



Alaska Electrical Trust Funds

PENSION FUND – HEALTH AND WELFARE FUND – LEGAL FUND
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February 23, 2007

To: All Active Plan 500 Participants

Re: Alaska Electrical Health & Welfare Fund
 Plan Changes Effective March 1, 2007

Skyrocketing health care costs continue to be a significant issue in both Alaska, and throughout the United States. Our Plan has not been immune to this issue. During 2006 the claims expenditures increased by more than 25% and revenue retained by eliminating flex plans has not been sufficient to offset the increase in claims expense. After review of the Plan's most recent financial experience, the Board of Trustees determined at it's last meeting that plan benefits need to be modified and contribution rates need to be increased for the first time since March 2005.

These steps are taken to align the cost of benefits being provided to you and your families with the income to the Fund. The Trustees are constantly evaluating alternatives for providing these valuable benefits in the most efficient manner. With this in mind, the Board determined it is prudent to make additional plan modifications now, so that our plans remain viable for the future.

Changes Effective March 1, 2007

- **Reimbursement Percentage Reduced and Medical Plan Deductible and Out-of-Pocket (OOP) Maximums Increased.** The Plan's reimbursement percentage has been reduced by 5% and the annual deductible and Out-of-Pocket Maximums have been increased. Additionally, the formula for determining the maximum out-of-pocket has been modified to now include two steps. The new deductibles, reimbursement percentages and maximum out-of-pocket amounts are shown below:

	Plan 500
Annual Deductible	
Per Person	\$500
Per Family	\$1,500
Reimbursement Percentage	
Preferred Provider (PPO)	80%
Non-PPO	60%
When out-of-pocket (OOP) reaches amount indicated, reimbursement percentage increases to:	
90%	\$2,500 Person/\$5,000 Family
100%	\$5,000 Person/\$10,000 Family

(over)

- **Modify the Prescription Drug C-opays.** Prescription drug costs continue to be the most rapidly increasing element of health plan costs. Effective March 1, 2007, the prescription benefit will be modified to increase the co-pay for Brand name drugs when no generic is available. Additionally, if you elect a Brand name drug when a generic alternative is available, the Fund will NO longer consider that Brand name prescription as a covered benefit and you will be responsible for the entire cost of the prescription.

The prescription co-pay schedule effective March 1, 2007 is shown below:

	<u>Retail</u>	<u>Mail Order</u>
Generics	\$15	\$30
Brands (No Generic Available)	\$35	\$70
Brands (Generic Available)	Not a covered benefit	
 Out-of-Pocket Maximum	 \$750 per person, \$1,500 per family	

In order to help the Plan control prescription drug costs, we encourage you to use the mail order program for medications you take on a regular basis. The cost of the medication is lower and you can obtain up to a 90 day supply (3 times the maximum supply purchased retail) at only 2 times the co-pay, so you save money, too.

The Trustees will continue seeking alternatives to manage the cost of the benefits while striving to provide the greatest benefit to Participants and beneficiaries. Shortly you will receive a survey from the Fund regarding your Health and Welfare benefits. We encourage you to take the time to respond to this inquiry as your feedback will assist the Trustees in managing the Fund.

If you have any questions about your benefits, please contact our office. Thank you.

Sincerely,



Gregory R. Stokes
Administrator