

**IBEW**



**LOCAL UNION 1245**

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## **2011-12 General Negotiations – IBEW Tentative Agreement** **Summary of Benefits and Summary of Cash Balance Pension Plan**

### **SUMMARY OF BENEFITS**

Why change our medical plans?

Company proposed to increase co-pay of monthly premiums from 7.5% to 15% with all new employees required to be in a high deductible health care plan

Cost of monthly premiums continue to rise at an 8% to 10% annual rate

**Most companies just try to pass the cost to employees in the form of higher co-pays:**

<b>SDG&amp;E</b>	<b>90% / 10%</b> for low-cost HMO;	<b>80% / 20%</b> for all other plans
<b>SCE</b>	<b>85% / 15%</b> for employee coverage;	<b>80% / 20%</b> for dependent coverage
<b>SoCalGas</b>	<b>85% / 15%</b> for low-cost HMO;	<b>80% / 20%</b> for point-of-service plan

### **IBEW & PG&E COMMITTEE AGREED TO TRY A DIFFERENT APPROACH**

- No medical plan design changes in 2013 for Kaiser and Anthem Blue Cross
- Created a single medical plan design with a health reimbursement account (HRA) for employee and dependents
- 9-year commitment to continue HRA dollar amounts and 9-year commitment to not increase amounts of deductible, out-of-pocket maximum and percentage of co-insurance

WHY?

- 1) Currently we have 7 different plans with 4 different administrators
- 2) Simplify enrollment and communication
- 3) Eliminate redundant administrative cost
- 4) Strengthen PG&E purchasing power
- 5) Provide more effective collaboration with only 2 vendors starting in 2013

## MEDICAL PLAN

- Monthly medical premium co-pay will remain at 7.5% for 2013 & 2014
- 2013 monthly medical premium cost for employees will not go up in 2014. The company will pay any cost increases if rates go up in 2014. (Employee will pay 7.5% for monthly medical premiums based on the 2013 rate, not the 2014 rate.)
- If medical premium rates go down the employee monthly premium cost will go down
- HSA medical plan going away in 2014, all accrued funds remain intact
- Current Tax Advantage Accounts (Health Care Reimbursement Account & Dependent Care Reimbursement Account) will remain available
- Blue Shield HMO and Health Net HMO are going away in 2013
- Anthem Blue Cross and Kaiser will ensure 97% access to physicians that currently enrolled employees and dependents use
- No changes to retiree medical plan designs

## FREE PREVENTATIVE HEALTH CARE

- All enrolled employees and dependents are each eligible for 4 free visits to primary provider each year. Additional visits will be 10% co-insurance with no deductible.
- Preventative medication and routine lab work covering a variety of chronic conditions (see Medication and Routine Lab Work attachment).
- Union and company recognize that items on the list may evolve and agree to discuss updates at the joint quarterly benefits meetings.

## MEDICAL PLAN DESIGN CHANGES

- Same basic plan design between Anthem and Kaiser
- Change from copayments to 10%/20% coinsurance with HRA account to assist in paying for services
- Incentivizes and involves employees in their decisions of their health care and will help influence the providers as to the quality and cost of medical services
- Annual maximum deductible: \$1000/person; \$2000/family (effective max deductible is \$0 with all company HRA automatic deposits and incentive amounts)
- Annual maximum out-of-pocket: \$2400/person; \$4800/family (effective max out-of-pocket single \$1,400, family \$2,800)

## HEALTH CARE REIMBURSEMENT ACCOUNT (HRA)

These accounts consist of “notional” money, which means the money is guaranteed for the employee’s use as specified in the agreement, but it is controlled by PG&E and does not become part of the employee’s estate.

