Final Bargaining Report

Verizon NYNE – Summary of Tentative Agreement
September 20, 2012

After negotiating for over one year, CWA, IBEW and Verizon have finally reached a tentative agreement on the terms and conditions of employment for 45,000 bargaining unit members at Verizon. The final contract reflects the difficult battles by the unions to fend off the massive assault by Verizon management to cut benefits, freeze wages, eliminate pensions, and weaken worker protections that have been the hallmark of the union contract at Verizon and its predecessors. A major victory of this prolonged fight is the return to work of all disciplined and terminated strikers. Here are highlights of the agreement:

Duration of Contract:

The terms of the contract will become effective no later than 30 days after the date of the MOU and will remain in effect until August 1, 2015.

1. Wages and Other Compensation

The combined 3-year wage increase will result in a compounded 8.2% base wage increase by the end of the contract. A ratification bonus of $800 in the first year and yearly corporate profit sharing payments of at least $700 will add to wage gains. This is a remarkable achievement at a time when employers are aggressively seeking to roll back union-negotiated wages. Workers at Caterpillar had their wages frozen and workers at Consolidated Edison won similar annual wage increases to those in this contract, but had to suffer through a 26-day lock out by the employer.

a. **General Wage Increase**. The increases listed below are applied to all steps in the basic wage schedules on the date indicated:
   - 2012, First Sunday after Ratification – 2.25%
   - 2013, August 4 - 2.75%
   - 2014, August 3 – 3.00%
   - Compounded increase: 8.2%

b. **Ratification Bonus.**
   - $800, payable within 30 days of ratification.

c. **Corporate Profit Sharing**
   - The company will award corporate profit sharing distributions in each year of the contract, with the minimum distribution of $700 each year.
   - The payment due in 2012 for the 2011 performance year has already been paid.

2. Preserving Job Security and Growing Jobs

The agreement preserves job protections won in past contracts and even provides for more jobs, despite management's original intent to strip all protections from the contract.

a. More Call Center Jobs

- Verizon will hire 300 new full-time call center employees during the term of contract: 125 into Sales and Service Centers and 175 into Fiber Customer Support Analyst position in the Fiber Solution Centers (FSCs) and Enhanced Verizon Resolution Centers (EVRC). Initial hiring will be proportional to current number of employees in each category of center in each state.

b. Certain Plant Jobs

- Verizon New York will bring in certain underground cable placing work, which is currently performed by contractors in upstate New York, to be performed by Field Technicians.

c. New Contracting Initiative Restored

- The Contracting Initiatives Committee, charged with identifying ways to reduce contracting out, is continued.

d. Job Security Provisions Protected

- All existing job security provisions, including no involuntary layoff, forced transfer, and downgrade, were maintained.
- All other employees are covered by other provisions of the contract regarding layoffs, transfers etc.

e. Force Adjustment Plan (FAP)

- The force adjustment plan was preserved with the following modifications:
- The company may declare up to two surplus conditions per year in each unit area and title.
- Employees in the surplus title and service area will be given the opportunity to fill vacancies in jobs in any bargaining unit with the same or lower basic weekly wage rate.
- If there is still a surplus after the vacancy transfers, employees will be given the opportunity to leave service and receive Income Protection payments.
- If this does not relieve the surplus, the company shall offer IPP -volunteers will be accepted in order of NCSD up to the # needed to eliminate the surplus. NO FURTHER STEPS of the FAP Shall be implemented for the Unit Area surplus except by expanding the declared surplus by Unit Area to employees in that title in the entire FAA, which includes the Unit Area and then follow the steps of the FAP with Step 1.

f. Next Step Program

- The Next Step Program will be terminated as of May 31, 2016.
- Employees who complete the program before termination and attain the Telecommunications Technical Associate title will retain that title and its associated wage and benefits.
- Employees already enrolled for the Fall 2012 semester who have not yet completed degree requirements will be able to continue to take courses. They must complete their coursework by May 31, 2016.

