Benefit Plan Handbooks

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NORTEL

FLEX 2008 Benefits:
Explore Your Possibilities

Canada Flexible Benefits Program Overview

BUSINESS MADE SIMPLE

NORTEL

Our Goal for Today

- **You will learn about:**
  - The Nortel FLEX Benefits Program
  - Where to go for additional information
- **So that you can:**
  - Understand your benefits
  - Assess your and your family' benefit needs
  - Enroll

Agenda

- The Nortel FLEX Benefits Program
- Paying for Benefits
- Core Benefits and Options
- How to Enroll
- Where to Find Information

What is FLEX?

- FLEX is just one component of your Total Rewards at Nortel

TOTAL REWARDS AT NORTEL	
Your Benefits • FLEX • Capital Accumulation and Retirement Program (CARP) • Paid Time Off	**Your Pay** Salary Incentive Compensation
Your Workplace • Quality of Work Life Programs	**Your Career** • Career development programs • On-the-job training • Learning opportunities

The Nortel Philosophy

- Nortel has a specific benefits philosophy:
  - Offer competitive, flexible benefits while managing costs
  - Share costs with employees at current market levels

Who Is Eligible For FLEX?

Employees

- Regular full-time and regular part-time employees regularly scheduled to work 18 hours or more per week and not employed on a fixed-term contract

Dependents

- Your spouse – legally married and/or contracted in a civil union (Quebec residents), with whom you have been living in a conjugal relationship for at least 12 months
- Children of you or your spouse – natural or legally adopted or foster children who are unmarried, financially dependent on you for support, covered under the provincial health plan and either:
  - Under age 21
  - Under age 25* if a full-time student
  - Physically or mentally handicapped, regardless of age (if the disability began before age 21, or before age 25* if they were full-time students at the time)

* For Quebec residents, Bill 33 requires that eligible dependent children be covered for prescription drugs, which are listed with the RAMQ formulary, to age 26.

How FLEX Works

- You automatically receive company-paid core benefits
- You can purchase optional benefits to supplement or enhance your core benefits

Core Benefits – Company automatically provides these benefits to you

- Short-Term Disability (STD) Coverage
- Long-Term Disability (LTD) Coverage
- Employee Life Insurance
- Employee Assistance Program (EAP)

Optional Benefits – You can enroll in these optional benefits

- Medical Coverage
- Dental/Vision/Hearing Care Coverage
- Optional Short-Term Disability (STD) Coverage
- Optional Long-Term Disability (LTD) Coverage
- Optional Employee Life Insurance
- Optional Dependent Life Insurance
- Optional Accidental Death and Dismemberment (AD&D) Insurance

Paying For Benefits

- Nortel pays the full cost of core benefits and subsidizes the cost of medical and dental/vision/hearing care coverage
- Nortel also provides FLEX Credits each year to help you pay for the optional benefits you want (except optional employee and dependent life insurance, which can only be paid for through payroll deductions)
- In 2008, eligible employees receive FLEX Credits equal to 0.39% of FLEX Earnings, plus additional FLEX Credits for certain medical and dental/vision/hearing care options

When Can You Make Benefit Choices?

- When you are first hired, within 31 days of hire
- During Annual Enrollment
- If you have a Status Change, within 31 days of change
  - Marriage, and/or civil union (for Quebec residents), or completion of 12 months of continuous cohabitation with a domestic partner of either gender
  - Divorce, dissolution of a civil union (for Quebec residents), legal separation, or discontinuation of a domestic partner relationship
  - Birth, adoption or change in custody of a dependent child
  - Loss, commencement or change in your spouse's employment affecting benefits coverage
  - Your child's change in dependent status
  - Death of spouse or dependent child

Medical and Dental/Vision/Hearing Care Coverage Categories

- You can select coverage for:
  - You only
  - You and your spouse
  - You and your children
  - You and your family (spouse and children and/or spouse's children)
- You can choose one coverage level for Medical and a different coverage level for dental/vision/hearing care

Medical Options

Benefit	Basic	Comprehensive	Plus	Select
Percentage Paid	80%	90%	95%	100%
Annual deductible (excluding drugs)	None	• Individual: $40 • Family: $80	None	None
Prescription drugs • Generic • Brand-name	Covered under all four options Covered only if there is no generic equivalent on the market			
Prior authorization	Required for 5 categories of drugs, plus Wellbutrin			Required for two categories of drugs
Drug formulary	New drugs will not be covered under the plan unless approved by at least one provincial plan first			New drugs covered automatically, subject to plan provisions
Per-prescription copayment	$8	$8	$8	$8
Dispensing fee cap	$7	$7	$7	$7
Out-of-pocket maximum for prescription drugs	$904 per person[1]	$904 per person[1]	$904 per person[1]	$904 per person[1]

[1] For Quebec residents, please note that all plan options covering prescription drugs are designed to meet the requirements of Bill 33

Medical Options (Continued)

Benefit	Basic	Comprehensive	Plus	Select
Hospital Coverage •Acute care •Convalescent care	None None	Semi-private room rate, up to $225/day Up to 90 days/year	Semi-private room rate Up to 90 days/year	Semi-private room rate Up to 90 days/year
Ambulance	Ground transportation and emergency air ambulance			
Professional Services*	Up to combined $300/year for all professionals	Up to $300/year for each professional	Up to $500/year for each professional	Up to $500/year for each professional
Psychologist	$300/year	$300/year	$500/year	$500/year
Physiotherapy	$300/year	$300/year	$500/year	$500/year
Private-duty nursing	$10,000	$12,500	$15,000	$15,000
Out-of-province emergency (within Canada)	Personal emergency travel assistance included 21 days maximum	31 days maximum	90 days maximum	90 days maximum
Overall maximum per person	$1,000,00 lifetime (exceptions apply to Quebec residents)			