- 1) Company contributions are intended to offset medical cost for services that are not identified as free services through 2020
- 2) HRA funds may be used for any IRS 213 (d) qualified medical, dental or vision care expenses in 2014
- 3) Part time and regular status intermittent employees enrolled under the medical plans will not have their deductibles, maximum annual out-of pocket or HRA allowances pro-rated
- 4) HRA contributions will consist of a combination of annual contributions made by the Company on January 1 of each calendar year and health screening incentives for employees to earn additional money in their account
- 5) HRA funds will continue to be available for retirees who are eligible for the PG&E retiree medical plan to use for medical expenses prior to Medicare and for medical expenses and premiums when Medicare Qualified

### PG&E EMPLOYEE HRA ACCOUNT                      SINGLE                      FAMILY

<b>2014</b>	You automatically get:	<u>\$750</u>	<u>\$1,500</u>
	If you take a health screening:	<u>\$250</u>	<u>\$500</u>
	If you test tobacco-free or complete PG&E’s tobacco cessation program:	<u>\$250</u>	<u>\$500</u>
	Yearly Total	<u>\$1250</u>	<u>\$2,500</u>
<b>2015 <u>Through</u> <u>2020</u></b>	You automatically get:	<u>\$500</u>	<u>\$1,000</u>
	If you take a health screening:	<u>\$250</u>	<u>\$500</u>
	If you test tobacco-free or complete PG&E’s tobacco cessation program:	<u>\$250</u>	<u>\$500</u>
	Yearly Total	<u>\$1,000</u>	<u>\$2,000</u>
<b>TOTAL ALL YEARS</b>		<b>\$7,250</b>	<b>\$14,500</b>

## How do I get more money in my HRA account for health screening and tobacco testing?

- Only employee can take the screenings
- If you volunteer to take the health screening which includes measurement of Body Mass Index, Blood Pressure, and a finger prick blood test for cholesterol and glucose levels you will receive additional funds in your account according to the table above. Regardless of the test results you will receive these funds.
- If you volunteer to take the tobacco screening and pass, you will receive additional funds in your account according to the table above. If you test positive for tobacco or choose not to take the test, but complete the free PG&E tobacco cessation program you will receive additional funds according to the table above.
- Individual results are provided only to the enrolled employee and are kept completely confidential. No individual results will be shared with PG&E. Results collected in aggregate form by a third party data warehouse will be shared only with a joint Union and Company committee.
- Health screening will be available for employees to participate in many ways, including on-site at many PG&E work locations, through the employee's primary care provider or visiting a network of contracted labs
- Provide a voluntary "one stop shop" for wellness programs, clinical support and benefits advocacy

## SUMMARY OF DENTAL, VISION, RETIREE, LTD & HEARING AID BENEFITS

**Dental Plan:** Dental implants will now be covered under major care of the Dental Plan (Effective Date 1/1/2014)

**Vision Care:** Replace the VSP Signature Plan network with the VSP Choice Plan (Effective Date 1/1/2014)

**LTD Plan:** 5% increase for LTD employees prior to 1/1/2000 & 2.5% increase of LTD employees prior to 12/31/06 (Effective 1/1/2013)

**Retirees:** Retirees who retired before 1987 and their surviving beneficiaries will receive a 5% pension adjustment effective March 1, 2012.

**Hearing Aids:** 80% coverage for hearing aids with 1 per ear every three year frequency limit (For both active and retired employees) (Effective Date 1/1/2014)

## SUMMARY OF LIFE INSURANCE CHANGES EFFECTIVE 1/1/2014

Changes in employee supplemental life rates adjusted based on age of employee. (Currently \$0.37 per thousand dollars of coverage for all employees)

Employee Supplemental Life Rates per \$1,000 of covered benefit			
Age	Current and 2013	2014 Rates	
< 25	\$0.370	\$0.115	
25 – 29	\$0.370	\$0.135	
30 – 34	\$0.370	\$0.155	
35 – 39	\$0.370	\$0.165	
40 – 44	\$0.370	\$0.195	
45 – 49	\$0.370	\$0.295	
50 – 54	\$0.370	\$0.370	
55 – 59	\$0.370	\$0.370	
60 – 64	\$0.370	\$0.410	
65 – 69	\$0.370	\$0.410	
70 +	\$0.370	\$0.410	

