

2017 Annual Update

This is an annual update that provides financial information about the Trust as of December 2017. The Trust is required to provide you with updated financial information annually.

This document does not involve any changes to your health care benefits. You do not need to take any action in response to this letter.

Dear UAW Trust Member:

We are writing on behalf of the Committee which oversees the administration of the UAW Retiree Medical Benefits Trust (the “Trust”). The Trust provides health care benefits for UAW retirees of General Motors, Ford and Chrysler. In the following pages, we describe the updates to the Trust’s financial position during the 2017 calendar year.

We are proud of the progress we have made since the Trust launched in 2010. We have achieved excellent investment returns on behalf of retirees in a well-managed and diversified investment portfolio. We have successfully managed benefit costs, allowing us to stretch every dollar to provide our retirees with coverage in the most cost-effective way possible. We have been able to add important new benefits for our members, including expanding office visit coverage and introducing specialist coverage for our non-Medicare retirees effective January 2019. And, we were also very pleased to announce earlier this year that member cost share will remain unchanged for all plans for 2019.

Immunizations, screenings, and routine physicals are also essential to good health. Taking these simple steps can help you live a healthier life. If you haven’t already done so, please take a minute to make sure you are current with all your recommended screenings and other preventive procedures.

You can learn more about the Trust by visiting our website at www.uawtrust.org, by attending retiree meetings in your area, or by calling the UAW Trust Eligibility Center – Retiree Health Care Connect (RHCC) at 866-637-7555 – if you have any questions about your health care benefits.

We wish you good health.

Robert H. Naftaly
Committee Chair

Gary Jones
UAW President & Committee Member

Mission, Vision and Values

The mission of the Trust is to provide every member with health benefits and the opportunity to achieve their best quality of life.

The Trust exists to serve our members. Our mission is 100% retiree-focused and seeks to meet the unique needs of our membership.

The Trust is an advocate for programs that support retiree health and health care.

We are committed to the long-term viability of the Trust.

About the Trust

Since January 1, 2010, the UAW Retiree Medical Benefits Trust has provided the medical coverage for UAW retirees of GM, Ford and Chrysler. The Trust is separate from the auto companies and the UAW. The Trust is governed by an 11-person Committee, with six independent members and five members appointed by the UAW. **During 2017, the Trust provided benefits for more than 700,000 people. Of these, more than 105,000 are from Chrysler.**

During 2017, the Trust paid out more than \$4.2 billion to provide benefits, including medical and prescription drugs, to its members. It filled more than 17 million prescription drug claims.

Last year, because of the high satisfaction with Medicare Advantage (MA) plans, the Trust successfully expanded the availability of MA plans nationwide and made the MA plan the base plan for Medicare members. The MA plan provides Medicare-eligible members with greater value with lower out-of-pocket costs while preserving coverage levels and access to doctors and hospitals. We have tracked retiree experience with these new MA plans, and 96 percent of members enrolled in these plans report being *more satisfied* with their medical coverage than those enrolled in the Traditional Care Network (TCN) product with Medicare. For those retirees who wished to stay with the TCN plan through Blue Cross Blue Shield, we retained that option in every location as well.

The Trust call center, Retiree Health Care Connect, handled nearly 400,000 calls, helping retirees get answers to their questions about health care claims.

Annual Cost of Benefits

How much money did the Trust spend during 2017?

In total, the Trust spent over \$4.2 billion in 2017. Of that, more than \$646 million was for Chrysler retirees. This covers \$569 million of direct payments to hospitals and doctors, as well as prescription drug and other direct patient care costs.

In addition to direct health care costs, the Trust must spend money to administer the medical plan itself, including the cost of reviewing and paying millions of individual medical and prescription drug claims, and the cost to maintain an eligibility system to keep track of our members. We regularly add new programs to help retirees. We continue to strengthen our case management and pharmacy programs to help our members who have complex chronic conditions. We also pay outside investment managers to make sure we invest the Trust's assets wisely. The total cost of all these administrative, operational and program costs was \$78 million for the Chrysler retirees in 2017.

