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August 17, 2015

Board of Trustees
International Union of Operating Engineers
Local 487 Health & Welfare Trust Fund
911 Ridgebrook Road
Sparks, MD 21152-9451

Re: Actuarial Valuation Results as of March 31, 2015 under FASB ASC 965

Dear Board Members:

Enclosed you will find the results of our Financial Accounting Standards Board Accounting Standards Codification 965 (FASB ASC 965, formerly SOP 92-6) actuarial valuation of postretirement welfare benefits as of March 31, 2015. It establishes the obligations of the postretirement welfare benefit plan in accordance with FASB ASC 965 for the current year and analyzes the preceding year's experience.

This report is based on information received from the Fund Office. The actuarial projections were based on the assumptions and methods described in Exhibit II and on the plan of benefits as summarized in Exhibit III. The actuarial calculations were completed under the supervision of K. Eric Fredén, FSA, MAAA.

We look forward to discussing this material with you at your convenience.

Sincerely,

Ernest Naegele
Vice President and Consultant

Enclosures
cc: Leon F. Joyner
Steven I. Gordon, CPA

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EXHIBIT I

Accumulated Postretirement Benefit Obligation (APBO)

Participant Category	APBO as of March 31, 2015		APBO as of March 31, 2014	
Current retirees, beneficiaries and dependents	$1,028,601		$1,048,654	
Other participants fully eligible for benefits	1,662,264		1,386,538	
Other participants not yet fully eligible for benefits	$1,007,436		954,378	
Total	$3,698,301		$3,389,570	
Effect of Retiree Contributions				
Plan benefits before reduction for retiree contributions	$6,606,673	100%	$6,002,846	100%
Less projected retiree contributions	(2,908,372)	(44)%	(2,613,276)	(44)%
Net obligation	$3,698,301	56%	$3,389,570	56%
Change in Obligation from March 31, 2014 to March 31, 2015				
Benefits earned net of benefits paid	$46,063			
Actuarial experience gain	(71,733)			
Changes in actuarial assumptions	404,855			
Plan amendments	(70,454)			
Total	$308,731			
Effect of Increase in Health Trend Rate of 1% as of March 31, 2015				
Change	185,045			
Adjusted obligation	3,883,346			

Assumption	March 31, 2015	March 31, 2014
Discount Rate:	3.30%	3.90%
Health Trend Rates: *(HMO, PPO and Rx)*	8.0% graded to 5.0% over 6 years	7.0% graded to 5.0% over 8 years
Administrative Expense Increase Rate:	3.0% per year	Same as current year
Retiree Contribution Increase Rate:	8.0% graded to 5.0% over 6 years	7.0% graded to 5.0% over 8 years
Postretirement Mortality Rates:		
Healthy	RP-2000 Combined Healthy Blue Collar Table projected 10 years with Scale AA	Same as current year
Disabled	RP-2000 Combined Healthy Blue Collar Table with ages set forward 5 years	Same as current year

Participant Data	March 31, 2014
Number of Retirees	153
Average Retiree Age	76.3
Number of Surviving Spouses	1
Average Age	64.0
Number of Active Participants	509
Average Age	48.8
Average Benefit Service	14.8

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data:	Detailed census data, premium rates and summary plan descriptions for postretirement welfare benefits were provided by the Plan Administrator.
Actuarial Cost Method:	The Benefit Obligation is the Accumulated Postretirement Benefit Obligation (APBO), as computed in accordance with the provisions of FASB ASC 715. The APBO is equal to that portion of the total Expected Postretirement Benefit Obligation (EPBO) deemed to have been earned to date, calculated using the Projected Unit Credit method. For retired and active employees who have attained full eligibility for postretirement benefits, the APBO is equal to the EPBO. For active employees who have not yet attained full eligibility for postretirement benefits, the APBO is a prorated portion of the EPBO based on service to date compared with service at the earliest date of full eligibility for benefits. These obligations were developed using standard actuarial projection techniques.

Per Capita Cost Development:

HMO and PPO Plans, including prescription drug benefits (HMO Plan also includes Dental and Vision)	Per capita claims costs were based on the average premium rates effective April 1, 2015 through March 31, 2016. Actuarial factors were applied to the average premium cost to estimate individual retiree and spouse costs by age and by gender.
Administrative Expenses	Administrative expenses were based on experience furnished by the Fund Office for the period April 1, 2013 through March 31, 2014. Expenses were then adjusted as described above to yield per capita expenses.

