

BENEFIT UPDATES EFFECTIVE JANUARY 1, 2009



CEO'S CORNER

Health Plan's Long-Term Outlook

Recently, the Benefits Committee of the Board of Trustees met to examine the current state of the Health Plan and plot a course of action designed to help ensure its long-term financial stability.

In the next decade, the demographic shift spurred by the retiring of the baby boomer generation is expected to have an adverse effect on our Health Plan. Specifically, at our current rate, Certified Retiree enrollment is

expected to double by 2015. Around that same time, it is projected that, with no Plan changes or increased contributions, depletion of Health Plan reserves will threaten the future financial stability of the Health Plan.

In light of the challenges facing the Plan and the current economic conditions, the Board of Trustees, led by the guidance of the Benefits Committee, has decided to make

some immediate Plan adjustments, including nominal increases in certain Health Plan premiums and deductibles, a change in the method used to calculate the reimbursement rate for non-network doctors and a change in the earnings thresholds for Retiree Carryover credits (the details of the changes begin on page 3).

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Spotlight on Benefits

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DGA-PRODUCER PENSION & HEALTH

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The Pension and Health Plans were created as a result of the Directors Guild of America's collective bargaining agreements with producer associations representing the motion picture, television and commercial production industries.

The DGA-Producer Pension and Health Plans are separate entities from the DGA and are administered by a Board of Trustees made up of DGA representatives and Producers' representatives.

CEO's Corner

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The goal of these changes is to begin to address the challenges facing the Health Plan through careful planning and strategic benefits adjustments while still maintaining the high quality benefit standards that Health Plan participants have always enjoyed.

Though all of these changes effect the Health Plan, as I stated in the previous issue of *Spotlight on Benefits*, the Pension Plans remain strong and are well-positioned to continue meeting the needs of current and future retirees.

In addition to these changes, there are other ways that every participant can help to ensure the financial stability of the Health Plan in the years to come.

Remember that the Health Plan is funded in large part by employer contributions based on your covered salaries. By monitoring your contributions to be certain that they have been paid on your behalf, you not only ensure that you receive the coverage you have earned, but you help the Health Plan as well.

In addition, as you have no doubt read before in this newsletter and in other Health Plan communications, by using network providers whenever possible you save money yourself and help the Health Plan keep costs down. Visit the Plans' website at www.dgaplans.org or call the Participant Services Department at (323) 866-2200, Extension 401 or toll-free outside the Los Angeles area at (877) 866-2200, Extension 401 for more information on finding in-network providers.

With your continued support, and through the continued prudent and careful guidance of the Benefits Committee, we believe we will be prepared for the future while continuing to provide the best plan possible for you and your dependents.

As always, if you have any questions regarding these changes, or any questions regarding your Health Plan benefits, do not hesitate to contact our offices.

Mack Clapp
CEO

Health Plan Updates Effective January 1, 2009

In order to help ensure the long-term financial stability of the Health Plan, the Board of Trustees has approved the following benefit changes:

Dependent Premium

The dependent premium for active participants has been increased to \$720 annually or \$360 semiannually, effective January 1, 2009. This single premium covers all eligible dependents, and represents a \$120 annual increase over the previous dependent premium (\$60 increase semiannually), which has not been increased since 2003. Participants not already enrolled have the option of paying premiums by either automatic bank debit or credit card payments. To set up automatic payments or to enroll a dependent, please contact the Health Plan Department or download the Dependent Enrollment Form available on the Documents and Forms page of the Plans' website, www.dgaplans.org.

Health Plan Annual Deductibles

The Health Plan's annual deductible has been increased to \$325 per individual per calendar year and \$975 per family per calendar year, effective January 1, 2009. This represents a \$25 per individual and \$75 per family increase over the previous deductibles, which have not increased since 2003. The deductible is the amount you pay annually before

the Health Plan pays for covered expenses.

Non-Network Reasonable and Customary Percentile

Effective January 1, 2009, the non-network reasonable and customary percentile has been reduced to pay at the 80th percentile. Previously, the non-network reasonable and customary percentile paid at the 90th percentile.

The non-network reasonable and customary percentile is used to calculate the charge that will be considered before the Health Plan applies the applicable non-network co-insurance to a claim. In other words, when a claim is submitted, the Health Plan will calculate the reasonable and customary cost of a medical procedure or service in a given geographical area. When calculating this cost, the Health Plan will now use a cost that is equal to or less than what 80% of physicians would charge for the same procedure or service. Previously, the Health Plan used a cost that was equal to or less than what 90% of physicians would charge. After the reasonable and customary cost is calculated, the Health Plan will then apply the applicable co-insurance to the claim.

For example: If you visit a non-network doctor and the Health Plan determines a reasonable and customary charge at the 90th percentile is \$100, the Health Plan will pay \$70 (70%) for DGA Premier Choice Plan participants and \$60 (60%) for

DGA Choice Plan participants. If, however, the reasonable and customary charge at the 80th percentile is \$90, the Health Plan will pay \$63 (70%) for DGA Premier Choice Plan participants and \$54 (60%) for DGA Choice Plan participants.

