

Health & Welfare Trust Fund
International Union of Operating Engineers
LOCALS 877 AND 70

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A Memo from the Trustees

November 1, 2016

The Board of Trustees of the Health and Welfare Trust Fund of IUOE Local 877 & 70 have found it necessary for the first time in over 20 years to communicate directly to our members and their families regarding the financial health of the plan. Let us begin with a brief statement that summarizes this letter and then we will present additional information regarding this issue.

For the past 2 years the plan has been spending more every month for medical and prescription drug payments than it has received in premiums. This situation has required us to revise our Schedule of Benefits in order to put the Fund back on a stable financial basis.

Our Fund is a non-profit plan. For decades the cost of our Plan has been competitive with any private insurance plan that offers comparable benefits. In the past our income, made up of benefit payments from employers and members, was not only adequate to cover the plan's costs, but allowed us to establish a solid reserve account available for benefits.

Over the past 18 months we have withdrawn 20% of our total reserves just to keep up with our monthly bills. The Fund has been unable to add one dollar to our reserves since 2008. These facts show that we have been living "paycheck to paycheck" for quite some time. As you all realize this is not a healthy situation whether for a family or an organization. The only alternatives are to bring in more money or to reduce spending.

Increases in benefit contributions and premiums are negotiated in collective bargaining agreements to anticipate the needs of the Fund and to preserve its' solid foundation. As these increases are set in multi-year contracts, we do not have the ability to escalate our income as rapidly as the costs of medical services and products are rising.

Given the outlook of the present healthcare situation, we have no alternative but to take steps to control the Plan's expenses. This means that we must adjust the Schedule of Benefits of the Plan so that we may return to a position where our monthly income will be enough to pay our monthly expenses while continuing to ensure that our members and their families are protected in times of catastrophic medical events.

Please review the enclosed notice from the Fund Administrator for a description of the Plan changes effective January 1, 2017.

Allen R. McWade
Union Trustee

Anthony D. Pisano
Employer Trustee