

## Memorandum of Agreement Excise Tax

This Memorandum of Agreement ("Memorandum") covers the agreement reached between Pacific Bell Telephone Company, Nevada Bell Telephone Company, AT&T Services and SBC Global Services, Inc. hereinafter referred to as ("Company") and the Communications Workers of America ("Union") during negotiations for the 2016 Collective Bargaining Agreement ("CBA") between the Company and the Union ("Parties"), concerning how they have agreed to account for risk of application of the excise tax on high-cost employer-sponsored health coverage ("Excise Tax") pursuant to the Patient Protection and Affordable Care Act ("PPACA"). To account for such risk, the Parties hereby agree as follows.

1. In the event the Company determines, using the "look forward" approach, that at any time during plan year 2020, the aggregate cost of the applicable employer-sponsored coverage provided under AT&T medical plans or programs for employees and eligible retired employees covered by the CBAs ("employees") will exceed the threshold(s) that would trigger the Excise Tax, then the Parties will reopen negotiations solely with respect to such applicable employer-sponsored coverage to discuss contributions, plan designs, program changes, or other factors to avoid imposition of the Excise Tax. The Company must inform the Union as soon as practicable but no later than March 1, 2019 of such determination and negotiations will begin on or about March 18, 2019. Both Parties agree to work together in good faith to address the issues and avoid the Excise Tax at any time during the 2020 plan year while maintaining the most recent estimate of employee costs with respect to the applicable employer-sponsored coverage for the 2020 plan design as reflected by the Memorandum of Agreement -- Benefits. The Parties will determine how the reallocation, if any, from the modifications to contributions, plan designs, program changes, or other factors will be applied for maintaining those employee costs. The avoidance of any Excise Tax payments that would have otherwise been applied will not be considered in the calculations.

2. At the same time as the Company notifies the Union of its determination in Section 1 above, the Company shall provide the Union information necessary for consideration of such modifications and for the development of proposals. This information will include, but not be limited to, the most recently available data for 2018 plan and/or program costs, utilization and enrollment. Each party shall share with the other the methodology underlying the respective party's calculation of plan and program costs for the applicable employer sponsored coverage for employees and the estimate of Excise Tax impact under various assumptions and approaches allowed by regulations. Such calculation will combine costs associated with Option 1 and Option 2 in determining the cost of coverage if allowed by final IRS regulations. Such calculation will not include the cost of dental and vision coverage if those costs are excluded or can be excluded under final Internal Revenue Service (IRS) regulations.
3. If after discussions the Parties are unable to agree on modifications to contributions, plan designs, program changes, and other factors by April 15, 2019, provided any and all information-sharing issues are resolved, including by accelerated\* arbitration if necessary, the Parties will submit their respective proposals to a mutually agreed upon third party actuarial consultant for a final and binding decision. Such third party actuarial consultant shall have knowledge and understanding of medical plans and plan designs and shall be from one of the following companies: Willis Towers Watson, Aon Hewitt, Mercer, Cheiron, or Milliman. The third party actuarial consultant's authority shall be to review each proposal and to select the proposal which most equitably achieves the goals of the negotiations, i.e. to avoid application of the Excise Tax at any time during the 2020 plan year while maintaining the most recent estimate of employee costs with respect to the applicable employer sponsored coverage for the 2020 plan design as reflected by the Memorandum of Agreement -- Benefits. The third party actuarial consultant shall provide its decision no later than May 15, 2019 for implementation and inclusion in the subsequent year's program design changes. The third party decision shall not exceed its authority set forth above. The Parties will split the cost of the third party's fees 50%/50%. The third party actuarial consultant's decision is subject to the same limited review as any other arbitration award under Section 301 of the Labor Management Relations Act.
4. Any changes agreed upon by the parties or determined by the third party actuarial consultant shall only become effective January 1, 2020 if the excise tax becomes effective for the plan in 2020.

5. The parties shall meet at least one time each year commencing in September 2018 to review and discuss the estimated plan costs using the most recent cost data. Discussion shall include current plan costs, past projections of costs and any corrections that may better assist in efforts to derive or estimate projections.
6. The provisions of this MOA shall not apply to any plan year other than 2020.

Either party's failure to abide by the terms of this Memorandum of Agreement shall be subject to the grievance and an accelerated\* arbitration except for the manner of performing the Excise Tax calculations and the reallocation, if any, specified in Paragraphs 1 and 2, and Paragraph 3 and its outcome.

**Effective date/language:** *With ratification*

**Termination date/language:** *With expiration of the 2016 Collective Bargaining Agreement*

**Applies to:**

<i>Pacific Bell Telephone Company (Except Appendix E)</i>	<u>  X  </u>	<i>SBC Global Services, Inc.</i>	<u>  X  </u>
<i>Nevada Bell Telephone Company (Except Appendix E)</i>	<u>  X  </u>	<i>Appendix E</i>	<u>  X  </u>
<i>AT&amp;T Services, Inc.</i>	<u>  X  </u>		

**Communications Workers of America**

**AT&T West**

Agreed: *Ellen West*  
 Ellen West  
 Area Director - CWA

Agreed: *Jon Irean*  
 Jon Irean  
 Director – Labor Relations

Date: *10-14-2017*

Date: *9/14/2017*