Funds Available in the Trust

What assets are in the Trust?

The value of the Trust's net assets at the end of 2017 was approximately \$61.3 billion. The Chrysler portion of those assets was \$11.7 billion.

During 2017, the Trust continued to experience good financial results. Investment markets in 2017 were strong, as detailed later in this document. In addition, the Trust's on-going efforts to control costs by delivering benefits more efficiently – along with our retirees continuing to engage in prudent purchasing of health benefits – kept our liabilities under control.

The financial news for the Trust continues to be positive. But we must always remember that the future is uncertain. Events completely out of our control can occur and have a negative impact on the Trust's financial situation. Declines in the investment markets, spikes in health care inflation, or negative changes in federal Medicare programs can all have an adverse impact on the Trust. The Trust must prepare for an uncertain future as best we can, by continuing to operate efficiently, investing wisely, and encouraging our retirees to take advantage of our programs to improve their health.

Trust Investments

The assets in the Chrysler portion of the Trust are invested in a diversified portfolio of stocks, bonds and other investments. The Trust and its Investment Sub-Committee, internal investment staff, and outside investment professionals regularly review investment policies, results and practices to make sure that our investments are aligned with the Trust's long-term goals.

How did the Trust investments perform during 2017?

Investment markets were strong in 2017. The investments in the Chrysler account returned roughly 14.1% for the calendar year.

Since 2010, the investments in the Chrysler account have earned an annual rate of return of 5.2%, not including the return on Chrysler-related holdings.

Current Retiree Needs and Long-Term Solvency

How does the Trust balance the needs of current retirees and the need to maintain long-term financial stability for future retirees?

The Trust is always working to balance two goals:

- Medical benefits are vital to the economic security of every family, particularly retirees who must live on a fixed income. The UAW fought for retiree medical benefits at the bargaining table for decades. The Trust is now the entity that provides these vital benefits. **The Trust works hard to provide the best possible benefits to current retirees who need those benefits today.**
- The money in the Trust must also be used carefully. We need to protect the long-term financial health of the Trust. In addition to the 700,000 retirees already receiving benefits from the Trust, there are 79,000 active workers who will be eligible for Trust benefits upon their retirement. Both these groups will have medical needs for many years. **A key part of our job is to make sure there is still money in the Trust to provide these benefits for many decades to come.**

We have **improved benefits and expanded coverage** in many ways. In fact, over the years, we've added coverage for dental, vision and hearing benefits for Chrysler retirees. We have added coverage for primary care office visits, urgent care centers, immunizations, and a variety of educational and other programs to help our members with chronic conditions such as diabetes. We expanded Medicare Advantage programs in all 50 states to give our Medicare-eligible retirees greater choice of coverage options while preserving coverage levels and access to doctors and hospitals.

We also work hard to **hold down retiree costs** to make benefits affordable as possible without compromising coverage or benefit levels. **We are pleased that we were able to avoid any retiree cost increases for 2018 and we announced no cost increases for 2019.**

Finally, we understand that we must **save money whenever possible**, in order to help protect the long-term future of the Trust. Every dollar we save is a dollar we can use to pay for medical benefits. We are proud of our cost-saving efforts.

We also recognize that when it comes to your health care, it's not just about saving money. It's also about spending wisely. Your engagement can help protect the Trust's financial health and ensure that you and your fellow UAW retirees receive good medical benefits for many years into the future. That's why we work so hard to encourage you to take advantage of the Trust's office visit, immunization, screening, and other preventive benefits. Thousands of our retirees have taken advantage of our new vaccine and immunization benefits. Many of those retirees would have become seriously ill if they had not taken that simple step. By making good choices about your medical care, you can help yourself, your family, and your fellow retirees.

Note: Most of the figures in this communication relate to the calendar year 2017, the last year for which audited figures are available. The performance for 2018 will be communicated in a letter next fall. Even though 2018 has not ended, and audited figures are not available for any part of 2018, there have not been any events as of October 2018 that would have a significant negative impact on the financial health of the Trust.

