CWA-QWEST CORPORATION FINAL BARGAINING REPORT 2008

Contains details of the new CWA/Qwest Agreement 2008-2011

NOTE:
The vote of the membership of each Local Union **MUST** be reported to the District 7 Office by 5:00 P.M., MDT, September 30, 2008.

August 18, 2008

A Letter from the 2008 CWA Bargaining Committee:

Health Care Benefits

The Committee made it very clear last year that we would probably end up paying more towards healthcare. The objective was to limit how much more we would pay.

Qwest has the 13th largest amount of retiree health obligations among U.S. companies. G.M. had been first but the VEBA with Autoworkers allowed them to shed that liability. AT&T is now first. Verizon was fourth, but they absorbed their liability over the caps as of today and there is no future retiree healthcare. Together, AT&T and Verizon had a combined $71 billion in retiree liabilities in 2006.

Qwest spent $672 million on health care in 2006 to provide health care coverage to 87,600 employees and retirees, not including their dependents:

- **23,100 occupational active employees. Cost $207 million**
- **19,200 post-Jan 1, 1991 occupational retirees. Cost $164 million**
- **25,600 management active employees or retirees: 15,134 actives and 10,466 retirees. Cost $146 million – not our problem. The full retiree "caps" have been in place for all managers who retired after January 1, 1991 since 2006.**

There are 19,700 "pre-1991's and ERO's". The retiree healthcare caps don't "bite", so they don't pay the premiums.

In 2007, actual costs had increased by an additional $203 million (8.8%). We expect that these costs will continue to increase at that rate through 2011, meaning an additional $609 million for a total cost of $1.2 billion over the next 3 years.

In 2005, active employees were required to contribute $300 ($25 per month) annually for employee plus 1 dependent and $400 ($33 per month) annually for family coverage. Retirees were not required to pay.

While the bulk of these increases for active employees will be absorbed by the employer, we did have to absorb some changes as well.

Retiree Healthcare

Again, the issue is the money – our negotiated plan which covers 48% of the pool and are 55% of the cost versus the management healthcare plan (including the existing management retiree caps) which covers 29% of the pool and account for 22% of the costs.

Cost Caps

In 1989, the entities that made up the former Bell System negotiated a cost cap (limit) on the amounts that the employer would pay "as the sum of the costs". Anything beyond that point, would have to be absorbed by the employee. For years, both the employers and CWA and IBEW had postponed implementing these cost caps by transferring excess pension funds to cover actual costs. However, such transfers are only allowed when the assets of the pension plan are over 125%.

During 2005 negotiations, Qwest aggressively pushed for reductions in health care costs. They proposed moving the active employees and the post-91 retirees to the management health care plan, a reduction in retiree life insurance and a demand to implement the "caps" on the portion of retiree healthcare that the company pays for.

Healthcare costs at that time had increased by 12% and were projected to increase by that same percentage in each of the next 3 years, totaling an additional $160 million for active employees and $180 million for retirees.

Keep in mind that under federal labor law, the employer must agree to bargain for the already retired. They cannot be required to do so.

Up to this point, retirees have never been required to pay anything toward their company-sponsored health coverage because the union has negotiated a waiver clause. If there had been no changes made to the plan, the expected contribution for retirees who are not yet eligible for Medicare is predicted to be $3,200 in 2009, rising to $4,500 in 2011. For Medicare eligible retirees, the 2009 cost is expected to be $1,300, rising to $1,900 in 2011.

The cost of booking the liability of the medical costs over the caps to Qwest is $2.6 billion. The cost to the company of raising these caps is $25 million for every $50 increase in the caps. The existing caps were set at $4,960 per year for pre-Medicare retirees and $2,570 per year for Medicare-eligible retirees. Retirees are required to pay the cost of health coverage that exceeds the company contribution cap. Yet we did manage to negotiate a $1300 per year increase in the pre-Medicare caps. While the employer had no obligation to do so, they did state that they would extend this increase in the caps to the post-91 retirees who are not yet Medicare eligible.

Wages

**Follow the money goes both ways. There will, without a doubt, be comparisons to the gains made in the CWA/Verizon agreement. Qwest has 39% of the stock value of Verizon - $9 billion versus $229.7 billion.
Qwest has 11% of the revenue that Verizon has - $13.9 billion versus $120.7 billion.
Qwest has 23% of the profit that Verizon has - $2.9 billion versus $12.6 billion.**

Qwest's access lines fell 28% from 18 million in 2001 to 13 million in 2007. Qwest employment fell by 29,000 over this period. Qwest's total revenue fell by more than $500 million from 2003 to 2007. Voice revenue fell by $1.3 billion dropping as a share of total revenue from 62% to 55%.