This change only applies to non-network providers. Network providers will continue to be paid at the Blue Cross contracted rate. Remember, using network providers saves participants money and helps the Health Plan keep costs down.

Retiree Carry-Over (RCO) Earnings Threshold and Monthly Premiums

The RCO earnings threshold, which is the earnings level required to earn an RCO credit during an earnings period, has been increased to:

- ❖ \$350,000 effective retroactively to earnings periods beginning on or after January 1, 2008, and
- ❖ \$375,000 effective for earnings periods beginning on or after January 1, 2009.

The previous RCO earnings threshold of \$300,000 had not been increased since 2003. After you retire, RCO credits may be used to extend your coverage for a small monthly premium after you have exhausted your earned coverage. One RCO credit provides coverage for one 12-month benefit period.

January 1, 2009

In addition, for participants with RCO coverage who are not also Certified Retirees, and their spouses, the monthly premium has increased as follows effective January 1, 2009:

- ❖ The RCO monthly premium for participants under 65 has been increased to \$240. This represents an increase of \$30 from the previous rate.
- ❖ The RCO monthly premium for spouses under 65 has been increased to \$260. This represents an increase of \$50 from the previous rate.
- ❖ The RCO monthly premium

for participants over 65 has been increased to \$85. This represents an increase of \$11.50 from the previous rate.

- ❖ The RCO monthly premium for spouses over 65 has been increased to \$90. This represents an increase of \$16.50 from the previous rate.

The RCO premium for participants and spouses continuously on RCO coverage prior to January 1, 2005 did not increase.

Although all of the retiree

premiums increased, the Board of Trustees also added a separate, slightly higher premium for spouses of RCO only coverage, while spouses of Certified Retirees remain at the same rate as participants.

Questions

If you have any questions regarding any of these benefit changes, please contact the Health Plan's Participant Services Department at (323) 866-2200, Extension 401 or toll-free outside the Los Angeles area at (877) 866-2200, Extension 401.

Recap of Health Plan Changes

| Benefit | New Rate | Effective Date |
|--|--|--|
| Dependent Premium | \$720 annually or \$360 semiannually | January 1, 2009 |
| Annual Deductible | \$325 per individual/\$975 per family | January 1, 2009 |
| Out-of-Network Reasonable and Customary Percentile | 80th Percentile | January 1, 2009 |
| RCO Earnings Threshold | \$350,000 \$375,000 | Earnings periods beginning January 1, 2008 (retroactive) Earnings periods beginning January 1, 2009 |
| RCO Premium for participants that are not qualified for Certified Retiree coverage | \$240/month for participants under 65 \$260/month for spouses under 65 \$85/month for participants over 65 \$90/month for spouses over 65 | January 1, 2009 |

Pension and Health Plan Amendments to Plan Documents

The Board of Trustees recently reviewed Plan Documents and approved amendments that clarify appeals policies and limitations on legal action, the ability to collect overpayments, Trustee discretion and participant obligations in the case of audits. Plan Documents include Trust Agreements, Health and Pension Summary Plan Descriptions, and the Basic and Supplemental Plan documents.

The following is a summary of these amendments. The actual amendments will be mailed out to participants in the next month.

Appeals and Limitations on Legal Action

- ❖ Claimants must exhaust the Plans' internal claims procedure if they assert a violation of a right or benefit under Plan Documents;
- ❖ Legal action cannot be brought against the Plans or Trustees absent compliance with all claims procedures; and
- ❖ Legal actions must be brought within one year of the Plans' notification of final adverse action affecting the participant.

Overpayments

- ❖ The Health Plan may recover overpayments; and
- ❖ The Health Plan will impose joint and several liability for overpayments made by the Health Plan.

Trustee Discretion

The amendments further clarify Employee Retirement Income Security Act's (ERISA) discretionary authority provided to Trustees, regarding fact findings, interpretation of Plan provisions, and determining conflicting claims, including who is entitled to benefits under the Plan Document.

Audits

The amendments clarify the obligations of participants to cooperate with audits conducted by the Plans.

If you have any questions regarding these changes, please contact the Participant Services Department at (323) 866-2200, Extension 401 or toll-free outside the Los Angeles area at (877) 866-2200, Extension 401.

PENSION PLAN UPDATE

Board Amends Basic Plan's Optional Form of Benefit Conversion Factors

The Board of Trustees approved an amendment to the Basic Plan effective January 1, 2009, which amends the Basic Plan's optional form of benefit conversion factors to use a 7% assumed interest rate and the 2008 PPA Optional Combined Unisex Mortality Table. The conversion factors and mortality table are used to convert the benefit amount from the Single Life Annuity to another form of annuity such as the 50% Husband and Wife Pension.

If you have any questions regarding the conversion factor change, please contact the Pension Department at (323) 866-2200, Extension 404 or toll-free outside the Los Angeles area at (877) 866-2200, Extension 404.

MOVING?

Contact our Change of
Address Department at:

(323) 866-2200, Ext. 306

(877) 866-2200, Ext. 306

or visit our website to
download a Change of
Address form at
www.dgaplans.org

**Remember that the Plans
and the DGA are separate
entities. Address
changes filed with the
DGA are not automati-
cally filed with the
Pension and Health Plans.**