SUMMARY ANNUAL REPORT

FOR UAW CHRYSLER RETIREES MEDICAL BENEFITS PLAN

This is a summary of the annual report of the UAW Chrysler Retirees Medical Benefits Plan, EIN 90-0424876, Plan No. 503, for period January 1, 2017, through December 31, 2017. The annual report has been filed with the Employee Benefits Security Administration, U.S. Department of Labor, as required under the Employee Retirement Income Security Act of 1974 (ERISA).

Insurance Information

The plan has contracts with Aetna Life Insurance Co., Blue Care Network of Michigan, Blue Cross Blue Shield of Michigan, Coventry Health Care of Missouri, Health Alliance Plan, Healthpartners, Humana Benefit Plan of Illinois, Inc., Humana Health Insurance Company of Florida, Inc., Humana Insurance Company, Kaiser Foundation Health Plan Inc. - California, Kaiser Foundation Health Plan of Colorado, Kaiser Foundation Health Plan of Georgia, Kaiser Foundation Health Plan of Mid-Atlantic States, Inc., Kaiser Foundation Health Plan of The Northwest and UnitedHealthcare Insurance Company to pay certain health, prescription drug, HMO and PPO claims incurred under the terms of the plan. The total premiums paid for the plan year ended December 31, 2017, were \$ 64,490,468.

Because they are so-called "experience-rated" contracts, the premium costs are affected by, among other things, the number and size of claims. Of the total insurance premiums paid for the plan year ended December 31, 2017, the premiums paid under such "experience-rated" contracts were \$4,863,375 and the total of all benefit claims paid under these contracts during the plan year was \$48,120,190.

Basic Financial Statement

The value of plan assets, after subtracting liabilities of the plan, was \$11,683,616,949 as of December 31, 2017, compared to \$10,693,910,837 as of January 1, 2017. During the plan year, the plan experienced an increase in its net assets of \$989,706,112. This increase includes unrealized appreciation and depreciation in the value of plan assets; that is, the difference between the value of the plan's assets at the end of the year and the value of the assets at the beginning of the year or the cost of assets acquired during the year. During the plan year, the plan had total income of \$1,636,389,595, including participant contributions of \$15,665,553, other contributions of \$91,397,036, realized gains of \$95,361,476 from the sale of assets, earnings from investments of \$1,410,044,446, and other income of \$23,921,084.

Plan expenses were \$646,683,483. These expenses included \$77,901,608 in administrative expenses, and \$568,781,875 in benefits paid to participants and beneficiaries.

Your Rights To Additional Information

You have the right to receive a copy of the full annual report, or any part thereof, on request. The items listed below are included in that report:

- An accountant's report;
- Financial information;
- Information on payments to service providers;
- Assets held for investment;
- Transactions in excess of 5% of the plan assets;
- Insurance information, including sales commissions paid by insurance carriers; and
- Information regarding any common or collective trusts, pooled separate accounts, master trusts or 103-12 investment entities in which the plan participates.

To obtain a copy of the full annual report or any part thereof, submit your check for \$25.00 payable to "UAW Retiree Medical Benefit Trust" and mail to UAW Retiree Medical Benefits Trust Chrysler SAR, P.O. Box 14309, Detroit, MI 48214. If you have any questions, call Retiree Health Care Connect at 866-637-7555.

You also have the right to receive from the plan administrator, on request and at no charge, a statement of the assets and liabilities of the plan and accompanying notes, or a statement of income and expenses of the plan and accompanying notes, or both. If you request a copy of the full annual report from the plan administrator, these two statements and accompanying notes will be included as part of that report. The charge to cover copying costs given above does not include a charge for the copying of these portions of the report because these portions are furnished without charge.

You also have the legally protected right to examine the annual report at the main office of the plan (The Committee of the UAW Retiree Medical Benefits Trust, 200 Walker Street, Detroit, MI 48207) and at the U.S. Department of Labor in Washington, D.C., or to obtain a copy from the U.S. Department of Labor upon payment of copying costs. Requests to the Department should be addressed to: Public Disclosure Room, Room N1513, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210.