While we are in the process of finalizing the total increased costs to Qwest, the negotiated wage increases represent over $207 million over the term of the agreement. The increased costs in premiums paid to employees required to carry a pager is about $1.5 million a year. The cost of giving the Agent Services members a raise in the third year is an additional $409,000.

CWA's Constitution requires that our rank and file members vote by secret ballot to ratify a Tentative Agreement. We would ask that you take the time to carefully review this Final Bargaining Report as you make your decision.

Your Bargaining Committee unanimously recommends a yes vote.

In unity,

Reed Roberts, chair
Kent Anderson
Ken Saether

Jay Boyle, co-chair
Suzie Miller
Malachy Sreenan

Title Page

Change – all references to “Qwest Business Resources” will be removed from everywhere it appeared in the contract. Qwest is folding the registration of BRI as a corporate entity.

Article 1 Recognition and Responsible Relationship

Change - Section 1.3 Movement of Work, last paragraph (pages 10 and 11). The references to the Executive Work Council will be struck and those responsibilities moved to the Bargaining Agents. The parties are currently drafting an outline of what will be a new Strategic Initiatives Council to discuss bringing new, currently unrepresented, work into the bargaining unit.

Article 2 Hours and Days of Work

No changes

Article 3 Differentials and Allowances

Change - 3.6 The employee will be paid $50.00 per 24 hour period when he/she is required to carry an access device in excess of 180 days per calendar year, beginning on the 181st day.

Article 4 Premium Payments

No changes

Article 5 Call for Work

No changes

Article 6 New or Changed Jobs

No changes

Article 7 Training and Work Assignment Selections

No changes

Article 8 Primary Reporting Place

No changes

Article 9 Travel Time, Transportation, Travel Expense Allowance, Temporary Living Expense Provisions

Change - The Union had proposed that when an employee is assigned to a temporary reporting location that is greater than 60 miles from his/her PRP, that the employee be given a choice to use either their personal or company vehicle. While we did not reach agreement, the parties did agree to amend the language in the Letter of Agreement for the COEIT’s to provide an additional option. The employee can elect to return home, using the company vehicle and when they return to the location, receive a Weekend Return Home Allowance of $50.

Article 10 Motor Vehicle Usage Program

No changes

Article 11 Vacation, Personal Days and Holidays

Change - 11.10 2 weeks of vacation may be taken in one hour increments.

Change - 11.32 If an employee has an unexcused absence on the day before and/or after a holiday (i.e. illness or an unexcused absence), they will not be paid for the holiday.

Article 12 Illness Absence – Wage Replacement

No changes

Article 13 Death in Family

No changes

Article 14 Jury and Witness Duty

No changes

Article 15 Union Company Relationship

No changes

Article 16 Grievance and Arbitration Process

Change - 16.11 (c) Change fourteen (14) calendar days to sixty (60) calendar days.

Change - 16.17 (b) Change thirty (30) calendar days to sixty (60) calendar days.

Article 17 Discipline

No changes

Article 18 Employee Classification

Change - 18.10 Time worked and paid for at the applicable overtime rate will be counted toward calculating the Equivalent Work Week beginning 1-1-2009.

New - A letter of agreement regarding the Qwest LNO Coddington organization allowing regular part-time and seasonal part-time employees to move to full-time openings, in order of TOE, within their RCA's outside of post and bid beginning 1/1/09.

Article 19 Force Adjustment and Force Reductions

No changes

Article 20 Lateral Force Rearrangement

No changes

Article 21 Post and Bid Process

Change - 21.3 (b) 6. Time in location for movement per this provision was changed to half of the normal requirement.

New - The Qwest staffing organization shall provide, to the CWA Bargaining Agent, the names of the candidates on the final candidate roster who were not selected for a position through the Post and Bid process, which will be forwarded to the Locals.

Article 22 Leaves of Absence

No changes

Article 23 Treatment of Medically Restricted Employees

Change – 23.2 Medical Restrictions of less than 180 calendar days which would call for payment for the first 90 days and the second 90 days treated as non-paid excused time. Such paid/non-paid time would be limited to the maximum of 180 calendar days in a rolling 12 month period with any exceptions or extenuating circumstances subject to review by the Bargaining Agents.

