$544	$544

Projected Cash Flow

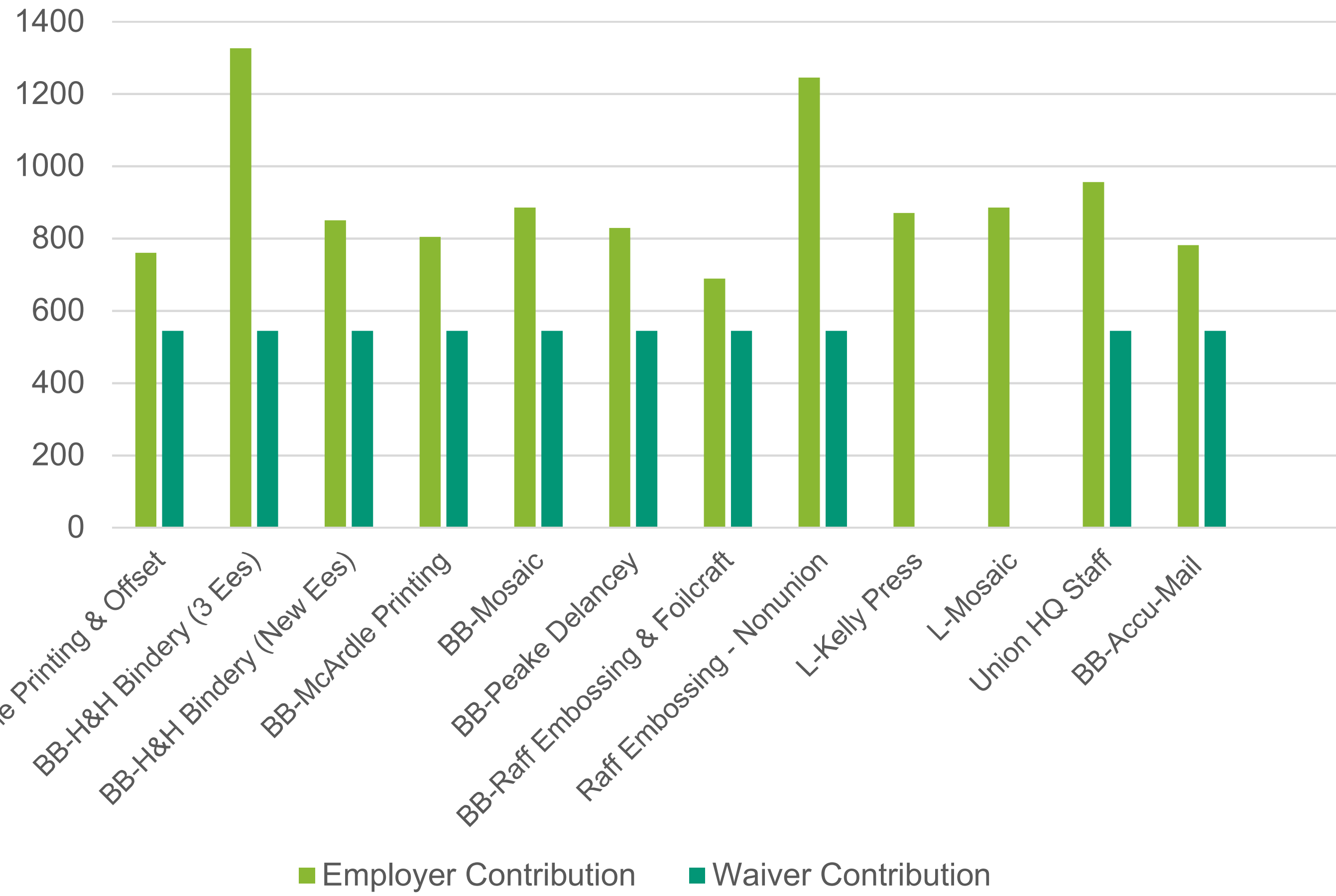
		Plan Year Beginning March 1,						
		2013	2014	2015	2016	2017	2018	2019
Net Assets, Beg. of Year		2,266,144	2,191,312	2,300,022	2,326,135	2,316,941	2,378,038	2,429,615
Inc.	Total Employer Contribs	2,043,843	2,175,681	2,034,961	2,063,028	2,243,923	2,392,775	2,553,156
	COBRA & Ret Payments	323,565	274,970	218,939	163,319	165,446	167,866	170,427
	Net Invest. Income	2,772	13,372	10,447	11,579	11,708	11,989	12,221
	Other Income	14,214	82,707	5,985	0	0	0	0
	Total Income	2,384,394	2,546,730	2,270,332	2,237,925	2,421,077	2,572,630	2,735,804
Disb.	Bft/Premium Pymts	2,310,706	2,299,617	2,099,460	2,112,324	2,218,414	2,369,824	2,532,875
	Admin. Expenses	148,520	138,403	144,759	134,796	141,566	151,228	161,633
	Other Disbursements	0	0	0	0	0	0	0
	Total Disbursements	2,459,226	2,438,020	2,244,219	2,247,120	2,359,980	2,521,053	2,694,509
Net Cash Flow Dollars		(74,832)	108,710	26,113	(9,194)	61,097	51,577	41,295
Net Assets, End of Year		2,191,312	2,300,022	2,326,135	2,316,941	2,378,038	2,429,615	2,470,910

