

# Benefits Transition Presentation for CWA Local 1298 –CT AT&T Acquisition

April 8, 2014



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# Introduction

- At closing of Frontier's acquisition of certain AT&T Connecticut operations, approximately 2,300 CWA represented AT&T employees will transition to Frontier.
- Frontier has made benefit transition a top priority.
- Recognizing the importance of benefits to our new employees, Frontier's benefits team has been working on this transition since late 2013 to ensure that it goes as smoothly as possible.
- Frontier is committed to provide a seamless benefit transition and to keep the Union and our new employees informed throughout the transition.
- Frontier has done this before – in 2010, Frontier successfully transitioned multiple medical, dental, vision, life insurance, AD&D, disability, 401(k) and pension plans, covering 10,000 employees (including more than 3,000 CWA members) in 14 states across the US, as part of our acquisition of certain Verizon properties.
- Many of Frontier's current benefit providers were involved in this transition.
- The information contained in this presentation is a summary and is subject to the actual deal terms. Should there be changes in the information presented, the Company will notify the CWA.

# Benefit Providers

- Frontier will use different vendors than AT&T currently uses to provide some benefits; many vendors will remain the same.
- All of the vendors that Frontier uses to provide benefits are large, well established companies that provide nationwide coverage.
- More detail follows.

# HEALTH AND WELFARE BENEFIT PROVIDERS

# Frontier Will Continue to Use AT&T's Current Health & Welfare Vendors After Closing for Many Benefits

Plans	Vendor Current	Vendor Eff 1/1/15
Prescription Drugs	CVS Caremark	TBD
Dental	Cigna	Cigna
Vision	EyeMed	EyeMed
Mental Health/ Substance Abuse	ValueOptions	ValueOptions
Employee Assistant Programs (EAP)	ValueOptions	ValueOptions
Commuter Accounts	WageWorks	WageWorks
Work Life	LifeCare	LifeCare
Voluntary Benefits	Mercer	Mercer
Long Term Care (LTC)	John Hancock	Closed

## What to expect:

- Current plan designs and policies will be replicated.
- Employees will receive new ID Cards for prescription drugs and vision plans.
- Accumulators (deductible, annual maximum, out-of-pocket max, etc.) transfer over.
- Cigna does not issue ID Cards.
- Open Mail Order prescriptions and all other pre-authorizations approvals transfer over.
- Long-Term Care Participants will go on direct bill with John Hancock; John Hancock will notify the participants.

# Health and Welfare Benefits Administrator Transitioning to Empyrean on Day 1

**AT&T**

AonHewitt

**AON**Hewitt



**FRONTIER**

Empyrean Benefits Solutions

 **Empyrean**  
Benefit Solutions

- **Empyrean**

- Founded in 2006.
- Empyrean senior management transitioned to Empyrean from Aon Hewitt and Mercer.
- Administers 116 accounts with 800,000 members.
- Key clients include Frontier, Hanesbrands, Illinois Tool Works, Center Point Energy and Tenneco.
- Empyrean transitioned 9 clients from Aon Hewitt within the last 3 years.

- **What to expect:**

- Employee access to their health and welfare benefits will be via a new website address & phone #.
- Employee will have 24/7 access to the website to find everything they need to know about their Frontier benefits including:
  - Viewing benefits and coverage details
  - Making changes when experiencing a qualified change in employment or family status
  - Reviewing plan information such as Summary Plan Descriptions (SPDs)
  - Accessing online tools to compare the medical, dental and vision plan features available
  - Designating or updating beneficiaries
  - Option to Web Chat with call center representatives who can access benefits information and assist in real time.

# Medical Plans Administrator Transitioning to Anthem Blue Cross/Blue Shield on Day 1

## AT&T

Blue Cross/Blue Shield  
of Illinois (BCBS-IL)



## FRONTIER

Anthem Blue Cross/ Blue Shield  
(Anthem BCBS)



- **Anthem BCBS**
  - Headquartered in North Haven, CT.
  - Founded in 1992.
  - Administers 578 National Accounts; provides nationwide coverage to 6.8M members
  - Key clients include Frontier, Verizon, PepsiCo and IBM.
  - Has been Frontier's medical administrator since 2002.
  - Participated in the 2010 Verizon transition.
- **What to expect**
  - Current plan design and policies will be replicated.
  - Both BCBS-IL and Anthem BCBS utilize the same provider network "BlueCard," eliminating risk of provider disruption for members.
  - Accumulators (deductible, out-of-pocket max, etc.) transfer from BCBS-IL to Anthem BCBS.
  - Open case "Case Management", "Condition Management" and "Pre-certification" approval cases transfer to Anthem.
  - Employees will receive new ID Cards.





