

Final Bargaining Report CWA-Verizon Common Issues August 2008

With this tentative agreement, CWA has reached its key goals for 2008 negotiations with Verizon. The new three-year agreement will guarantee annual wage increases, continue to provide health security for retirees as well as active employees, protect existing work and add new work and new members to coverage under the contract.

Term of Contract

The three-year contract is effective August 3, 2008 and expires August 6, 2011.

Job Security

The Union was successful in securing provisions of the contract that protect employment levels. The current agreement continues to assure that for three years, Verizon will not change the terms of the Job Security Letter for employees hired before August 3, 2003 or transfer work beyond negotiated limits.

The agreement creates some 2,500 permanent, quality union jobs including

- Bringing Verizon Business techs under contract
- Making nearly all temporary and term employees permanent
- Adding about Video Head End Technicians to the bargaining unit
- Adding to the bargaining unit customer service jobs now done by contractors

Scope of Work

In CWA District 2, a 30 month transition agreement has been negotiated which will move FIOS work from VCSI technicians to core technicians.

Movement of Work

Existing agreements that limit the Company's ability to transfer work will remain in place. The company cannot transfer any more than 0.7% of existing jobs to other areas.

Jobs Discussions Three Times Each Year

A committee of CWA's District Vice Presidents for the Verizon East region, elected bargaining committee members and IBEW representatives will meet with an equal number of decision-making managers, three times each year during this agreement to discuss the competitiveness of the industry, the future of union jobs, work flexibility, cost structure, productivity and growth. The discussions will include the Company's use of outsourcing.

Wages and Other Compensation

Guaranteed Annual Wage Increases

In August of each year of the contract, 2008 through 2010, base wages will be increased:

Effective	8/3/2008	3.25 %
Effective	8/2/2009	3.5 %
Effective	8/1/2010	3.75 %

These increases will total 10.87% on a compounded basis, over the three year agreement.

Cost of Living Adjustment

A cost of living adjustment, effective August 1, 2010, will be made to base wage rates. The adjustment is follows:

The change in CPI during the period May 2009 through May 2010, minus 3.75%, divided by two. Example: Change in CPI equals 4.25% over the one-year period. $4.25\% - 3.75\% = 0.5\%$ divided by 2 = 0.25% additional increase in wages.

Corporate Profit-Sharing

The Corporate Profit Sharing plan (CPS) is continued. There is no change in the formula. The minimum distribution amounts continues at \$700 per year, paid in March of each year.

Pension

Pension Band Increases

Between October 1, 2008 and August 6, 2011 pension bands will increase 10.87% on a compounded basis. Annual pension band increases are as follows:

- 10/1/08: 3.25% pension band increase
- 10/1/09: 3.5% pension band increase
- 10/1/10: 3.75% pension band increase

Lump Sum Cash-Out

The Lump Sum Cash-out option is maintained for the term of the agreement. No changes were made to the language under which the amount is calculated. The lump sum will continue to be calculated according to all three options, depending on which produces the largest amount: the GATT formula included in the Pension Plan on 8/2/03; the PBGC formula included in the Pension Plan on 8/2/03; and the formula using corporate bond rates under the Pension Protection Act of 2006 (or any other legally mandated interest rate and mortality table that might subsequently be enacted into the IRS Code) for the purpose of determining pension lump sum amounts.

Language is continued providing for a joint labor-management committee to be established to review and recommend alternative interest rate factors to be used

in the event the 30-year Treasury Bond ceases to be published during the contract term.

Language offering beneficiaries options in the event that an employee or retiree dies before making an election about the form of pension payment is also continued.

Savings and Security Plan

The Company agreed to add a Roth option to the Savings and Security (401K) plan. This will allow employees to invest post-tax dollars in their savings plan accounts and later withdraw those assets and the investment returns they have generated without paying taxes on those returns.

Voluntary Termination Bonus

During the term of the contract, employees who leave voluntarily pursuant to any Income Security Plan (ISP) or Enhanced ISP offering are eligible for a lump sum payment of \$10,000. This payment is in addition to any ISP amount for which the employee is eligible. In addition, medical coverage for these employees will be extended for six months of medical coverage if they are not otherwise eligible for coverage.

Health Plan Changes for Active Employees

Health Care Premiums

There will be NO employee health care premiums.

Prescription Drugs – Mid Atlantic

A new Medco pharmacy network will be introduced in the Mid Atlantic Region, effective January 1, 2009 which will offer deeper discounts than available under the current network. The network includes 56,000 pharmacies in the Verizon East region.

	Current	2009-2011	Difference
Retail 30 days			
Generic	15% to \$25 max	15% to \$25 max	\$0
Single Source Brand	20% to \$40 max	20% to \$45 max	\$5 at max
Multi Source Brand	30% to \$50 max	30% to \$55 max	\$5 at max
Dispense as Written	20% to \$40 max	30% to \$55 max	\$15 at max
Mail Order 90 days			
Generic	\$8	\$8	\$0
Single Source Brand	\$12	\$17	\$5
Multi Source Brand	\$20	\$25	\$5
Dispense as Written	\$12	\$25	\$13

Plan Changes – Mid Atlantic

MEP/PPO Plans: 2% coinsurance for the following out-of-network services: in-hospital physician visits, inpatient pre-natal maternity care, inpatient newborn baby care, inpatient surgery, outpatient surgery, anesthesia.