Under this change, with regards to restrictions of more than 180 calendar days duration, an assessment of abilities evaluation may be conducted at the request of the employee or the local union, or at the initiation of the Company at any time during the process.

Article 24 Award Programs

No changes

Article 25 Personnel Records

No changes

Article 26 Compliance with the Law

No changes

Article 27 Special Customer Agreements

No changes

Article 28 Effective Date of Agreement and Duration

If ratified, this Agreement would become effective August 17, 2008 until 11:59 PM August 13, 2011.

Addendum 1 Wage Administrative Practices

Change - ADD 1.A1.1 (f) The language on delivering paychecks, payable during a vacation period, on the last working day preceding the vacation was removed.

Addendum 2 Occupational Relocation Plan

No changes

Addendum 3 Letters of Agreement

All contractual committees were renewed:

- **Committee on Substance Abuse**
- **Employee Development Council**
- **Health and Wellness Advisory Committee**
- **National Public Policy Common Issues Forum**
- **Occupation Safety and Health Committee**
- **Pathways to the Future**
- **Qwest/CWA Diversity Committee**
- **Family and Work Development Fund**

Note: There were several changes to the current Letter of Agreement regarding Pathways to the Future including replacing the Board of Directors with the Pathways committee. The Qwest Corporate Relations Organization would serve as the administrator of the program benefit and serve as the Chair of the Pathways committee. The Union would appoint a co-chair.

Additionally, the no-cap undergraduate degree program will be discontinued. All participants currently enrolled in a degree program will be grandfathered under the existing "no-cap" benefit. Going forward, both the undergraduate degree and graduate degree would be covered up to a maximum annual cap of $5,250.

Renewed - <u>Pension Band 120 protection was continued.</u>

Change - <u>Retiree Healthcare letter</u> was rewritten to reflect the increase in the cost caps and that the Medicare Part B Reimbursement was eliminated.

Renewed - The <u>Supplemental Payment Cities</u> letter was continued with no changes.

Change - <u>Concession</u> There were some administrative changes within the Letter of Agreement to keep in line with current service offerings and partnerships (i.e. Microsoft Internet Service Provider, new partnership with Verizon Wireless, Choice TV, etc):

- **Long distance was changed to a flat discount rate of $.025 cents per minute with a monthly Interstate Service fee.**
- **Data service was changed from 50% to 20%.**
- **Verizon wireless service provides 20% off monthly charges for qualifying plans $34.99 and higher with the corporate rate on Verizon equipment and 25% off equipment and accessories.**
- **Video still provides 20% off, but does not include premium channels in that discount.**

<u>Addendum 4 Family Issues</u>

Renewed - ADD4.A4.5 The Letter of Agreement on the Family and Work Development Fund was renewed.

<u>Addendum 5 Titles</u>

New – The Screening Attendant title was added.

<u>Addendum 6 Reasonable Commuting Areas (RCAs)/Wage Zones</u>

Change - The former El Paso Telephone was added to RCA 37
Change - Kuna, Idaho was added to RCA 49

<u>Addendum 7 Wages</u>

Change - All titles listed in Addendum 5 – except for Center Sales and Service Associates, Center Sales Associates and Outside Sales Representatives will see their base wage increase in each progression step by 3% effective August 17, 2008.

Effective August 16, 2009 a base wage increase in each progression step by another 3%; and,
Effective August 15, 2010 a base wage increase in each progression step by 2.75%. Compounded over the term of the agreement, wages will have increased a total of 9.37% by August 15, 2010.

All weekly wage rates will be rounded to the nearest fifty cents ($.50).

Center Sales and Service Associates and Center Sales Associates will move to a new base wage rate on January 1, 2009 which "front-loads" the negotiated wage increases into the first year. Before the end of the year, we will "map" moving every one of these employees from where they are to the new base wage scale. At that time all CSA's will be moved to the CSSA title.

We were unable to increase the base salary rate of the OSRs.

<u>Addendum 8 Pension Bands</u>

New - Effective January 1, 2009 there will be a 3% pension band increase for all participants employed on or after August 17, 2008.

<u>Addendum 9 Qwest Business Resources, Inc. (BRI)</u>

No changes, but agreement was reached that when/if a BRI employee is declared surplus, the Company will assist with finding alternative open positions, within Qwest for placement prior to any layoff.

<u>Addendum 10 Benefits</u>

New - A 401(k) Roth IRA option for employees which allows employees to make Roth 401(k) contributions on an after tax basis was added.