# Life and AD&D Insurance Provider

- *This is currently under review and we will keep CWA updated.*
- Frontier received current enrollment data from AT&T on April 3, 2014. Minnesota Life and Zurich have been provided this data and we are awaiting their proposals:
  - If favorable proposals are provided, life insurance will be transitioned to Minnesota Life and AD&D to Zurich; current plan designs and policies will be replicated.
  - Otherwise MetLife will continue to administer the Life and AD&D insurance.

**AT&T**

MetLife Insurance Company



**FRONTIER**

Minnesota Life - Life Insurance  
Zurich American Ins. - AD&D



**MINNESOTA LIFE**     **ZURICH**

## **Minnesota Life Insurance**

Founded in 1880  
Clients nationwide  
Key clients - Frontier, PepsiCo  
Heinz, Wells Fargo, Honeywell  
A+ (superior) rating from AM Best  
\$971 billion of life insurance in force

## **Zurich American Insurance**

Founded in 1912  
Clients nationwide  
Key clients – Frontier, PepsiCo  
Pepsi Bottling, Michelin  
A+ (superior) rating from AM Best  
Frontier's AD&D provider since 2007  
Participated in 2010 Verizon transition

# Flexible Spending Accounts and Health Reimbursement Account Transitioning to Empryean on 1/1/15

AT&T  
ADP



FRONTIER  
Empryean



- **What to expect:**

- Healthcare FSA participants will receive a debit card to pay for eligible healthcare expenses, rather than paying out of pocket.
- As an alternative, participants may upload, fax or mail claims to Empryean for processing.
- Dependent Care FSA and HRA participants to upload, fax or mail claims to Empryean for processing.
- Easy to access website for participants to check their account balance and claims history.
- Detailed information about how to submit claims will be provided to participants prior to January 1, 2015.

# RETIREMENT BENEFIT PROVIDERS

# Pension Plan Administrator Transitioning to Milliman Benefits on Day 1

AT&T  
Fidelity



FRONTIER  
Milliman Benefits



## What makes Milliman different?

- Independent and unbiased
- Long tenured staff
- Flat organization – easy to reach an owner and get an answer
- Flexible with regards to administration and consulting
- Industry wide reputation for successful implementations

## Milliman:

- Offering pension actuarial services for over 60 years.
- Pension administration headquarters is located in NJ, with actuarial offices in New York City and Windsor, CT.
- Employee owned with 2800 employees and 1400 actuaries.
- Provides administrative actuarial services to more than 3,000 retirement plans with \$700 billion in retirement assets covering 1.5M participants.
- Ranked #1 in Best In Class *Plan Sponsor Magazine*.
- Frontier was introduced to Milliman in 2007 through the Commonwealth Telephone (Pennsylvania) acquisition, which involved CWA members.
- Hired by Frontier in 2008 after a rigorous RFP process involving 10 pension administrators.
- Key clients include Frontier, Anheuser-Busch, GAF Materials.
- Partnered with Frontier in the 2010 Verizon transition.
- Milliman just accomplished a seamless pension administration transition from AonHewitt for Frontier, covering 10,000 employees including more than 3,000 CWA members.

# Pension Plan Administrator Transitioning to Milliman Benefits on Day 1 (continued)

## – What to expect:

- Fidelity will transfer employee pension history to Milliman.
- Current pension benefits will be replicated.
- CWA expressed an interest in being involved in this process. Frontier would like to partner with the CWA in comparing sample pension benefits from Fidelity and Milliman to ensure that pension data has been transferred properly.
- Employees will have on-line pension plan access to a robust and easy to use website which gives members the ability to:
  - View benefits
  - Model retirement options
  - Review plan information such as Summary Plan Descriptions.
- Call Center representatives who can access benefits information and assist employees from 8:00AM to 8:00PM Eastern, Monday-Friday.

# Pension Fund Transitioning to the Frontier Pension Fund on Day 1


## AT&T PENSION FUND



## FRONTIER PENSION FUND

- Frontier will provide full credit for eligibility, vesting and accruals earned by AT&T employees in their pension benefit including prior legacy pension benefits.
  - At closing, Frontier will assume 100% responsibility for the pension benefits of transferring employees and will receive assets from the AT&T Pension Plan sufficient to cover 100% of these benefits.
- The Pension Asset Transfer Amount will be an amount equal to the aggregate present value of accrued vested and non-vested benefits under the Pension Plan.
  - After close the AT&T Pension Plan will transfer 90% of the good faith estimate of the Pension Asset Transfer Amount.
  - The remainder of the of the Pension Asset Transfer amount with interest will be transferred as soon as practicable following closing but in no event more than 180 days after closing.

