

FIRST AMENDMENT

TO THE

PEDERNALES ELECTRIC COOPERATIVE, INC.  
INSURANCE CONTINUATION PROGRAM

(As Amended and Restated Effective January 1, 2013)

Pursuant to Section 4.01 of the Pedernales Electric Cooperative, Inc. Insurance Continuation Program (the "Program") document, Pedernales Electric Cooperative, Inc. (the "Cooperative") has the right, in its role as the Program Sponsor (as defined in the Program), to amend or terminate the Program at any time.

WHEREAS, the Board of Directors of the Cooperative (the "Board") now desires to amend the Program through this First Amendment to the Program (the "First Amendment") effective August 1, 2018, to change the mechanism through which coverage is provided to any retiree or dependents of such retiree who is eligible, or will become eligible, for benefits through the Federal Medicare Insurance Program ("Medicare"), and to make certain related changes; and

FURTHERMORE, the Board does not intend that this First Amendment will extend or expand eligibility for benefits to any retiree or dependent of such retiree who was not already eligible for benefits under the terms of the Program prior to the date of this First Amendment. The Board also does not intend to guarantee access to any insurance coverage or insurance coverage product.

NOW, THEREFORE, the Plan is hereby amended as follows, effective as of August 1, 2018:

1. Article 2 of the Plan is hereby amended by inserting the following new Sections 2.08 and 2.09 at the end thereof:

"Section 2.08 – Eligibility Changes Beginning August 1, 2018.

Notwithstanding anything to the contrary herein, effective August 1, 2018, any retiree or eligible dependent of a retiree who is (or becomes) eligible to receive health coverage under the Federal Medicare Insurance Program and who has previously been provided access to coverage under Section 3.02(d) or 3.02(e) of the Program, or any retiree or dependent who would not otherwise receive subsidized coverage under the terms of the Program, shall not be considered an eligible Participant in the Program.

Effective August 1, 2018, no person who is not already a Participant in this Program will become eligible to become a Participant in the Program, including without limitation any retiree or

eligible dependent of a retiree who might have otherwise become eligible to receive coverage under Section 3.02(d) or 3.02(e) of the Program.

Section 2.09 – Assistance Provided to Ineligible Individuals.

Any actions by or on behalf of the Program Sponsor, undertaken by officers, employees, or agents of the Program Sponsor, to assist any employee, retiree, or dependent of an employee or retiree who is not a Participant in this Program to obtain access to health insurance shall not be considered a Program benefit and any such assistance is not intended to impact an individual's eligibility status for this Program.”

2. Article 3 of the Plan is hereby amended by inserting the following new Section 3.05 at the end thereof:

“Section 3.05 - Program Benefit Coverage Changes Beginning August 1, 2018.

Notwithstanding anything to the contrary herein, effective August 1, 2018, any coverage provided under the Program will comply with the following rules:

(a) Medicare Primary Coverage Exclusion - No Participant in the Program, whether an eligible retiree or dependent, who is (or becomes) eligible for health coverage under the Federal Medicare Insurance Program will be eligible to receive Program benefits through the Program Sponsor's group health insurance program offered to eligible active employees.

(b) Medicare Supplement Plans - Each Participant in the Program, whether an eligible retiree or dependent, who ceases to receive Program benefits through the Program Sponsor's group health insurance program offered to eligible active employees as a result of Section 3.05(a) will be provided access to the following basic Medicare supplement plans, to the extent that such coverage is reasonably available. The Program Sponsor will fund the cost of the following basic supplemental plans that it intends to offer to each eligible retiree and each eligible dependent, as applicable:

- Medicare Supplement Part F Coverage
- Medicare Part D – Rx Coverage

(c) Additional Medicare Supplements – A retiree or dependent that is eligible to participate in the Program may be offered the opportunity to acquire additional or enhanced Medicare supplemental coverage by paying the difference in cost between the additional or enhanced coverage that such Participant has selected and the cost that would be funded by the Program Sponsor under Section 3.05(b).

(d) Disability Retirees -- A retiree that is eligible for this Program who is covered under the Federal Medicare Insurance Program as a result of that retiree's disability shall be provided access to a Medicare Supplement Plan A which shall be selected and funded by the Program Sponsor. This Medicare Supplement Plan A coverage shall be maintained until such time that the retiree becomes eligible for traditional Medicare coverage based on having attained age 65, subject to the other provisions of the Program. At that time the retiree and the retiree's dependents will be eligible to receive coverage in accordance with the terms that apply to other Participants who are eligible for health coverage under the Federal Medicare Insurance Program under this Section 3.05.

(e) Dependent Coverage – Changes made to the Program as a result of the addition of this Section 3.05 are not intended to change an otherwise eligible dependent’s ability to receive Program coverage through the Program Sponsor’s group health insurance program offered to active eligible employees, until such time that such dependent becomes eligible for coverage under the Federal Medicare Insurance Program.”

IN ALL RESPECTS NOT AMENDED HEREIN, the Program will remain in full force and effect.

IN WITNESS WHEREOF, Pedernales Electric Cooperative, Inc. has caused the First Amendment to the Pedernales Electric Cooperative, Inc. Insurance Continuation Program to be executed by its duly authorized officers on this 16<sup>th</sup> day of April, 2018.

PEDERNALES ELECTRIC COOPERATIVE, INC.

By: Emilyn Patekin  
Title: Board President