- The company would continue to offer each employee basic life insurance of \$10,000 at no cost
- Adding dependent life insurance as an option
- The company will now offer each employee basic accidental death and dismemberment insurance of \$10,000 at no cost
- Adding voluntary accidental death and dismemberment
- Elimination of 1.5X coverage level option. (Employee can go down to 1X or up to 2X without completing Evidence of Insurability Form)
- Employees may purchase up to 6X of their annual salary of supplemental life insurance and voluntary accidental death and dismemberment

## SUMMARY OF CASH BALANCE PENSION PLAN

### Major Changes to Cash Balance Pension Plan

- Commitment from the Company to never propose to convert current employees to this Pension Plan
- Increase the Plan's annual contribution from 5-9% to 5-10%

### Background On Cash Balance Pension Plans

Companies who have converted to cash balance plans:

- 1998: San Diego Gas and Electric
- 1999: Southern California Edison
- 2010: NV Energy

Driving factors:

- Pension regulations
- Volatility in stock market
- Regulatory/public pressure

### Cash Balance Plan Design

Annual contribution of negotiated percentage of wage  
+  
Negotiated interest  
+  
Increased 401(k)  
=

Fixed amount at retirement with choice of:

- Lump sum pay out
- Convert to a lifetime annuity

## PG&E Plan Design for New Hires After 2013

5-10% of Straight Time Pay (See [Plan Formulas](#) below)

+

30-year Treasury bond rate interest

+

401(k) 75% up to 8%  
Automatic enrollment with opt-out

=

Lump sum or convert to a lifetime annuity

<b>Pension Plan Formula</b>	<ul style="list-style-type: none"> <li>Monthly paid pension based on pay and service at retirement</li> </ul>	<ul style="list-style-type: none"> <li>Cash balance account of accumulated annual pay credits plus interest</li> </ul>
	<ul style="list-style-type: none"> <li>1.5% final pay X service up to 25 years, plus</li> <li>1.6% final pay x 25+ years of service</li> </ul>	Annual Pay Credits based on Age and Service: <ul style="list-style-type: none"> <li>Less than 40 points 5.00%</li> <li>40-49 points 6.00%</li> <li>50-59 points 7.00%</li> <li>60-69 points 8.00%</li> <li>70 or more points 9.00%</li> <li><b>80 or more points 10.00%</b></li> </ul> Annual interest based on 30-Year Treasury rates
	<ul style="list-style-type: none"> <li>5-year vesting</li> </ul>	<ul style="list-style-type: none"> <li>3-year vesting</li> </ul>
	<ul style="list-style-type: none"> <li>Not portable if you leave PG&amp;E before retirement; pension payments can begin at age 55 or later</li> </ul>	<ul style="list-style-type: none"> <li>Portable—you can take your benefit with you if you leave PG&amp;E before retirement</li> </ul>
	<ul style="list-style-type: none"> <li>Early retirement benefit reductions may apply</li> </ul>	<ul style="list-style-type: none"> <li>Full account balance payable when you retire or leave PG&amp;E—regardless of age</li> </ul>
	<ul style="list-style-type: none"> <li>Monthly annuity for life</li> </ul>	<ul style="list-style-type: none"> <li>Choice of monthly annuity for life or lump-sum distribution</li> </ul>
<b>401(k) Match</b>	<ul style="list-style-type: none"> <li>\$0.60 per \$1 up to 3% of pay for 1-3 years of service</li> <li>\$0.60 per \$1 up to 6% of pay for 3+ years of service</li> </ul>	<ul style="list-style-type: none"> <li>\$0.75 per \$1 up to 8% of pay after completing 1 year of service</li> </ul>

## **Issues for Consideration**

- Value to employee of lump sum option
- Regulatory pressure on pension costs
- RSP is a greater component, so greater risk is transferred to employee
- Two-tier / two platforms
- No changes to current program of pension and 401(k) Retirement Savings Plan (RSP) for current employees
- New retirement program for new employees hired January 1, 2013, or later
- Higher 401(k) company matching contribution
- Automatic enrollment in 401(k) at the full company match level
- Current employees can opt in to the new program, effective 2014
- Detailed, personalized information will be available in 2013 to help employees decide which program to choose

**For more information, please go to: [www.ibew1245.com](http://www.ibew1245.com)**