New – Pension Plan Survivor Benefits. The pension plan will be amended to pay a Pre-retirement Benefit in all cases when a vested employee dies prior to receiving the pension benefit. Benefits will be paid to a surviving spouse, a named beneficiary or trust or the employee's estate. The plan would provide a benefit to a non-spouse beneficiary, trust or estate based on a 50% joint and survivor annuity calculated as if the participant had started receiving the benefit the day before his/her death. This benefit can be paid as a lump sum if elected within the required timeframe.

In addition, all employees, married and single, may name any living person as the beneficiary for the 50%, 75% or 100% joint and survivor annuity options at the time the employee makes the election to receive the pension benefit. The beneficiary designations will follow the requirements of federal law regarding the spousal consent rules.

Medical Benefits

The changes in monthly premium amounts, co-pays, deductibles and out-of-pocket maximums are listed below.

Coinsurance: The current In-Network Point of Service Plan (POS) pays 100% of covered services after the individual/family pays applicable deductibles and copays. The current Out of Network level of coinsurance is 70%. Beginning in 2009, we will move to a Preferred Provider Plan (PPO) which will pay 90% of covered In-Network costs after deductibles and copays and individuals will have to pay 10% of covered costs. The Out of Network level of coverage will be 60%.

This coinsurance is capped in several categories after the deductible and copays are met and through annual out-of-pocket maximums for both medical expenses and for prescription drugs.

Under the PPO employee coverage falls into 3 categories:

- **In-network, meaning the employee uses the Network doctors and hospitals.**

- **Out-of-network, meaning the employee chooses not to use an in-network provider.**

- **No-network meaning that there is not a minimum of 2 network doctors and 1 hospital in a 15 mile radius of the center of the employees zip code.**

HMO's The traditional HMO's remain. As always, these are 80/20 plans tied to a series of co-pays.

Both the PPO and HMO options qualify for employer provided health care spending accounts (HCSA) which allow employees to have monies deducted from their checks on a pre-tax basis and then used by the employee to reimburse themselves from those accounts for the costs described above. The downside is that the spending accounts are annual plans meaning that at the end of the year you would forfeit what you did not spend that year.

The high deductible plan is tied to health spending accounts (HSA's). As with the HCSA's above, monies are deducted from their checks on a pre-tax basis and then used by the employee to reimburse themselves from those accounts for the costs described above. The difference is that they are not annual plans meaning that you could carryover a balance from year to year to year and which would be paid out to you if/when you left.

The list below describes the changes made to the benefits plans for actives and retirees. Retirees and actives are covered by the same plan of benefits; only their contributions are different.

Active Employees

The PPO Plan

1. **Active Employee Monthly Premiums[1]: Currently, active employees must pay a monthly fee to cover their dependents. Under the terms of the new agreement, employees will be subject to premiums for both themselves and their families as follows:**

In-Network	Current 2008	2009	2010	2011
Employee	0	$33	$37	$42
Employee +1	$25	$51	$57	$64
Family	$33	$75	$84	$93

2. **Annual Deductibles: increased as follows:**

In-Network	Current 2008	2009	2010	2011
Individual	$ 150	$ 200	$ 250	$ 300
Family	$ 300	$ 400	$ 500	$ 600

Out of Network				
Individual	$ 450	$ 500	$ 500	$ 600
Family	$1,350	$1,500	$1,500	$1,800

No Network	Current 2008	2009	2010	2011
Individual	$ 350	$ 400	$ 450	$ 500
Family	$1,050	$1,200	$1,350	$1,500

3. **Annual Out of Pocket Maximum: The current plan does not have an out of pocket maximum for in-network services. The Out of Pocket Maximum was introduced in these negotiations to protect active and retired members – the 10% coinsurance share required of plan participants will not exceed the yearly amounts listed below:**

1 These were formerly called enrollment fees

In-Network	Current 2008	2009	2010	2011
Individual	NA	$1,000	$1,000	$1,000
Family	NA	$3,000	$3,000	$3,000
Out of Network				
Individual	$3,450	$3,500	$3,500	$3,500
Family	$6,900	$7,000	$7,000	$7,000
No Network				
Individual	$1,650	$1,000	$1,000	$1,000
Family	$4,950	$3,000	$3,000	$3,000

4. Copays: The current copays for In-Network doctor office visits and other services have been increased by $5. The amounts will remain the same through 2011, as shown below:

In-Network	Current 2008	2009	2010	2011
PCP Office Visit	$ 20	$ 25	$ 25	$ 25
Specialist Visit	$ 25	$ 30	$ 30	$ 30
Physical Therapy	$ 15	$ 20	$ 20	$ 20
Out of Network				
PCP Office Visit	$ 20	$ 25	$ 25	$ 25
Specialist Visit	$ 25	$ 30	$ 30	$ 30
Physical Therapy	$ 15	$ 20	$ 20	$ 20

No Network	Current 2008	2009	2010	2011
PCP Office Visit	80% after deductible		no changes in 2010/2011	
Specialist Visit	80% after deductible		no changes in 2010/2011	
Psychiatry Visit	$20/40 maximum	$ 20	$ 20	$ 20
Physical Therapy	80% after deductible		no changes in 2010/2011	
Anesthesiologist	100% no deductible	90% no deductible	No changes in 2010 or 2011	

No network – Other services
Laboratory 100% no deductible 90% no deductible 2009 – 2011
X-rays, Imaging 100% no deductible 90% no deductible 2009 – 2011

5. Prescription Drug Copays: Tier 1 retail and mail order copays will remain as they are today through 2011. Other copays are adjusted, as shown below:

	Current 2008	2009	2010	2011
Retail Pharmacy				
Tier 1	$10	$10	$10	$10
Tier 2	$25	$30	$30	$30
Tier 3	$40	$50	$50	$50
Mail Order Pharmacy				
Tier 1	$20	$20	$25	$25
Tier 2	$50	$60	$75	$75
Tier 3	$80	$100	$125	$125

Tier 1 – generic Tier 2 – formulary Tier 3 – Non-formulary

6. Prescription Drug Out of Pocket Maximums: The current maximum of $1500 will increase to $1650 in 2009, $1700 in 2010 and $1800 in 2011.

High Deductible Health Plan (HDHP):

Employees will have a choice of plans each year during open enrollment – the PPO Network plan or a high deductible health (80/20) plan with a lower monthly premium beginning January 1, 2009. The HDH plan has an annual deductible of $1,400 per individual, $2,800 per family for in-network services. The individual deductible will rise by $50 in each subsequent year and the family deductible will rise by $100 in each subsequent year. Plan coinsurance is set at 80% with an out of pocket maximum of $3,000 per individual and $6,000 per family in-network. The out of pocket maximum includes the deductible. Premiums for this plan are as follows:

	2009	2010	2011
Employee	$ 3	$ 5	$ 6
Employee +1	$ 4	$ 7	$ 8
Family	$ 5	$ 9	$ 10

Prescription Drug Copays: Prescription costs are subject to deductible and coinsurance (80% employer/20% coinsurance). Copays are not offered under a High Deductible Health Plan.

All services: All services are subject to reasonable and customary limits but in-network fees are at the United Health Care negotiated rates.

Retirees

The PPO Plan: The only difference between the active and retiree PPO Plans are the monthly premiums listed below.

Retiree Monthly Premiums: Currently, retirees are not required to pay a monthly premium. Under the terms of the new agreement, retirees will be subject to premiums for both themselves and their families as follows:

Non-Medicare Retiree

	Current 2008	2009	2010[2]	2011
Retiree	0	$75		
Retiree +1 Medicare	0	$80	see footnote	
Retiree +1 non-Medicare	0	$150	for premiums	
Family Medicare	0	$324	in 2010 & 2011	
Family non-Medicare	0	$408		

Medicare Retiree

	Current 2008	2009	2010	2011
Retiree	0	$5		
Retiree +1 Medicare	0	$9	see footnote	
Retiree +1 non-Medicare	0	$81	for premiums	
Family Medicare	0	$207	in 2010 & 2011	
Family non-Medicare	0	$330		

Retiree High Deductible Health Plan: 80/20 Plan. The only difference between the active and retiree PPO Plans are the monthly premiums listed below.

Premiums for the High Deductible Plan are as follows:

	Current 2008	2009	2010	2011
Retiree	0	$0		
Retiree +1 Medicare	0	$0	see footnote	
Retiree +1 non-Medicare	0	$0	for premiums	
Family Medicare	0	$131	in 2010 & 2011	
Family non-Medicare	0	$173		

2 For 2010 and 2011, retiree contributions will be determined based on a formula described in the retiree contribution cost cap letter. The company will no longer reimburse Medicare retirees for a portion of the Medicare Part B Premium.

Medicare Retiree

	Current 2008	2009	2010	2011
Retiree	0	$0		
Retiree +1 Medicare	0	$0	see footnote	
Retiree +1 non-Medicare	0	$0	for premiums	
Family Medicare	0	$44	in 2010 & 2011	
Family non-Medicare	0	$138		

Prescription Drug Copays: Prescription costs are subject to deductible and coinsurance (80% employer/20% coinsurance). Copays are not offered under a High Deductible Health Plan.