Measurement Date: March 31, 2015

Discount Rate: 3.30%:

The discount rate is reset each year based on the rates of return on high-quality fixed income investments currently available as of the valuation measurement date whose cash flows match the timing and amount of expected benefit payments.

Termination Rates before Retirement:

	Mortality		Disability	Withdrawal
Age	Male	Female		
20	0.03%	0.02%	0.05%	23.82%
30	0.07	0.03	0.08	22.19
40	0.13	0.08	0.17	18.34
50	0.20	0.17	0.45	10.85

Postretirement Mortality Rates:

Healthy RP-2000 Combined Healthy Blue Collar Mortality Table projected 10 years with Scale AA

Disabled RP-2000 Combined Healthy Blue Collar Mortality Table with ages set forward 5 years

Retirement Rates:

Age	Local 675	Local 487
53- 54	2%	N/A
55- 57	5	2%
58- 59	5	4
60- 61	15	10
62	50	30
63- 64	10	10
65 & Over	100	100

Dependents:

Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives. Of the future retirees who elect to continue their health coverage at retirement, 65% were assumed to have an eligible spouse who also opts for health coverage at that time.

Per Capita Health Costs:

Medical and prescription drug claims costs for the plan year beginning April 1, 2014, excluding assumed Fund office expenses, are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

	Retiree		Spouse	
Age	Male	Female	Male	Female
50	$5,865	$6,680	$4,097	$5,364
55	6,965	7,191	5,482	6,209
60	8,272	7,751	7,339	7,201
62	8,861	7,987	8,252	7,643
63	9,176	8,105	8,743	7,869
64	9,490	8,223	9,264	8,105
65 and older	0	0	0	0

These claims costs are further adjusted for recent plan changes through an adjustment to the trend rates

Health Care Cost Trend Rates:

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that must be applied to that year's cost to yield the next year's projected cost.

Year Ending March 31	Medical and Drug
2015	6.20%
2016	8.00
2017	7.50
2018	7.00
2019	6.50
2020	6.00
2021	5.50
2022 & Later	5.00

The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2015 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics. Trend rates for the year ending March 31, 2015 were further adjusted to reflect premium changes due to plan experience and plan design changes. The trend rate for that year was originally 7.00% in last year's valuation. This was changed to 9.90% to measure the actual premium changes for the year before plan changes. For the final valuation, the trend rate was reduced to 6.20% to reflect the plan changes noted in the next section.

Retiree Contribution Increase Rate:	The annual increase in required retiree contributions for medical coverage was assumed to equal the medical and drug trend.
Participation and Coverage Election:	35% of employees eligible to retire and receive subsidized postretirement medical coverage are assumed to participate. 50% of employees eligible to retire and receive subsidized postretirement life insurance coverage are assumed to participate. Future retirees are assumed to stay in the same HMO or PPO plan as they are currently enrolled.
Plan Design:	Development of plan liabilities was based on the plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	An administrative expense load of $262 per eligible participant for the plan year beginning April 1, 2014 increasing at 3.0% per year thereafter was added to projected incurred claim costs in developing the benefit obligations.
Missing Participant Data:	A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known. Active employees missing dates of hire were assumed to begin employment at the earlier of age 31 or one year prior to the valuation date.
Assumption Changes since Prior Valuation	Medical cost and retiree contributions trend rates were changed to reflect recent claims experience. The discount rate was changed from 3.90% to 3.30%.

