



VIA E-MAIL

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R-003

November 7, 2011

To: All Locals Representing Legacy Qwest Employees
All Retiree Chapters Representing Legacy Qwest Retirees

From: Reed Roberts, Assistant to the Vice President
Brenda Roberts, Administrative Director
Jay Boyle, CWA Representative

Subject: 2012 Qwest Retiree Premiums

We first became aware of the doubling and in some cases, tripling of retiree premiums for 2012 healthcare when retirees who had been sent the Medicare eligibility letter had rates printed in the letters. Up to and after this point, CenturyLink maintained that they did not have the premiums set as yet.

As we all recall, the contribution caps were a provision of a Letter of Agreement which came into place as part of the 1989 contract. That understanding drew a line between the pre-1991 retirees (and 1982 ERO's) and those who retired on or after January 1, 1991. Those who retired prior to 1991 as well as those who retired under the Enhanced Retirement Offer (ERO) would retain retiree healthcare but would not be subject to the contribution caps meaning they would never pay a premium for healthcare. Those who retired on January 1, 1991 or after would be responsible for those costs above the caps.

Otherwise, aside from the premiums, the Plans offered to the active employees and retirees are the same, the difference only being the premiums paid.

What the active employees pay is determined in bargaining. What the retirees pay is subject to the contribution caps.

Since 1989, the amount of money above the caps for retiree healthcare had been paid for out of the excess pension plan assets. By law, you can do this as long as the pension plan is above 125% of its liabilities. Under the Nacchio administration, the Pension Plan dropped to about 101% meaning that in 2005, with no excess pension funds, the moneys formerly paid for retiree life insurance was dropped to a flat \$10,000 and the future savings from those funds was used to pay the premiums through the term of the 2005 contract.

In 2008, we ran out of other options and the caps came into place.

For the non-Medicare eligible retirees, an increase in the caps was negotiated raising the employer contributions from \$4,960 to \$6,250 per retiree and another \$6,250 for their spouse. The capped rate of \$2,070 for dependent child(ren) remained the same.

For Medicare eligible retirees, the employer is responsible for the first \$2,570 per retiree and another \$2,570 for their spouse.

Having said that, CenturyLink did give us upfront access to their numbers, data, assumptions and calculations before announcing the 2012 rates, which we understand have doubled and tripled in many cases. Since these rates impact over 37,000 retirees and since we have not been given any cogent explanation as to how this came to be, we have exercised our options under the contract to demand that they open their health care books so that our actuary can see if any of their explanations hold water.

We will keep you posted.
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C: District 7 RMC
Staff