All services: All services are subject to reasonable and customary limits but in-network fees are at the United Health Care negotiated rates.

Company Contributions to Retiree Health Benefits: Under terms negotiated in past contracts, the company contribution to retiree health benefits is capped at $4,960 per year for pre-Medicare retiree and $2,570 per year for Medicare-eligible retirees. Retirees are required to pay the cost of health coverage that exceeds the company contribution cap. However, retirees have never been required to pay anything toward their company-sponsored health coverage because the union has negotiated a waiver clause. If no changes were made to the plan, the expected contribution for retirees who are not yet eligible for Medicare is predicted to be $3,200 in 2009, rising to $4,500 in 2011. For Medicare eligible retirees, the 2009 cost is expected to be $1,300, rising to $1,900 in 2011.

Coverage Category	Company Cost Cap	Retiree 2009 Costs[3]	Retiree 2011 Costs[4]
Non-Medicare Adults	$4,960	$3,200	$4,500
Medicare Adults	$2,570	$1,300	$1,900

In this round of bargaining the company refused to continue the waiver clause. On the very last day of bargaining, the company agreed to modify the terms of the cap letter in order to mitigate the cost of health benefits for retirees who are not covered by Medicare. In order to achieve this, the union had to agree to trade off the company's reimbursement for Medicare Part B premiums. The new contribution caps are as follows:

Coverage Category	Current Cost Cap	Cost Cap Eff. 1/1/09
Non-Medicare Adults	$4,960	$6,250
Children	$2,070	$2,070
Medicare Adults	$2,570	$2,570

Addendum 11 Consumer Sales Compensation Plans Summary

New - Mass Markets Consumer Sales Compensation Plan

Sales compensation elements, objectives, and pay ranges shall be established solely by the Company, as described in the sales incentive compensation plan that governs these positions. The Company may add, modify, change or eliminate any of the compensation elements, components, weightings, and payouts per product or category after review with the Union but such changes shall not result in a reduction of the monthly TSI, unless otherwise agreed to by both the Company and Union.

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3 **Retiree costs above the cost caps-the amount paid by the company**

4 **Retiree costs above the cost caps-the amount paid by the company**

Renewed - The Letter of Agreement, originally dated July 16, 2007 regarding CSA's and CSSA's in Mass Markets during initial training has been extended through March 31, 2009. Newly hired employees, per the Letter of Agreement, shall be paid at the Post-Trainee hourly base wage, which is currently $10.20 per hour, for the duration of their initial training period (week 1 through completion).

New - <u>Mass Markets Sales Incentive Compensation Plans</u>
The Company may add, modify, change, or eliminate any portion of the sales incentive compensation plan after review with the Union but such changes shall not result in a reduction of the base wage or annual Target Sales Incentive (TSI) compensation levels established for the positions of: SC, CSA, CSSA, RSA, RSSA and OSR. Sales incentive compensation plans and any changes may, at the Company's discretion, apply to individual representatives, a group of representatives, or all representatives within a call queue, segment, channel or location.

New - <u>Mass Markets Sales Compensation Plan Oversight Committee</u>
To address and consider issues that are unique to sales positions, a Mass Markets Sales Compensation Oversight Committee will be established regarding sales incentive compensation plans that govern the following positions: CSA, CSSA, OSR, RSA, RSSA, and SC. The Committee will review how the plans are working, and will serve as a forum to address disputes regarding the administration of the plans, including assertions that the plans were not fairly and equitably designed, implemented and administered by the Company.

New - <u>Consumer Sales Compensation Plan Structure</u>
A new sales compensation structure will be introduced, tentatively effective January 2009, for the various sales/service channels. The letter of agreement will cover sales, sales and service, El Centro, Loyalty, and Wireless Center of Excellence (WCOE).

Effective January 2009, employees hired into the Consumer sales/service channels, as identified above, may be placed into the CSSA job title regardless of the channel, customer segment, call type or call sharing group. Existing employees who are in the job title of SC, SSC or CSA, as of December 31, 2008, shall remain in that job title for the life of the 2008 agreement, unless they leave the position through transfer, promotion, retirement, separation, voluntary resignation, or dismissal.

