

National Benefits Tentative Agreement Summary

Thanks to the strong and united efforts of the union bargaining team and the various locals and representatives who attended the bargaining sessions, we are providing the following information regarding the National Benefits negotiations recently completed. Our bargaining team and the company began negotiations in April, holding three-day sessions in April, May and June. As a result, we are sharing this important information with you in preparation for the ratification vote.

All Unions who are signatory to the National Benefits Agreement and the various locals and representatives who attended negotiations unanimously recommend approval of this agreement.

Your locals will be scheduling informational meetings to discuss in further detail.

- **Term of Agreement:** 5 Years - August 1, 2018 to July 31, 2023
- **2018 Bonus:** There will be an Annual Performance Plan (APP) "like" bonus payment, pro-rated based upon the date of ratification of the National Benefits Agreement. This payment will be subject to 2018 performance targets and paid no later than March 15, 2019. If ratified by August 1, bonus for 2018 will be 3 percent of base wages for 5 months.
- **Profit Sharing:** Beginning in 2019, all union members will be eligible for the company's profit sharing program for helping their state and American Water achieve certain business goals. This program is called the Annual Performance Plan (APP). The target award is 3 percent for full-time employees and its calculated based on employees annualized hourly base rate. You can choose to receive this payment in your paycheck or have it go tax free directly into your 401K.
- **New Health Care Plan Choice:** In addition to the current health care plan (PPO) you will now have the *option* to select a Consumer-Directed Health Plan (CDHP). This plan costs less than the PPO monthly, but has virtually the same level of benefits. This CDHP Plan includes a Health Savings Account (HSA). *Additional details on back.*
- **PPO Plan Costs:** The current percentage of cost share for the monthly premium will remain the same for the first 3 years of the contract. It will increase by 1% in year 4 and remain the same for year 5. There will also be an annual deductible of \$175 single/ \$350 all other tiers for the PPO Plan.
- **Four tiers:** The premium contribution tiers for the PPO have been expanded from two (employee or family) to four (employee, employee and spouse, employee and children, employee and family). This will apply to the CDHP as well.
- **Unbundled Plans:** The medical, dental and vision plans have been "unbundled," offering you the ability to choose the plans that meet your needs. You will also have the option to "buy-up" to enhanced dental and vision plans. *Additional details on back.*
- **Medical Plan Enhancements:** For both PPO and CDHP, starting in 2019, there are the following additional Enhanced Coverages: Applied Behavioral Analysis (ABA) treatments for Autism including speech therapy; Transgender Services and Hearing Aid Coverage. These items will be defined in the Summary Plan Description (SPD).
- **Retiree Life Insurance:** Increased from \$10,000 to \$20,000. *Additional details on back.*
- **Retiree Medical Plan Cost Changes: Pre-65** retiree medical coverage: *Eligible* employees will continue to participate in the American Water Retiree Medical Plan. Upon retirement you will continue to pay one-half of the rates that active employees pay. However, the Company's contribution to post-retirement medical premiums will be frozen at 2018 rates. This means that future increases to the cost of this plan will be paid by the retiree (in addition to half of the active rate) from retirement to age 65. *Eligible* employees who retire in 2019, 2020 or 2021 and are age 62-64 at time of retirement will receive a *Transition Payment* of up to \$900 single/ \$1800 family to be applied to increased plan costs should they exceed the 2018 frozen rates. These retirees will still pay half of what the active members pay for health care. The transition payments will continue until age 65 or the expiration date of this agreement, whichever occurs first.

Post 65 – Eligible retirees will no longer participate in or pay for the American Water Retiree Medical Plan. Instead, the company will pay \$3500 for each eligible retiree and their spouse if they are 65 or when they reach age 65 (\$7000 per couple) for you to purchase supplemental coverage to Medicare These payments will be deposited into a Health Reimbursement Account (HRA) and any unused money rolls over year to year. You will have access to a private exchange to buy less expensive supplemental plans.

- **RMRA/VEBA:** Starting in 2019, there will be an increase to the annual contribution for the Retiree Medical Reimbursement Account (aka voluntary employees' beneficiary association or "VEBA" account) from \$500 to \$600 for those employees *not eligible* for retiree medical benefits. In addition, about 300 members who were not previously eligible for this benefit will now receive the \$600 annually.
- **Access to Private Medical Exchange:** *See below*
- **Employee Stock Purchase Plan:** (ESPP) discount will increase from 10% to 15% starting in 2019. *See below*
- **Defined Benefit Pension:** Eligible employees will now have the option to choose a lump sum payout. *See below*
- **JHCC:** The current Joint Health Care Committee will continue to operate during the term of this agreement.

Additional benefit details:

Consumer-Directed Health Plan (CDHP): This is an additional medical plan option with the same networks and medical benefits as the existing PPO plan, but provides a different way to pay. Less money is taken out of your paycheck through employee contributions, but you have a higher deductible to meet before medical insurance kicks in (\$1500 single/ \$3000 all other tiers). The Company will deposit \$750 single/ \$1500 all other tiers into your HSA in January each year toward your deductible. Preventive care is free, and the plan pays 80% of costs once you have met the deductible, up to an out of pocket maximum of \$3500 single/ \$7000 all other tiers. You would then be 100% covered for the rest of the calendar year. In addition, you may contribute tax-free dollars to it as well to pay for eligible health expenses. IRS limits apply (\$3450/\$6900 in 2018). HSA accounts accrue interest, roll over from year to year and can be taken with you if you leave the company.

Unbundling Medical, Dental and Vision: Existing medical, dental and vision coverages will be offered to employees as separate stand-alone options. You will now also have the option to "buy-up" to enhanced vision and dental plans at a minimal additional cost over the basic plans cost. The enhancements include an increased calendar year maximum for dental and increased orthodontics maximum; The enhanced vision plan coverage is every 12 months, 100% covered vision exams and lower copays for lenses and eyeglass frames.

Retiree Life Insurance: During the term of this agreement, employees who retire on or after January 1, 2019 and are age 55 or older with 20 or more years of service, will receive Retiree Basic Life Insurance in the amount of \$20,000. This is an increase of \$10,000, doubling the benefit.

Access to the Private Medical Exchange: For the term of this agreement, unless otherwise provided, beginning with the 2019 plan year, all active employees, *who are not eligible for Retiree Medical benefits* and who retire at age 65 or older will have access to purchase post-65 supplemental coverage through a private medical exchange, which is less expensive than purchasing on the open market. This benefit must be elected at the time of retirement or it is forfeited. Surviving spouses will also have access to purchase post-65 supplemental coverage through the same private medical exchange. The retiree must have elected this benefit and the surviving spouse must turn age 65 or older and elect coverage prior to the retiree's death to qualify. **Please note:** If you are *eligible* for Retiree Medical Benefits refer to **Retiree Medical Plan Changes** on the front page.

Employee Stock Purchase Plan (ESPP): Beginning in 2019 the Employee Stock Purchase Plan (ESPP) provides an opportunity for you to purchase American Water common shares at a 15% discount of market value. The discount is applied to the market value of the common shares on the purchase date following the purchase period. Contributions are after-tax payroll deductions.

Lump Sum Payout Option: Starting in 2019, employees who are eligible for the Defined Benefit Pension will have a lump sum distribution as one of the optional forms of payment at time of retirement.

Important voting information: Your ballot will be coming in the mail soon. These are *your* benefits.

Please take the time to vote! Thank You -Your Union Bargaining Team.