# Pension Fund Transitioning to the Frontier Pension Fund on Day 1 (continued)

- **AT&T PENSION FUND**  **FRONTIER PENSION FUND**
- Frontier's actuaries are required to review and approve the Pension Asset Transfer Amount provided by AT&T actuaries.
- Frontier's actuaries are required to notify AT&T actuaries within 30 days of any disagreement.
  - If there is a dispute in excess of \$1 million between Frontier's actuaries and AT&T's actuaries a third party Independent Actuary will be engaged to resolve the dispute
  - The Independent Actuary will review disputed matter and provide resolution within 30 days.
- Pension transfer is regulated by ERISA.
- Frontier takes its fiduciary duty to steward pension assets very seriously. The Retirement Committee of the Board of Directors meets regularly to review and oversee the status of the pension fund.

# 401(k) Plan Administrator



## 401(k) Transition:

- Frontier currently uses Fidelity to administer its 401(k) program, as does AT&T.
- Frontier has used Fidelity to administer plans since 2009.
- Fidelity and Frontier have partnered together on other acquisitions, including the 2010 Verizon acquisition.
- After closing, the AT&T 401(k) Plans will be merged into the Frontier 401(k) Plan and Fidelity will continue to administer the plans.

## What to Expect:

- Fidelity will transfer employee account balances to the Frontier 401(k) Plan.
- Employee deferrals and loan deductions will transfer from AT&T payroll.
- Investment fund line-up is expected to be finalized in June and then shared with CWA leadership.
- Employee balances, including AT&T stock, upon transfer, will be mapped into new investment fund options.
- Employee contribution will be mapped into new investment fund options.
- Company match will be invested in the same manner as employee contribution.



# 401(k) Plan Administrator (continued)



- Employees will receive the ERISA investment fund mapping notice at least 45 days prior to close. This notice will provide the fund mapping as well as the investment line-up.
- Employees will continue to have on-line 401(k) account access which includes the ability to:
  - Review plan information such as Summary Plan Descriptions (SPDs)
  - View benefits and modeling loan and withdrawal options.
- Fidelity has call center representatives who can access benefits information and assist employees.

# Post Retirement Health and Welfare Benefits

- If a transitioning employee retires after close and before 1/1/15, our current plan is to continue to provide active benefits for medical, dental and vision until 1/1/15.
- Retiree Medical, Retiree Dental and Retiree Vision plans will be set up as of 1/1/15 with the carriers selected for the active employees.
- Retiree Life Insurance will be set up as of close with carrier selected for the active employees. Frontier is reviewing the Retiree Medical Exchanges with a number of carriers.
- The administrator for the Retiree benefits will be based on the outcome of the Retiree Medical Exchange.
- Frontier is researching with AT&T how to process transitioned rehired retirees for their benefits upon re-retirement.

# SHORT AND LONG TERM DISABILITY

# Short & Long Term Disability Plans Administrator Transitioning to Prudential on Day 1

## AT&T

Sedgwick - Core STD/LTD  
Prudential – Supplemental LTD



## FRONTIER

Prudential



### – Prudential:

- Headquartered in Newark, NJ; founded in 1876.
- 5,800 long-term disability and 4,200 short-term disability clients.
- A+ rating (Superior) from AM Best.
- Frontier’s disability administrator since 2007.
- Existing AT&T disability administrator for Supplemental LTD for CWA District 1
- Administers Short Term Disability (“STD”), Long Term Disability (“LTD”), Family Medical Leave Act (“FMLA”) and CT State Leave for all Frontier employees.
- Participated in the 2010 Verizon transition.

### – What to Expect

- Current plan designs and policies will be replicated.
- Employees will be provided process and contact information for reporting STD claims and FMLA claims (as well as changes to existing FMLA claims) that arise after October 1<sup>st</sup>.
- Existing STD/LTD claims at close will continue to be managed by Sedgwick and AT&T.

# FRONTIER'S COMMITMENTS

- Frontier is committed to making the transition to new benefit providers as seamless as possible.
- Frontier will continue to keep both the Union and the CWA represented employees informed regarding the benefit transition through meetings and written communications as we move closer to the close of the deal.
- Should the Union or the CWA represented employees have any questions or concerns we will be happy to address them.

# Questions