MCN/MEP/PPO Plans: Emergency room visits: \$25 co-pay, waived if admitted, urgent care visits: \$15 co-pay, in or out of network

MCN Only: Eliminate referral requirement for specialists

HMO: Office visit co-pays for Primary care or Specialist visits will be no more than \$15

Prescription Drugs – New York/New England

	Current	2009-2011	Difference
Retail 30 days			
Generic	15% to \$25 max	15% to \$20 max	\$0
Single Source Brand	20% to \$40 max	25% to \$40 max	\$5 at max
Multi Source Brand	30% to \$50 max	35% to \$50 max	\$5 at max
Dispense as Written	20% to \$40 max	35% to \$50 max	\$10 at max
Mail Order 90 days			
Generic	\$8 or DNP	\$8 or DNP	\$0
Single Source Brand	\$12 or DNP	2009 \$15 or DNP	\$3
		2010 \$20 or DNP	\$8
		2011 \$25 or DNP	\$13
Multi Source Brand	\$20 or DNP	2009 \$20 or DNP	\$0
		2010 \$25 or DNP	\$5
		2011 \$30 or DNP	\$10
Dispense as Written	\$20 or DNP	2009 \$20 or DNP	\$0
		2010 \$25 or DNP	\$5
		2011 \$30 or DNP	\$10

Plan Changes – New York/New England

HCN:

Emergency room visits: \$15 co-pay or \$5 for an Individual eligible for Medicare, waived if admitted

Eliminate requirement for referrals to specialists in the Aetna, and in other networks if possible without additional cost to the Company

As of January 1, 2009, the MEP-Indemnity Plan and the MEP-PPO will be eliminated as plan options.

Health Care PPO

As of January 1, 2009, a new Health Care PPO program will be implemented which will have the same provisions as the current actively managed PPO program.

2% coinsurance will be required for the following out-of-network services: in-hospital physician visits, inpatient pre- and post-natal maternity care, inpatient newborn baby care, second surgical opinions, inpatient surgery, outpatient surgery, anesthesia and ambulance services.

Out of pocket expense maximums for prescription drugs shall be \$350 for 2009 and 2010; and \$400 for 2011.

Co-pays for emergency room and urgent care visits will be excluded from the Health Care PPO out of pocket expense maximum.

Dental Plan

No changes were made to the Dental Plan

Health Plan Changes for Retirees

Retiree Health Benefits

Retirees are subject to the same benefit provisions as negotiated for actives.

For the first time in a Verizon contract, the company has agreed that, in the future, it will negotiate with the union over the design of health plans for retirees in the same manner as it does for active employees.

No Contributions for Health Care for Current Retirees

Company had sought premium contributions from retirees. Instead, the contract assures that the company will pay 100% of the cost of coverage for retirees through 2011.

The Company also sought contributions for employees that retire during the term of this agreement. The Company will pay 100% of the cost of coverage for these new retirees through 2011.

Company Retiree Health Care Contributions

Caps on company contributions toward retiree health benefits were lifted by nearly 50%, as shown in the table below. But in no event will any retiree be required to pay premiums during the term of the three-year agreement.

Coverage Category	Pre-Medicare (Under 65)	Medicare Eligible (65 and older)
Retiree	\$ 12,580	\$ 6,330
Retiree +1	\$ 25,160	\$12,660
Retiree and Family	\$ 31,450	\$18,990

New Retiree Health Plan for Employees Hired after 8/2/2008

New hires under this agreement will continue to receive a benefit for health care in retirement when they become retirees. Once they retire, however, rather than receiving coverage under a company sponsored plan, they will receive an annual payment with which they may purchase health care benefits from the Company or elsewhere.

For this contract period, such a retiree will receive \$430 for each of the next three years. This amount will be negotiated in future contracts, if it did not change, however, a new hired employee in 2009, retiring in 2039 would receive annual payments of \$430 times 30 years or \$12,900 once he or she retires.

The parties have agreed that we will negotiate over this amount in future years, to reflect changes in health care cost trends and other relevant circumstances.

Retiree Life Insurance

Company paid retiree life insurance will be frozen at one-times the wage level attained on 8/2/2008. This change will not affect life insurance for active employees or supplemental insurance purchased by active employees or retirees.

The minimum level of retiree life insurance will be \$20,000 which will not be reduced once the retiree reaches age 65. The retiree life insurance benefit for newly hired employees after 8/2/2008 will also be \$20,000, without reduction after age 65.

Supplemental Life Insurance

As soon as changes can be put into place, all employees will be allowed to purchase up life insurance equal to as much as five times their salary. This level of benefit has not previously been available to all employees.

Joint Commitment to Health Care Reform

Verizon has agreed with CWA and the IBEW to join together to work for National Health Care Reform. The parties have agreed to a statement of principles including:

- Cover Everyone
- Control Costs
- Shared Responsibility
- Improve Quality

The Company will contribute \$2 million per year to this effort to support research and educational efforts. The Company and the Unions expect to work together and with other companies and unions in coalitions to promote reform.