Monthly Cost for Active Coverage

Plan Year Beginning March 1,							
	Actual			Estimated			
	2014	2015		2016	2017	2018	2019
			*8/1/2015 plan change				
Medical							
DHMO Select Low	874.41	865.65	865.65	913.27	977.20	1,045.60	1,118.80
HMO Signature	991.00	981.10	981.10	1,035.06	1,107.51	1,185.04	1,267.99
HMO Select High	1,165.89	1,154.22	1,154.22	1,217.71	1,302.95	1,394.16	1,491.75
Flex Choice	1,165.89	1,154.24	1,154.24	1,217.72	1,302.96	1,394.17	1,491.76
Dental	37.31	38.43	28.42	28.42	29.84	31.33	32.90
Vision	6.95	6.95	6.95	6.95	6.95	7.30	7.66
Life/AD&D ($20k)	9.20	9.20	9.20	12.60	12.60	12.60	12.98
A&S ($200/wk)	8.60	8.60	8.60	8.60	8.60	8.60	8.86
Admin Load	27.39	37.53	37.53	51.86	82.77	88.40	94.47
as a % of premium	50%	65%	65%	75%	100%	100%	100%
Total Package							
DHMO Select Low	963.86	966.36	956.35	1,021.70	1,117.96	1,193.84	1,275.66
HMO Signature	1,080.45	1,081.81	1,071.80	1,143.49	1,248.28	1,333.28	1,424.86
HMO Select High	1,255.34	1,254.93	1,244.92	1,326.14	1,443.71	1,542.39	1,648.62
Flex Choice	1,255.34	1,254.95	1,244.94	1,326.15	1,443.72	1,542.40	1,648.63

Current Employer Contributions

The average total contribution is $851.69, including waiver contributions. The average employer contribution for those employees who elect coverage is $870.79.



Waiver Program Options

We have modeled the following three options with regards to the waiver contribution strategy:

1) Expand the waiver program to allow all participants the option to waive coverage, with an employer contribution of $544 per member per month.
2) Expand the waiver program to allow all participants the option to waive coverage, without any employer contribution.
3) Discontinue the waiver program, but grandfather the 9 participants who have elected to waive coverage, without any employer contribution.

All options are modeled with an effective date of March 1, 2017.