3. Changes to MEP, HCN and Other Medical Plans

A major goal for Verizon management was to totally change the medical plans that we have built over decades of bargaining. The company wanted new plans patterned after high deductible health plans. We prevented the major overhaul the company sought, instead modifying existing medical plans and holding off changes in the dental and vision plans. Even with the changes, we retain one of the best medical plans in the country. And with the health reimbursement account payment, wage increases and other negotiated compensation, we will be better off financially at the end of the contract than we are today.

a. **Premiums.** The tentative agreement includes monthly premium contributions for all medical plans (HCN, MEP, EPO and HMOs). Contributions will begin in November 2012, and will increase each January 1, paid for in pre-tax dollars, as follows:

	MEP & HCN		**EPO, HMOs and Other Plans (contributions will be not greater than the following)**	
	Employee	**Employee + Family**	**Employee**	**Employee + Family**
2012	$30.00	$60.00	$30.00	$60.00
2013	$45.00	$90.00	$67.50	$135.00
2014	$50.00	$100.00	$75.00	$150.00
2015	$55.00	$110.00	$82.50	$165.00

- If an employee or covered dependent uses tobacco products, the rates above will be increased by $50 per month. The additional cost can be avoided by participating in a smoking cessation program or other standard determined by the company.
- An employee who does not complete a health risk assessment will have a $100 increase to their yearly premium, pro-rated on a pay period basis (approximately $8.33 per month).

b. A New Health Care Reimbursement Account.

- Effective January 1, 2013, employees eligible for the medical plan will have Health Reimbursement Accounts (HRA) with $850 contributed by the company.
- The account is intended to reimburse out of pocket medical expenses for the employee or dependents.
- The account cannot be used to reimburse for monthly contributions. The HRA is

available only for employees hired before January 1, 2013.

- Balances in the account will roll over year after year until the balance is zero.
- An employee who retires may continue to access the HRA. Termination for any other reason will terminate the account. Claims made after termination will not be eligible for reimbursement and there will be a 3-month run off period to seek reimbursement for claims made prior to termination.
- After the death of an employee, any balance is available for 3 months to reimburse claims made by the employee and dependents before the death. If the surviving dependents choose to continue coverage under COBRA, the HRA shall be continued.

c. **Deductibles and Out of Pocket Maximums.** Changes were made to the deductibles and out of pocket maximums of the plans, as follows:

Plan Design	**MEP**		**HCN**	
	Combined In and Out Network	Additional Out Network	Combined In and Out Network	Additional Out Network
Annual Deductible: MEP deductible applies to OOPM; HCN deductible does not apply to OOPM.				
Individual	2013: $400 2014: $450 2015: $475	2013: $250 2014: $250 2015: $250	None	2013: $700 2014: $700 2015: $725
Family	2013: $1,000 2014: $1,125 2015: $1,187.50	2013: $625 2014: $625 2015: $625	None	2013: $1,750 2014: $1,750 2015: $1,812.50
Out Of Pocket Maximum (OOPM)				
Individual	2013: $1,050 2014: $1,100 2015: $1,150	2013: $950 2014: $900 2015: $900	2013: $1,000 2014: $1,000 2015: $1,050	2013: $800 2014: $800 2015: $800
Family	2013: $2,625 2014: $2,750 2015: $2,875	2013: $2,375 2014: $2,250 2015: $2,250	2013: $2,500 2014: $2,500 2015: $2,625	2013: $2,000 2014: $2,000 2015: $2,000

d. **Medical Expense Plan (MEP) Selected Benefits.** Elements of the MEP plan have been changed. Below are some of the changes on an in-network basis. For a more detailed explanation, see the side by side comparison of current plan and TA'd plan

- Doctor's Office Visits: $20 copay.
- X-rays and Lab Tests: $20 copay.
- Urgent Care: $20 copay.
- Hospital Room & Board: 90% covered after deductible.
- Inpatient Surgery: 90% covered after deductible.
- Inpatient Mental Health: 90% covered after deductible.
- Emergency Room Care: $75 copay, waived if admitted.
- Chiropractor Limits: 60 visits per year.
- Out of Network: $92 maximum.

e. Health Care Network (HCN) Selected Benefits. Elements of the HCN plan have been changed. Below are some of the changes on an in-network basis. For a more detailed explanation, see the side by side comparison of current plan and TA'd plan.

- Doctor's office visits: $20 copay.
- X-rays and lab tests: $20 copay.
- Hospital Room & Board: 90% covered.
- Inpatient Surgery: 90% covered.
- Inpatient Mental Health: 90% covered.
- Emergency Room: $75 copay, waived if admitted.
- Specialist co-pays: $25

f. Plan Carrier and Related Plan Provisions.

