August 7, 2018

Oregon Teamsters Employers Trust (OTET)

UPS Retirees Subsidy Fund (Subsidy Fund)

Under the Tentative Agreement with Joint Council 37 and UPS

Questions and Answers

1. Do we currently have retiree health care benefits at OTET?

   Yes. OTET maintains a retiree health care plan. It has two components: a Non-Medicare plan and a Medicare plan. The Non-Medicare plan is subsidized out of a $36.00 per month per employee contribution from the active plan.

   The Medicare component is subsidized by a $26.50 per month per employee in bargaining units that have elected this coverage. UPS is one of many companies in OTET providing this coverage and UPS has agreed to continue to do so.

2. What are the current costs for a member to participate in the OTET non-Medicare (pre-65) retiree health care plans?

   The current costs vary depending on age and the plan selected. For example a member who retires at age 58 and joins the retiree Indemnity Medical and Prescription plan at OTET currently pays a subsidized amount of $400.00 per month.

3. What are the current costs for a member to participate in the OTET Medicare (post-65) retiree health care plans?

   The current costs vary depending on the plan selected. For example a member who retires at age 66 and joins the retiree Cigna Medicare and Indemnity Prescription plan at OTET currently pays a subsidized amount of $382.00 per month.

4. What is the OTET UPS Retirees Subsidy Fund?

   It is a newly established Subsidy Fund that is a separate account managed and invested at OTET to reduce monthly health care costs for UPS retirees and their spouses who participate in the non-Medicare or Medicare retiree health care plans offered by OTET.

   Monies form the Subsidy Fund will be applied to reduce the retiree monthly copay costs for the non-Medicare and Medicare retiree health care plans.
5. Why has this now been negotiated into the contract?

The number one issue for full-time employees in our contract surveys was to protect active health care benefits and to also reduce costs for retirees health care. Your Union has been working on establishing the UPS Retirees Subsidy Fund since 2014, and now with the new improved contract language from the tentative National Master UPS Agreement, all of the necessary components are now in place.

6. Which UPS employees will this apply to?

All full-time employees covered by the Joint Council 37 Package Rider in Oregon and areas in Idaho including Boise. This includes feeder drivers, regular package car drivers, full-time inside employees, 22.4 combination employees, Teamster represented mechanics, etc. Part-time employees are covered under a different health and welfare trust.

7. How will the Subsidy be funded?

In the tentative agreement the Subsidy Fund will be funded in two ways.

First, there is an initial start-up contribution of 5 cents per hour that UPS must contribute on behalf of each full-time employee to the Subsidy Fund effective August 1, 2018. This contribution comes from a reallocation from the Teamsters Legal Services Trust Fund. The Trustees determined that to maintain current legal services benefits the fund only needed 10 cents per hour instead of the current 15 cents. This money is over and above the other negotiated monies available to fund the Subsidy Fund. This money was reallocated and approved by the Joint Council 37 Union Negotiating Committee.

Second, Article 34 of the National Master UPS Agreement provides for $1.00 per hour for each year of the contract for health and welfare and pension. Under the contracts active health and welfare benefits are funded first and the Retirees Subsidy Fund and pension second.

8. How much money is expected to be contributed into the Subsidy Fund?

Under the current contract we were limited in how we spent money for health and welfare and pension. Each of the two were limited to 50 cents per hour. When health and welfare went up 35 cents per hour we were not able to capture the remaining 15 cents.

Under the new tentative agreement all of the money in Article 34 of the National Master UPS Agreement will be spent. For example, if health and welfare had the same 35 cents per hour increase we are able to divide the remaining 65 cents per hour to the Retirees Subsidy Fund and pension. This represents a significant improvement and gives your Union negotiating committee and our health care consultants the ability to access the entire $1.00 per hour.
9. When will the subsidy start?

   The subsidy is scheduled to begin no sooner than January 1, 2020. The fund must build its initial financial reserves from UPS contributions.

10. How does an employee become eligible to receive a subsidy from the Subsidy Fund?

   Employees who retire after August 1, 2018, and who meet all eligibility requirements to participate in the OTET non-Medicare or Medicare retiree plans, are eligible to receive a Subsidy from the Fund once it becomes available.

11. How much of a subsidy can be applied on a monthly basis to a retired member and spouse and who makes that decision?

   Active and retiree health and welfare premiums are established at the OTET Board of Trustees annual meetings each November and take effect the following January 1.

   Once OTET sets the rates for health and welfare premiums the Joint Council 37 Union Negotiating Committee will establish the amount of the subsidy for retired members and their spouses. The Union, working with our health and welfare professionals, will adjust the amount of the subsidy each year based on how much was received in contributions from UPS, the increased costs to the medical plans and projected headcount of new and existing retirees and their spouses.

   This is an annual interactive process that requires constant monitoring but the benefits to our retirees and their spouses are of utmost importance and worth the effort.

12. Does the Subsidy Fund change the retiree health care benefits provided at OTET?

   No. The retiree benefit plans at OTET remain the same and subject to the normal annual review. The Subsidy Fund is a separate account dedicated to reduce the monthly co-pays for you and your spouse, over and above the subsidies already provided by OTET.

13. Has OTET approved the establishment of the Subsidy Fund?

   Yes. The policy establishing the Subsidy Fund has been approved by the Board of Trustees at OTET during the contract negotiations. This Subsidy Fund has been an ongoing issue the Union has been pursuing, but until recently was not available.
14. Are current retirees eligible to receive the Subsidy?

No. This is a new fund that only applies to employees who retire after August 1, 2018, who work under the terms of the new contract and who meet all eligibility requirements to participate in the OTET retiree plans.

16. Have the Joint Council 37 Local Unions endorsed the Subsidy Fund?

Yes. Full-time Local Union Representatives and rank and file UPS members who served on the Joint Council 37 Union Negotiating Committee from Teamsters Local 58, 162, 206, 324, 483, 670 and 962, have all unanimously endorsed the Subsidy Fund and fully recommended a yes vote on the Joint Council 37 Riders which contain the contract language addressing the Subsidy.

17. What happens to the established Subsidy Fund if the contracts are not ratified?

The Subsidy Fund will not receive any contributions until the National Master UPS Agreement and all Supplements and Riders are ratified.

18. Who should I contact with questions about the current eligibility requirements, costs and coverage for the non-Medicare and Medicare retiree plans at OTET?

Contact the William C. Earhart Company. They are the plan administrator for both the active and retiree plans at OTET. They can be reached at (503) 460-5200.

Do not retire until you have verified that you meet all eligibility requirements to participate in the OTET retiree non-Medicare and Medicare retirees plans. This is a critical step in the retirement process.

All OTET participants were mailed a current copy of the non-Medicare and Medicare retiree plan booklets. They are also available at www.wcearhart.com