Option 1- Expand Waiver Program

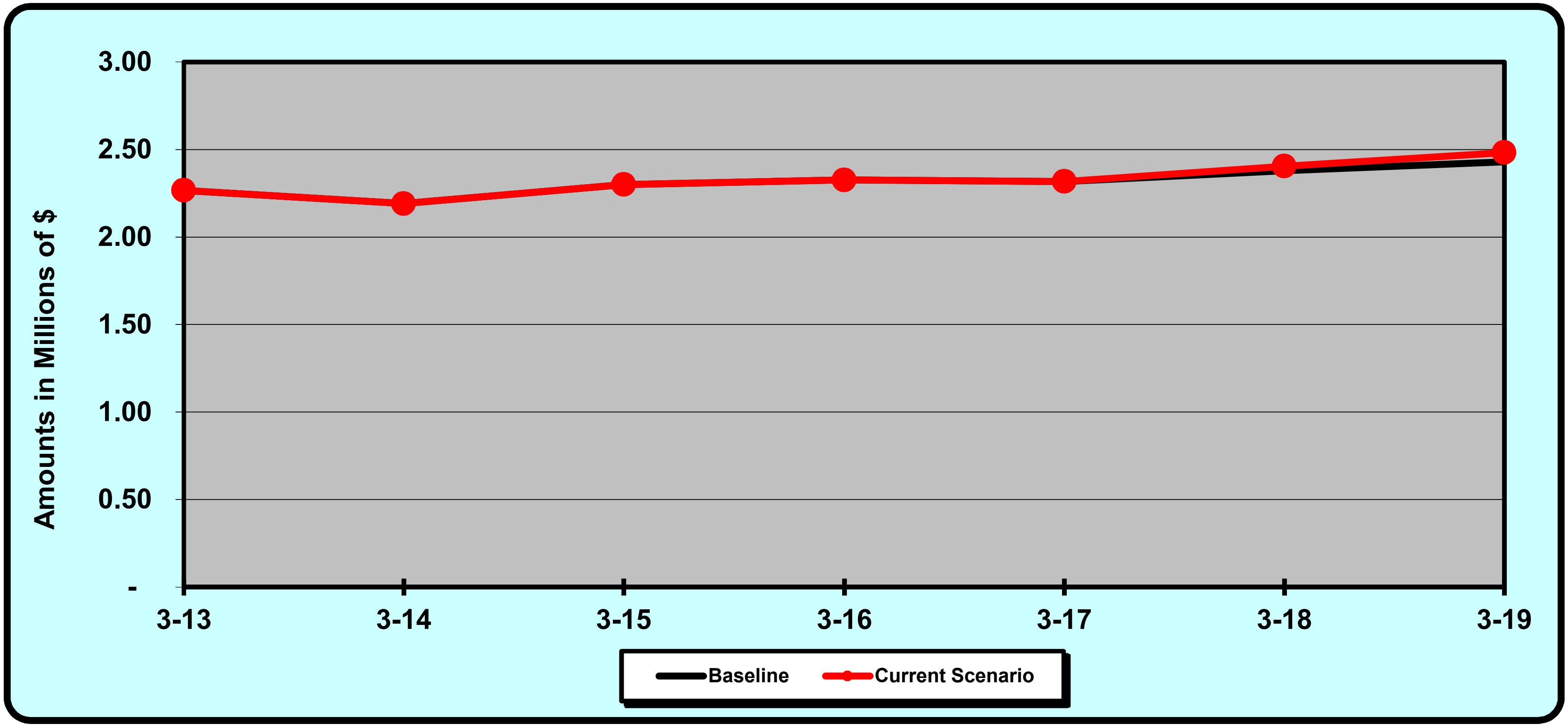
The following assumptions were used to obtain results for option 1:

1) The percentage of employees assumed to waive coverage is 9.09% (13 waived participants).
2) A waiver contribution of $544 per member per month would be assessed for each employee who elects to waive coverage.

Results:

Using the assumptions above, we expect the expanded waiver program would result in a savings of $26,000 for the Plan Year beginning 3/1/17 through 2/28/18. This is equivalent to $15 per covered member.