- Anthem Blue Cross and Blue Shield will be the carrier for both the HCN plan and the MEP plan.
- If there is no network provider for a specified service within a 40 mile radius of the employees home, the service will be covered at in-network levels, regardless of the provider's affiliation.
- Payments based on Reasonable and Customary Charges (R&C) will be changed to payments based on Maximum Allowed Amount (MAA). MAA is equal to 315% of the national Medicare fee schedule for the specified service.

g. EPO Option.

- No new employees may enroll in the EPO.
- Those employees currently enrolled may remain enrolled. However, if the employee should change coverage from the EPO to another plan, the EPO will no longer be an option for that employee and dependents.
- Coinsurance and deductibles and hospital admission copays currently applicable will not change.
- Copays may change, but will not be greater than $20 for an office visit to a PCP, not greater than $25 for a specialist office visit, and not greater than $75 for an emergency room visit.

h. HMO Options.

- Coinsurance and deductibles and hospital admission copays currently applicable will not change.
- Copays may change, but not greater than $20 for an office visit to a PCP, not greater than $25 for a specialist office visit, and not greater than $75 for an emergency room visit.

i. **Prescription Drug Program**

- Terms of the prescription drug program have been modified as follows:

	Deductible	Generic Copay	Single Source and Multi-Source Copay	Brand w/ Generic Alternative Copay
In-Network* (30 day supply)	None	100% of Discounted Network Price (DNP), max of $8 ($9 in 2015)	30% of DNP, max of $25 (beginning in 2016, the max copay increases by 6% each year)	100% of DNP with a max of $8 ($9 in 2015), plus 100% of cost difference between generic and brand
Out-of-Network* (30 day)	$50	30% of DNP, plus 100% of the cost difference between retail and DNP	40% of DNP, plus 100% of the cost difference between retail and DNP	30% of DNP, plus 100% of the difference between retail and DNP
Mail Order (90 day)	None	100% of DNP, max of $16 ($18 in 2015)	30% of DNP, max of $50 (max increases 6% annually after 2015)	100% of DNP, max of $16 ($18 in 2015), plus 100% of difference between generic and brand
*After 3 fills of a prescription from a pharmacy (In or Out-of-Network), employee pays 50% of DNP with no max dollar copay as an incentive to use the Mail Order program				

- There will be a $600 Out-of-Pocket Maximum for Mail Order drugs in 2013, $700 in 2014, and $742 in 2015. Charges incurred due to the difference between a brand name drug and a generic alternative will not count towards the maximum.
- An incentive program to promote use of generic medications is introduced. If a brand drug is purchased when a generic is available, the copay is 20% of discounted network price (DNP) plus 100% of the cost difference between the brand-name and generic drugs. There is no maximum copay. An exception may be granted if the treating physician certifies that the patient is medically unable to take the generic.
- An incentive program to promote the use of mail order prescriptions is introduced. After 3 fills at retail (the initial prescription plus two refills), the mail order program must be used for subsequent refills of long-term medications. Otherwise, continued fills at retail will be at the rate of 50% of DNP and maximum dollar amounts do not apply.
- To promote use of in-network pharmacies, an out-of-network disincentive is introduced. Individuals who have their prescriptions filled at a pharmacy that is not part of the network will have to pay a deductible, plus higher DNP rates as shown in the chart above, plus 100% of the cost difference between the retail cost and the DNP.
- Over the counter medications are no longer covered by the plan unless required by law.

j. Dependent Eligibility

- No new Class II Dependent or Sponsored Child may be enrolled in or added to coverage in the medical plan or the dental plan.
- Those currently enrolled may stay enrolled as long as they remain eligible.

k. "Default" Plan Rules

- If a new hire fails to make an election for medical plan coverage, he or she will be defaulted into the MEP PPO option at employee-only coverage tier.
- If an HMO is terminated, and an HMO enrollee fails to make an election into another plan, he or she will be defaulted into the MEP/PPO at the coverage tier the employee had elected in the HMO.

l. Voluntary Programs to Improve Quality and Contain Costs

- Employees will have the opportunity to voluntarily participate in programs aimed at reducing health care costs: inpatient care advocacy, readmissions management, risk management program for those with chronic or complex conditions, behavioral health support, and maternity support.
- Employees diagnosed or determined to be at high risk for the following chronic conditions can participate in a program that provides guidance on proper treatment of the condition at no cost: asthma, cancer, COPD, congestive heart failure, coronary artery disease, depression, diabetes, low back pain, musculoskeletal conditions and vascular at risk.