EXHIBIT III

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:	For Local 487: Retired on or after age 55 with at least 25 years of service or age 60 with at least 5 years of service or age 65 and receiving a pension under the Operating Engineers Local 487 Pension Trust, or disabled with at least 10 years of service and entitled to Social Security Disability payments. For Local 675: Retired on or after age 53 with at least 10 years of service or age 65 with at least 5 years of service and receiving a pension under the Operating Engineers Local 675 Pension Plan, or disabled with at least 5 years of service and entitled to Social Security Disability payments.
Benefit Types:	Medical, vision, dental, prescription drug and life insurance benefits are provided to all eligible retirees. Retirees can select the Coventry HIP Health Plan HMO or PPO Plan plus the Mutual of Omaha Life benefit. Note that only HMO participant's benefits include a dental and vision benefit.
Duration of Coverage:	Retirees who merged into the Local 487 plan from the Local 675 plan who were retired at the time of the 7/1/1999 merger are eligible for Medical benefits for their lifetime. Medical benefits for all other retirees terminate at age 65. Life insurance is continued past age 65.
Dependent Benefits:	Medical, vision, dental and prescription drug coverage.
Dependent Coverage:	Benefits are payable to a spouse until age 65, regardless of when the retiree dies. The only exception to this is for spouses of Local 675 retirees who retired prior to 7/1/1999. These spouses of deceased retirees can continue coverage until their death

Retiree Contributions:

Retiree and spouse contribution rates are the same as active premium rates. The table below outlines monthly contribution rates for participants in the HMO and PPO plans.

Retiree Contributions Effective 4/1/2015	Single	2-Party	Family
Medical/Drug/Dental/Vision (HMO)	$389.57	$818.13	$1,149.23
Medical/Drug (PPO)	$529.07	$1,111.06	$1,560.77
Life Insurance	14.00	14.00	14.00

Note: For Local 487 retirees, contributions for life insurance are not required after age 65.

*Effective 8/1/15 the rate will be increased to $17.40

Medicare Integration Rule for Medical Plan:

Full coordination of benefits method in which the plan benefit is defined as the lesser of that determined without regard to Medicare, and the excess of health charges over the amounts paid by Medicare.

Benefit Descriptions:

HMO	**HMO-Participating Providers***
Medical	
Annual Deductible	$0
Coinsurance	Member pays 20%
PCP Copay	$30**
Hospital Deductible (annual)	$1,500
Maximum coinsurance Out-of-Pocket Expense	$2,500 individual/$5,000 family
Lifetime Maximum	No Maximum

* HMO – Except for emergency care, services are only covered when provided or referred by the HMO.

** $50 for specialist office visits.

Benefit Descriptions (continued):

HMO-Rx	Retail	Mail Order
Formulary:		
Generic Copay**	$20	$40*
Brand Copay - Formulary	$40	$80*
Brand Copay - Non-Formulary	$60	$120*
OOP Maximum	$2,500 Individual $5,000 Family	

* For a 90-day supply

** $3 copay for certain select generic drugs.

Life Insurance	$10,000 – Retiree only

	HMO
Vision	
Exams	$15 Copay
Eyeglasses	Discounts at participating provider

	HMO
Dental	
Preventative	Cleaning, Fluoride treatment, bitewing x-rays every 6 months, $5 per service, maximum $10 per visit
General	Discounted Fee Schedule

Benefit Descriptions (continued):

PPO*	PPO-Participating Providers	PPO-Nonparticipating Providers
Medical		
Annual Deductible (Individual/Family)	$1,500/$4,500	$3,000/$9,000
Coinsurance	Member pays 20%	Member pays 40%
Individual Lifetime Maximum Benefit	Unlimited	Unlimited
Physician Office Visit	$25 copay per visit**	40% after deductible
Calendar Year Out-of-Pocket Maximum (Individual/Family)	$2,500/$5,000	$9,000/$27,000
Prescription Drugs – Retail ***	Generic - $20 Brand Formulary - $40 Non- Formulary - $60	Not Covered

* The PPO plan does not include dental and vision benefits.
** $45 for specialist office visits, is counted towards OOP maximum.
*** For Mail Order, for Participating Providers you pay 2 copayments for 90 days supply. For non-Participating Providers, Mail Order not covered.

Plan Changes:

Effective 4/1/2015 the following changes were made to the HMO and PPO:

HMO

1. The max out of pocket was changed from $1,500/$3,000 (single/family) for medical and $1,500/$3,000 (single/family) for RX to $2,500/$5,000 (single/family) for medical and $2,500/$5,000 (single/family) for RX.

PPO

1. The max out of pocket for In-Network was changed from.$1,500/$3,000 (single/family) for medical and $ 1,500/$3,000 (single/family) for RX to $2,500/$5,000 (single family) for medical and $2,500/$5,000 (single/family) for RX.
2. Retail Prescription drugs are no longer covered with nonparticipating providers.