Option 1 Projection



Option 1 Projection

	3/1/2013	3/1/2014	3/1/2015	3/1/2016	3/1/2017	3/1/2018	3/1/2019
Baseline Assets (in millions)	2.27	2.19	2.30	2.33	2.32	2.38	2.43
Option 1	2.27	2.19	2.30	2.33	2.32	2.40	2.48

As of	3/1/2013	3/1/2014	3/1/2015	3/1/2016	3/1/2017	3/1/2018	3/1/2019
Baseline # Months Reserve	10.78	10.69	11.32	12.44	12.37	12.09	11.56
Option 1	10.78	10.69	11.32	12.44	12.37	12.54	12.12

Option 2- Expand Waiver Program with no waiver contribution

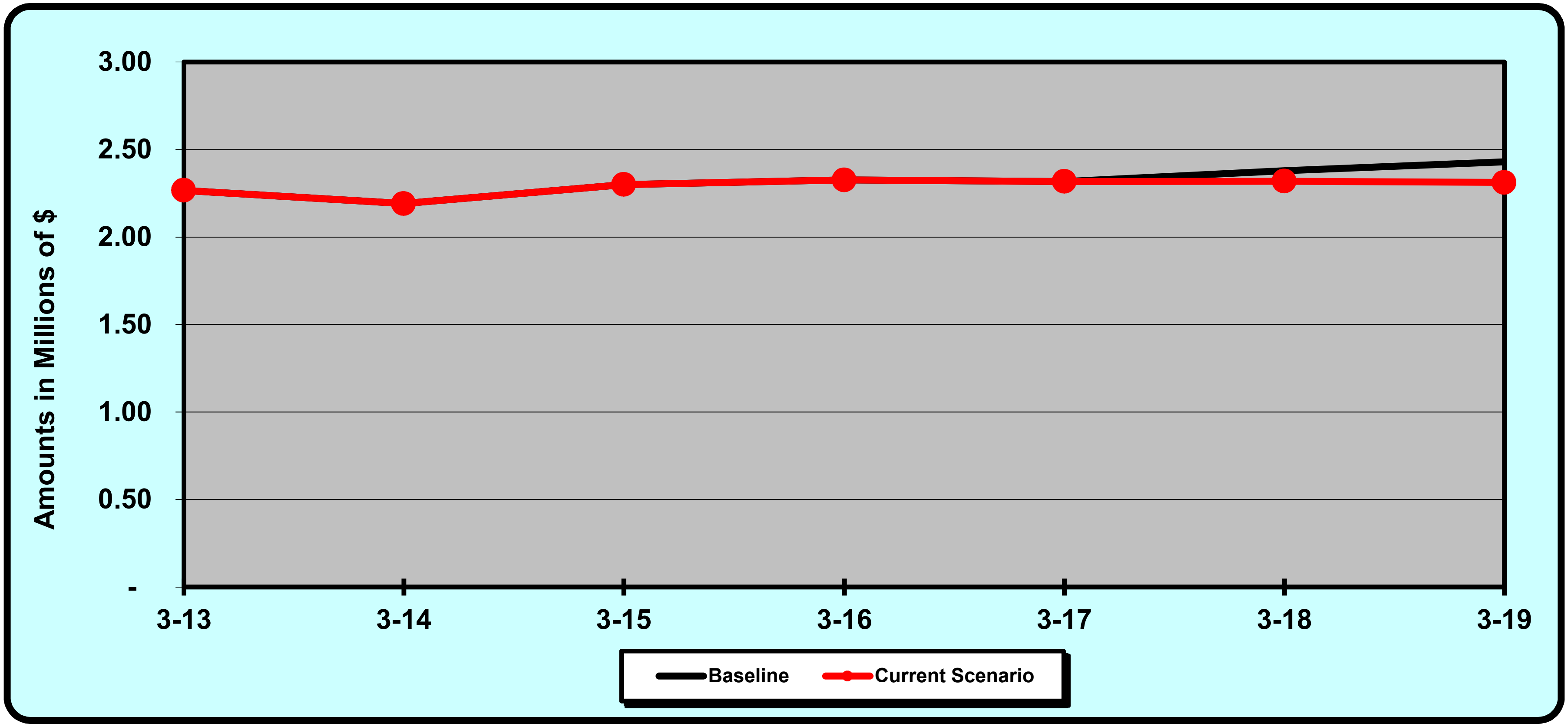
The following assumptions were used to obtain results for option 2:

1) The percentage of employees assumed to waive coverage is 9.09% (13 waived participants).
2) There would be no waiver contribution required for each employee who elects to waive coverage.