4. Retiree Health Benefits

a. Retirees with a Net Credited Service Date on or after August 8, 2008.

- Annual benefit for retirees with a Net Credit Service Date on or after August 3, 2008 is increased from $430 to $480 for each year of Net Credited Service (up to 30 years).

b. Contributions for Retirees with Net Credited Service pre-August 3, 2008 and who retired <u>prior to January 1, 2013</u>

- NO monthly contributions for HCN or MEP coverage during the term of the agreement.
- Those who enroll in EPO or HMO must pay the rates set forth in the next section for post-January 1, 2013 retirees.

c. Contributions for retirees with Net Credited Service pre-August 3, 2008 and who retire after January 1, 2013.

- These retirees will pay monthly contributions as set forth in the charts below for 2013 and 2014.
- Beginning January 1, 2015 and each January 1 thereafter, monthly contributions are increased by 6%.
- The following chart lists monthly contributions for 2013, 2014 and 2015 for retirees in this category who are younger than age 65 and not yet eligible for Medicare:

Pre-Medicare	HCN & MEP PPO			EPO, HMOs and Other Plans (contributions will not be greater than the following)		
	Retiree	Retiree +1	Retiree + Family	Retiree	Retiree +1	Retiree + Family
2013	$35	$60	$60	$67.50	$105	$135
2014	$35	$60	$60	$75	$115	$150
2015	$37.10	$63.60	$63.60	$82.50	$125	$165

- The following chart lists contributions for 2013, 2014 and 2015 for retirees in this group who are age 65 and older and eligible for Medicare:

Medicare Eligible	HCN & MEP PPO			EPO, HMOs and Other Plans (contributions will not be greater than the following)		
	Retiree	Retiree +1	Retiree + Family	Retiree	Retiree +1	Retiree + Family
2013	$17.50	$30	$30	$33.75	$52.50	$67.50
2014	$17.50	$30	$30	$37.50	$57.50	$75.00
2015	$18.55	$31.80	$31.80	$41.25	$62.50	$82.50

d. Plan Design Changes

All changes made to the active health care plan will also apply for the health care benefits of retirees who retired after December 31, 1991. With the following exceptions:

1. Deductible

- Retirees who retire before January 1, 2013 will not be subject to the new deductible levels negotiated for active employees. Their deductible levels will remain the same.

2. Prescription Drugs

- Medicare eligible retirees and their dependents will participate in the Verizon sponsored Medicare Part D plan, which deviates from the active plan detailed above in the following ways:

- These retirees will be eligible for three 30-day supplies of covered medication per retail visit, instead of one.
- These retirees will not be required to pay the difference between the cost of a brand name drug and its generic equivalent.
- Copays for multi-source brand name drugs will be:

Medicare Part D Prescription Drug Plan	In-Network Retail	Out-of-Network Retail	Mail Order
Multi Source	40% of DNP, max of $30	50% of DNP	40% of DNP, max of $60

3. EPO Enrollment

- No new Retirees may enroll in the EPO Option. Retirees that are currently enrolled in the EPO Option, as well as actives who retire while enrolled in the EPO Option, may continue coverage.

4. HMO Option

- Retirees and their dependents may only enroll in an HMO option if they were covered by that HMO as an active at the time of their retirement and remain continuously covered by that HMO.
- Medicare eligible retirees enrolled in HMOs will not be subject to copay limitations outlined above.

e. Company Funding of Retiree Health Insurance

- Caps on company contributions to retiree health insurance will not apply over the life of the contract.
- The company may use VEBA assets to fund life insurance, medical, and dental claims for retirees.

