Bakery and Confectionery Union and Industry International Health Benefits Fund

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January 2016

Summary of Material Modifications for P-Plan Participants

Because of dramatic increases in health-care costs in recent decades, participants have used more of their P-Plan benefits for health care and the P-Plans have paid out participant accounts much faster than before, causing a strain on the P-Plans' cash reserves. After careful consideration of the cost of the benefits that the P-Plans are now providing and the employer contribution rates, the Trustees have determined that it is necessary to change the benefits and return to the original design of the P-Plans, namely, to provide death benefits. These changes will take effect January 1, 2017, and **will not affect P-Plan benefits that retired participants have elected to allocate to a Health Reimbursement Account before that date**. The changes will only apply to participants who retire with P-Plan benefits on or after January 1, 2017, and to additional benefits that a retired P-Plan participant becomes entitled to after that date as a result of work in covered employment.

The Need for Changes

P-Plan benefits were originally payable only as death benefits. Over the years, when health-care costs were lower than they are now, the Trustees amended the rules to allow participants to use their P-Plan account balances to pay health benefit expenses during their lifetimes. As a result, P-Plan account balances have been paid out within a shorter period after retirement. Because that money does not remain in the Plan as long to earn investment returns, the Plan needs more assets to support the benefit payments. To account for this, employer contribution rates for P-Plan benefits were effectively doubled in 2009, but even those increased contribution rates are not sufficient to continue paying health benefits from the P-Plans over the long term.

The Trustees examined the contribution rate increases that would be needed to support payment of health benefits over the long term, and considered the effect that such rate increases would have on collective bargaining for wage increases. They concluded that returning the P-Plans to their original purpose is the only feasible option. However, the Trustees wanted to give participants as much notice as possible, so you can factor this change into your retirement plans.

The Changes

Consistent with the original P-Plan design, the following changes will be effective on and after **January 1, 2017:**

1. If you retire on or after January 1, 2017, your P-Plan account balance will automatically be allocated to a Death Benefit Account ("DBA") and will be payable solely as a death benefit following your death.
2. If you retired and allocated a portion of the P-Plan balance to a Health Reimbursement Account ("HRA") before January 1, 2017, the amounts allocated to the HRA before that date **will not be affected** by this change. Those amounts will still be available after January 1, 2017, under the current rules of the P-Plans, to reimburse you or your eligible dependents for covered medical expenses.
3. **The amount of your P-Plan account will not be affected.** For example, if your collective bargaining agreement requires contributions for P-Plan 600 at level 40 ($24,000), and you qualify for a P-Plan benefit after January 1, 2017, the amount allocated to your P-Plan DBA will be $24,000.
4. If you work in covered employment after retirement and, as a result, you become entitled to a higher benefit level under the P-Plans on or after January 1, 2017, that additional benefit amount will automatically be allocated to a DBA.
5. For income tax reasons, no more than $50,000 can be allocated to a DBA as a death benefit for any participant. If you are one of the small number of participants who have a P-Plan account balance greater than $50,000, the amount in excess of $50,000 will be payable as a death benefit upon death of your spouse or other dependents that you designate at retirement.

The Trustees will monitor the P-Plans' funding between now and January 1, 2017, and reserve the right, as always, to make additional changes in the terms or conditions governing payment of benefits during that interim period to preserve the financial integrity of the P-Plans. If the Trustees find any such changes necessary, they will promptly notify participants.