

GREATER PENNSYLVANIA CARPENTERS' MEDICAL PLAN

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January 31, 2008

IMPORTANT NOTICE ABOUT YOUR MEDICAL PLAN

Dear Member:

The purpose of this letter is to notify you that, based on our projections that the Plan will have a \$3.0 million deficit in 2008 and an \$8.1 million deficit in 2009, we must make some changes to keep the Plan viable for the future. A number of items were taken into consideration by the Board of Trustees in making these decisions, including an expected medical cost trend increase of 10% to 11% per year and an increasing cost subsidy by active membership for retiree coverage.

As has always been the case, active members continue to subsidize retirees. In 2008, it is projected that actives will subsidize retirees by \$67.82 per month for a total subsidy of almost \$3.7 million. By 2009, the active subsidy is projected to be \$90.92 per month for a total of almost \$5 million. In recent years, active members have seen their contribution rate increase from 15% to a minimum of 18%. In addition, active members must now work a minimum of four months in the six-month work period in order to be eligible for benefits without making a self-payment. Also note that our ratio of actives to retired and terminated vested members is down to 1.2 to 1.0. As this ratio decreases, each active member must subsidize an increasingly larger portion. Considering that many of our early retirees have higher incomes than our average active member, we simply can not continue to place this load on our active membership.

As approved at the Board of Trustees meeting of January 16, 2008, please be advised of the following Plan amendments, all of which will become effective for the benefit period starting October 1, 2008.

- The monthly self-payments amounts for early retirees will be:

	<u>current</u>	<u>10/1/08</u>	<u>10/1/09</u>	<u>10/1/10</u>
retiree only	\$ 500	\$ 550	\$ 605	\$ 670
other than retiree	\$1,000	\$1,100	\$1,210	\$1,340

For early retirees who have their self-payment deducted from their pension check, please note that the increased amount will be deducted starting with your April 1, 2008 check.

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- The monthly self-payment amounts for senior or disabled retirees where the retiree has elected Freedom Blue will be:

	<u>current</u>	<u>10/1/08</u>	<u>10/1/09</u>	<u>10/1/10</u>
retiree only	\$ 150	\$ 165	\$ 182	\$ 200
other than retiree	\$ 300	\$ 330	\$ 364	\$ 400

For senior or disabled retirees who have their self-payment deducted from their pension check, please note that this increased amount will be deducted starting with your April 1, 2008 check.

- The monthly self-payment amounts for senior or disabled retirees where the retiree has not enrolled in Freedom Blue will be:

	<u>current</u>	<u>10/1/08</u>	<u>10/1/09</u>	<u>10/1/10</u>
retiree only	\$ 166	\$ 183	\$ 201	\$ 221
other than retiree	\$ 332	\$ 366	\$ 402	\$ 442

For senior or disabled retirees who have their self-payment deducted from their pension check, please note that this increased amount will be deducted starting with your April 1, 2008 check.

- For participants retiring on or after October 1, 2008, the Plan's recent participation requirement will be strengthened such that only retirees who have been eligible in 9 years out of the 10 years prior to retirement will be eligible to participate as a retiree.

The Trustees have made an effort to schedule the expected increases for the next three years. In this manner, those of you contemplating retirement may be able to plan better for that event. It is the Board's intent to continue to make annual increases on a consistent basis rather than skipping a number of years and then announcing a substantial increase. The Board does, however, reserve the right to change the rate at any time, should it be financially prudent or necessary to keep the plan solvent.

The Board of Trustees struggled with these decisions as there is no doubt that these changes will create hardship for our members, and some more than others. But it is truly believed that tough decisions such as these must be made if we are going to keep our plan viable in the future. Please do not hesitate to call our office should you have any questions on these changes.

Sincerely,



Jim Klein
Administrator

JK/lh