5. Pensions and Retirement Security

At the onset of bargaining, management demanded to freeze the pension plan, to eliminate the lump sum option, and to shift everyone into the 401(K) plan as the sole retirement income vehicle. Our strong fight to protect our pension was successful in preserving the pension for current employees.

a. Pension Plan Protected

- The pension will retain the lump sum cash out provisions of the previous bargaining agreement.
- Pension bands are unchanged from the previous bargaining agreement.
- Employees hired on or after October 28, 2012 will be ineligible for the pension plan.

b. Savings and Security Plan (401(k) Plan) Improved for New Hires

- For all employees hired on or after October 28, 2012, the matching contributions to the plan will increase to 100% match up to 6% of pay for plan years 2012-2015.
- For plan years 2012-2015, the company may provide an additional Discretionary Contribution of 0-3% of pay for all employees hired on or after October 28, 2012. The actual contribution amount will be set at the same percentage as the performance-related contribution for wireline management employees.

c. Long Term Care Insurance Preserved

- The company will continue to make available the current employee-paid long term care insurance plan, as long as the provider continues to offer the existing level of coverage.
- If the provider ceases to offer the benefits, the company may seek an alternative provider to offer similarly priced benefits.

6. Provisions for Call Center Workers

From the start, the Company demanded major changes in work rules that would affect call center workers. At the end of the day, we were able to hold onto important protections that assure good working conditions in the centers, and to make some innovative agreements to keep and grow jobs in-region.

a. Sharing of Calls among Centers

- Allows call sharing among call centers that perform like-functions subject to the following limitations and job protections.
  - Calls must be routed to available union-represented employees at like-function calls centers in this order: 1) in the same state; 2) in the NYNE region; 3) in the Mid-Atlantic; 4) in the United States; 5) and, only if there are no union-represented available employees, to contractors.
  - Sales and Service Centers (Customer Sales and Service Centers (CSSC), Business Sales and Billing Centers (BSSC), and Mutilingual Sales and Service Centers (MSSC)) shall handle at least 82% of all calls originating in the NYNE footprint. Tech Support Centers (Enhanced Verizon Resolution Center (EVRC) and Fiber Solution Centers (FSC)) shall handle at least 59% in 2013 and 60% in 2014 of all calls originating in the Mid-Atlantic/NYNE footprint. This guarantees a percentage of the work that we didn't have before. If the call volume falls below the designated level over a six-month period, there shall be no-layoffs in that category of center for the next six months. The penalty on the company for not maintaining that percentage is an additional job security provision for the following six months for those who are not covered under the Job Security Letter.
  - Establishes a list of clearly defined cross-functional duties that representatives in Sales and Service Centers and Tech Support Centers shall be required to handle. The Company must give advance notice and may only add two additional duties per year.

- Requires Company-provided training on work time so Customer Service Administrators (CSAs) can prepare to test into and transition to the Fiber Customer Support Analyst position.

b. Work at Home Trial

- Allows work at home trial at two locations, subject to Union agreement to the locations. Collective bargaining agreements shall govern participating employees' wages, benefits, and conditions of employment. Establishes Union/Company oversight of the trial. Trial expires December 31, 2013.

7. Absence and Time Off

a. New Absence Provisions. The absence plan has been revised to reward workers who have few incidental absence days.

- Employees who use four days or fewer of paid incidental absence in a calendar year will receive the following lump sum payment:

Paid Incidental Absence Days Per Year	Lump Sum Payment
Zero Days	5 days' pay
More than Zero Days but less than 2 Days	4 days' pay
At least 2 Days but less than 3 Days	3 days' pay
At least 3 Days but less than 4 Days	2 days' pay
4 Days	1 days' pay

- Effective January 1, 2013, payment for days scheduled but not worked due to an employee's personal illness or off-duty accident will be capped at ten days.
- All existing provision(s) pertaining to unpaid incidental absence, including waiting days, will continue in full force and effect.
- Up to 4 Incidental Days in a Calendar Year shall NOT be charged to the ACP

b. Half-Day Time Off on Christmas Eve

- Employees are granted one-half day off in observance of Christmas Eve, if they work on December 24 as part of the basic work week.

8. Other Benefits

a. Work and Family Committee

- Funding for the WFC will be total $6 million ($1.5 million per year) allocated between CWA and IBEW.

b. Tuition Assistance Plan

- Annual cap of $8,000 for eligible full-time employees; $3,500 for eligible part-time employees.

c. Moving Payday to Friday

- Payday for all Employees will move from Thursday to Friday, effective January 5, 2013.

d. Copies of CBA

- All employees will be provided a copy of the collective bargaining agreement.
- The Union and the Company shall agree on a final version of the collective bargaining agreement that can be submitted to a union printer within 75 days of the ratification of the contract.