Results:

Using the assumptions above, we expect the expanded waiver program would result in a cost of $59,000 for the Plan Year beginning 3/1/17 through 2/28/18. This is equivalent to a deficit of $34 per covered member.

Option 2 Projection



Option 2 Projection

As of	3/1/2013	3/1/2014	3/1/2015	3/1/2016	3/1/2017	3/1/2018	3/1/2019
Baseline Assets (in millions)	**2.27**	**2.19**	**2.30**	**2.33**	**2.32**	**2.38**	**2.43**
Option 2	**2.27**	**2.19**	**2.30**	**2.33**	**2.32**	**2.32**	**2.31**

As of	3/1/2013	3/1/2014	3/1/2015	3/1/2016	3/1/2017	3/1/2018	3/1/2019
Baseline # Months Reserve	**10.78**	**10.69**	**11.32**	**12.44**	**12.37**	**12.09**	**11.56**
Option 2	**10.78**	**10.69**	**11.32**	**12.44**	**12.37**	**12.10**	**11.29**

Option 3- Discontinue Waiver Program with grandfathered waivers

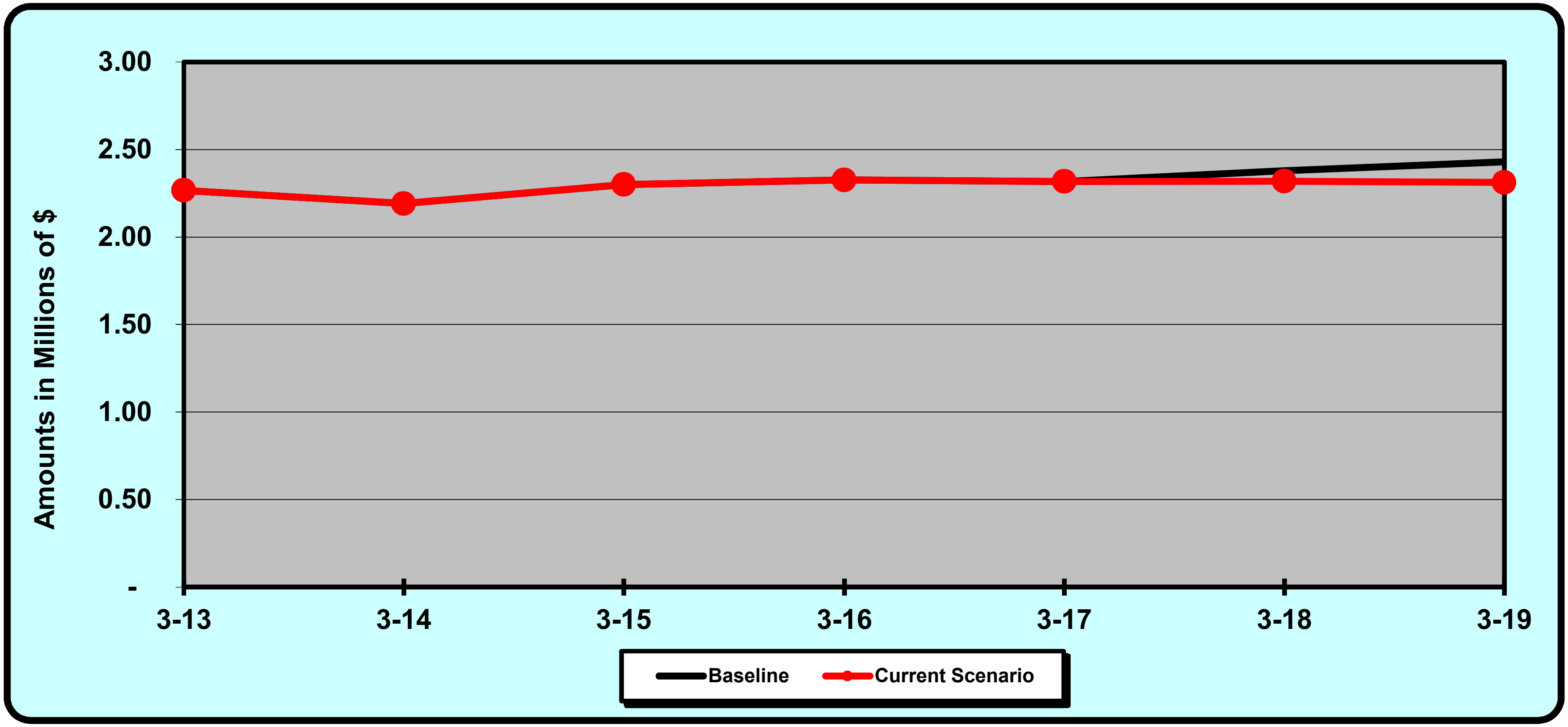
The following assumptions were used to obtain results for option 3:

1) The 9 participants who currently waive coverage will continue to waive coverage, however no other participants will be allowed to enter the waived group.
2) There would be no waiver contribution required for the 9 participants who currently waive coverage.

Results:

Using the assumptions above, we expect the expanded waiver program would result in a cost of $59,000 for the Plan Year beginning 3/1/17 through 2/28/18. This is equivalent to a deficit of $34 per covered member.

Option 3 Projection



Option 3 Projection

As of	3/1/2013	3/1/2014	3/1/2015	3/1/2016	3/1/2017	3/1/2018	3/1/2019
Baseline Assets (in millions)	2.27	2.19	2.30	2.33	2.32	2.38	2.43
Option 3	2.27	2.19	2.30	2.33	2.32	2.32	2.31

As of	3/1/2013	3/1/2014	3/1/2015	3/1/2016	3/1/2017	3/1/2018	3/1/2019
Baseline # Months Reserve	10.78	10.69	11.32	12.44	12.37	12.09	11.56
Option 3	10.78	10.69	11.32	12.44	12.37	11.79	11.00

Summary of Results

As of	3/1/2013	3/1/2014	3/1/2015	3/1/2016	3/1/2017	3/1/2018	3/1/2019
Baseline Assets (in millions)	2.27	2.19	2.30	2.33	2.32	2.38	2.43
Option 1	2.27	2.19	2.30	2.33	2.32	2.40	2.48
Option 2	2.27	2.19	2.30	2.33	2.32	2.32	2.31
Option 3	2.27	2.19	2.30	2.33	2.32	2.32	2.31

As of	3/1/2013	3/1/2014	3/1/2015	3/1/2016	3/1/2017	3/1/2018	3/1/2019
Baseline Months of Reserve	10.78	10.69	11.32	12.44	12.37	12.09	11.56
Option 1	10.78	10.69	11.32	12.44	12.37	12.54	12.12
Option 2	10.78	10.69	11.32	12.44	12.37	12.10	11.29
Option 3	10.78	10.69	11.32	12.44	12.37	11.79	11.00

Conclusion

- There are advantages to allowing employees to waive coverage. They may be able to find a less expensive alternative through a spouse's employer or through the MarketPlace. This not only reduces the member's expense, but also reduces the Fund's expense.
- If a waiver program is in place, charging the employer a contribution for each employee who waives helps to offset administrative expenses. Without those waiver contributions, the cost for the covered members would increase or reserves would need to be drawn down to offset the lost revenue.
- Implementing a tiered rating system would allow for a lower single rate, which could be used in setting waiver contribution rates.