There will be three plan levels of participation in the Consumer sales compensation structure, based upon the level achieved by the representative. The three levels include Trainee, Entry and Senior. There will be ranges for pay and Hourly Target Sales Incentive (TSI), for employees in these positions by location, channel, customer segment, or call sharing group; there will be no reduction of base wage or TSI unless otherwise agreed to by both the Company and Union.

<u>Addendum 12 General Business Leveraged Compensation Plan</u>

Change - The Senior Plan Level is eliminated; the three remaining plan levels would be: Trainee, Entry and Fully Competent.

Sales compensation elements, objectives, and pay ranges shall be established solely by the Company, as described in the sales incentive compensation plan that governs these positions. The Company may add, modify, change or eliminate any of the compensation elements, components, weightings, and payouts per product or category after review with the Union but such changes shall not result in a reduction of the annual base wage or the monthly TSI, unless otherwise agreed to by both the Company and Union.

<u>Addendum 13 Retail Solutions Centers</u>

Change – While all of the provisions of Article 7 (Training and Work

Assignment Selections) shall apply to these positions, the 120/180 day requirements in Section 7.3 for work assignments outside the employee's job title shall not. These employees can be assigned to additional functions and be compensated per the other provisions of Article 7 regarding compensation.

<u>Addendum 14 Local Market Sales</u>

No changes

<u>Addendum 15 Qwest Agent Services</u>

The current Qwest Agent Services contract will become Addendum 15 and attached to the Qwest Corporation Agreement effective August 15, 2008.

All of the terms and conditions of that contract will remain unchanged for the term of the 2008 agreement and extended for an additional year with 2 exceptions:

- **The wage progression steps for all Customer Service Agents will be increased by 2.75% effective August 15, 2010 with hourly rates rounded to the nearest nickel ($.05)**
- **Effective January 1, 2009, a 3% increase will be applied to Pension Bands 99 (Customer Assistance Agent) and 101 (Customer Care Specialist)**

This change will have to be ratified by the Qwest Agent Services members for this provision to become effective. A separate, simultaneous ratification vote will be conducted by those Local Unions representing Qwest Agent Services employees.

<u>Other Letters of Agreement</u>

Extended - <u>Scheduling change requests</u>. This letter outlines the terms under which alterations are made to assigned schedules during the basic work week or on the weekend in order to allow identified employees to meet his/her religious obligations subject to concurrence by the Local Union.

New - <u>The establishment of a Recruitment and Retention Allowance (RRA)</u>. This letter addresses the recruitment and retention of qualified technical resources in selected job titles and locations in a few states across the 14-state region. This allowance would be in addition to the employee's basic wage, supplemental payment city allowance, if applicable, and relocation expense reimbursement, if any, for eligible employees. The RRA will be paid in bi-weekly payments over a period of two (2) years following the employee's identification and selection as being eligible to receive the RRA payment.

If the RRA is offered to an incumbent employee in the RCA, all other employees in that title in the RCA will receive the RRA
New - <u>Benefits for Employees Hired or Rehired after December 31, 2008</u>.

This Letter of Agreement amends certain benefits for employees hired after December 31, 2008.

- **Qwest Pension Plan**
    - **Each active Occupational Employee hired or rehired after December 31, 2008 will earn a benefit under the Account Balance Formula (ABF). Compensation Credits equal to three percent (3%) of the employee's eligible compensation (as defined by the Plan document) will be calculated annually in accordance with the ABF. Employees will become vested in the benefit upon the completion of three (3) years of employment. Upon separation from employment, if the three (3) year vesting period is satisfied, an employee is eligible to receive their account balance as prescribed by the Plan document, including a lump sum.**

- **Qwest Savings and Investment Plan (QSIP)**

- Regular Full-Time, Regular Part-Time, Part-Time Seasonal, Incidental and Regular Term Occupational Employees are eligible to participate in the QSIP immediately upon employment. Employees will be eligible to participate in the QSIP by making Before-Tax and/or After-Tax Contributions as described in the Plan. Qwest will match contributions of one dollar ($1.00) for every one dollar ($1.00) contributed by the employee up to a maximum of three percent (3%) of an individual's eligible compensation (as defined by the Plan document). The Company match shall become 100% vested after completion of one (1) year of employment.

- **Qwest Short Term Disability Plan (STD)**
  - Upon attaining one (1) year of service from date of hire or rehire, Occupational Employees, except as identified below with respect to CSA and CSSA job titles, shall be eligible to participate in the Qwest Disability Plan. Employees eligible to receive Short Term Disability (STD) benefits shall receive seventy percent (70%) base wage replacement for approved STD absences for the applicable coverage period, in accordance with and subject to the provisions of the Qwest Disability Plan.

  - STD payments begin on day 1 of an approved STD case through a 52 week period. Benefits are payable on either a taxed or a non-taxed basis depending on the enrollment option selected by the employee.

  - Upon attaining two (2) years of service from date of hire or rehire, Occupational Employees in the CSA and CSSA titles shall be eligible to participate in the Qwest Disability Plan. Employees eligible to receive Short Term Disability (STD) benefits shall receive seventy percent (70%) base wage replacement for approved STD absences for the applicable coverage period, in accordance with, and subject to the provisions of the Qwest Disability Plan.

- **PATHWAYS**
  - All Regular Full-Time and Regular Part-Time Occupational Employees with three (3) months Term of Employment (TOE) shall be eligible to participate in PATHWAYS to the Future Program, subject to the provisions of the Program.

New - Letter <u>of Agreement on Employee Development Using Call Recording and Observing within the Crandall Organization</u>. This amendment calls for the use of four calls per month, instead of eight, unless otherwise identified in an individual's development plan. Two of the four calls would be recorded and two would be observed side-by-side with the employee.

New - <u>Network Organization Performance Enhancement Programs</u>. When an employee is placed on a Written Warning or a Warning of Dismissal, management is obligated to provide strategies for improving time management efficiencies and/or supervisor conducted quality checks of job(s) completed by the technician, and/or supervisory ride-alongs with the employee, and/or discussion of possible training opportunities; and/or peer observations; and/or employee comments or suggestions.

Additionally, the supervisor will provide the employee and Local Union side-by-side access to all systems used to calculate the employee's performance e.g., SAT with the exception menu, black hole reports, GPS, etc. In short, any system used to measure the employee.

New - The charter of the Health and Wellness Advisory Committee will be expanded to address current and long term health care issues facing employees and the Company.

New - <u>Occupational Job Analysis Subject Matter Expert</u>. This letter of Agreement establishes the role of a Union Subject Matter Expert (SME) and participation in the Job Content Review process as outlined in Addendum 6.

Renewed - The Letter regarding occupational employees covered by Addenda 13 and 14 of the collective bargaining agreement, who receive benefit plan benefits of medical, dental and vision under the Company's Health Plan provided to non-represented employees shall continue to receive a reduction in the monthly employee contribution amount. Occupational employees in these positions shall pay fifty percent (50%) of the monthly employee contribution for coverage of medical, dental and vision based on the employee's election of: Single, Single + 1, or Family coverage, for the duration of the 2008 agreement.

Renewed - <u>Mid markets and BMG collections</u>.
The Letter of Agreement aligning the non-represented Mid-Markets collections work with the BMG Collections in Bismarck, ND has been extended through the 2008 Collective Bargaining Agreement. The proposal calls for BMG collections work, previously performed by non-represented BMG employees to continue to be performed by occupational employees in Bismarck.

Extended – <u>The Backup Care Options Trial for Consumer Sales and Sales and Service Channels</u>. This was extended through August 31, 2009. This trial includes backup care options, for employees in certain job titles within the Consumer Sales and Sales and Service channels, such as childcare, elder care, and child drop-in centers.

Renewed - Business <u>Markets Group (BMG) – QCC Products and Services</u>.
The letter assigning certain non-represented QCC work to BMG Service Delivery Coordinators to support BMG customers who purchase QCC products and services, was extended through the 2008 Collective Bargaining Agreement.

Renewed - <u>Wholesale- QCC order support</u>.
The letter assigning additional non-represented work to Wholesale Markets Organization's Service Delivery Coordinators to support Wholesale customers to research and resolve issues related to QCC service orders, was extended through the 2008 Collective Bargaining Agreement.

Renewed - <u>Wireless Sales Support Work Functions</u>.
The letter assigning non-represented sales support work functions for Qwest Wireless, previously performed by approximately 30 – 35 non-represented employees and contractors in Denver, will continue to be performed by represented employees in the bargaining unit, through the 2008 Collective Bargaining Agreement.

<u>Other Issues</u>:
The employer agreed to sit down with the Union and resolve pending contractual disputes that are scheduled for arbitration as well as a number of pending Regional grievances (e.g., the loan of personnel to New Mexico, the long open dispute regarding the reclassification of specific individuals from Network Technician to CDT) and pending disciplinary disputes prior to January 2009.

Additionally, we expect to resolve other outstanding issues such as the CSS job brief and assignments.

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