* Includes chiropractor, osteopath, chiropodist, speech therapy, acupuncturist, naturopath, massage, podiatrist, registered dieticians

Dental/Vision/Hearing Care Options

Dental Coverage	Basic	Comprehensive	Plus
Deductible	None	None	None
Preventive services, such as exams, x-rays, cleanings and flouride treatments (for dependent children under age 19)	100%	100%	100%
Restorative services, such as fillings and extractions	80%	80%	90%
Oral surgery	Varies by type of service		
Endodontics (treatment of roots) and periodontics (treatment of gums)	80%	80%	90%
Major services, such as crowns, bridges and dentures	N/A	50%	50%
Orthodontia	N/A	50%	50%
Maximum per person per year	$1,000	$2,000	$2,500
Lifetime maximum per person for orthodontia	N/A	$2,000	$3,000
Dental fee guide	Prior year	Prior year	Prior year

Dental/Vision/Hearing Care Options (continued)

Vision Care Coverage	Basic	Comprehensive	Plus
Percentage paid	N/A	90%	100%
Maximum benefit every 12 months for each dependent child under age 19 and every two calendar years for each adult	N/A	$200	$300
Hearing Care Coverage	**Basic**	**Comprehensive**	**Plus**
Percentage paid	80%	90%	100%
Maximum benefit per person every 24 months	$500	$750	$1,000

Medical and Dental/Vision/Hearing Care Costs and Credits

	Basic	Comprehensive	Plus	Select*
You only	+ FLEX Credits	+ FLEX Credits	$	$
You and children	+ FLEX Credits	$	$	$
You and spouse	+ FLEX Credits	$	$	$
You and family	+ FLEX Credits	$	$	$
Waived	+ FLEX Credits	+ FLEX Credits	+ FLEX Credits	+ FLEX Credits

+ FLEX Credits = Additional FLEX Credits

$ = Cost to You

* Select option is available only for Medical coverage

Health Care Reimbursement Account (HCRA)

- If you don't use all of your FLEX Credits on optional benefits, you can allocate the unused Credits to your HCRA to pay for eligible out-of-pocket medical and dental expenses including deductibles, copayments, spousal plan premiums and any other expenses allowed under the Income Tax Act
- FLEX Credits allocated to your HCRA are not taxable, which increases the purchasing power of these FLEX Credits (In Quebec, amounts reimbursed from your HCRA are subject to provincial income tax)
- Once you have allocated any unused FLEX Credits to your HCRA for the year, you can't make changes in allocation amount until the next annual enrollment period, unless you have a Status Change
- You are immediately "vested" in your annual allocation to your HCRA; you can request reimbursement ***monthly*** up to your total year's selected amount — even if your per-pay allocation has not yet accumulated to the total amount requested for reimbursement
- Use it or lose it: Any balance remaining in your HCRA after the plan year ends will be forfeited, so estimate your expenses carefully.

Note: You can carry forwards expenses for one year, not your FLEX Credits

Disability Coverage – Short-Term Disability (STD)

Core STD

- Nortel provides you with core STD plan coverage – at no cost to you – as follows:

If you're disabled ...	You receive coverage equal to ...
First 6 weeks	100% of your pre-disability FLEX Earnings
Weeks 7-26	66 2/3 % of your pre-disability FLEX Earnings

Optional STD

- If you purchase optional STD, your coverage will increase to:

If you're disabled ...	You receive coverage equal to ...
First 6 weeks	100% of your pre-disability FLEX Earnings
Weeks 7-26	90% of your pre-disability FLEX Earnings

Disability Coverage – Long-Term Disability (LTD)

Core LTD

- Nortel provides you with Company-paid core LTD coverage, as follows:

If you're disabled ...	You receive coverage equal to ...
After 26 weeks	50% of your pre-disability FLEX Earnings

Optional LTD

- If you purchase optional LTD, your coverage will increase to:

If you're disabled ...	You receive coverage equal to ...
After 26 weeks	66-2/3% of your pre-disability FLEX Earnings

- After two years of receiving LTD benefits, payments are increased by the lesser of 60% of the Consumer Price Index or 6%

Accidental Death & Dismemberment (AD&D) Insurance

- Optional AD&D insurance provides you and your dependents financial protection against accidental injuries resulting in death or loss of a limb, hearing, speech or sight
- You can select the following levels of coverage:

For You	If You have a Spouse and No Children	If You have Children and No Spouse	If You Have a Spouse and Children
1 x FLEX Earnings 2 x FLEX Earnings 3 x FLEX Earnings 4 x FLEX Earnings 5 x FLEX Earnings	60% of your optional AD&D coverage amount	20% of your optional AD&D coverage for each child	**Spouse:** 50% of your optional AD&D coverage amount **Each child:** 15% of your optional AD&D coverage amount

Employee Life Insurance

Core Coverage

- You receive Company-paid coverage equal to 1 times your annual FLEX Earnings, rounded to the next higher $1,000 (up to $1 million)
- Evidence of insurability is required for Core coverage in excess of $600,000

Optional Coverage

- You can purchase optional coverage equal to 1, 2, 3, 4 or 5 times your annual FLEX Earnings, rounded to the next higher $1,000
- Premium rates for optional coverage are based on age, gender and smoker status
- You pay the premiums through payroll deductions; you may not use FLEX Credits for life insurance
- Evidence of insurability, at your own expense, may be required
- The total of Core plus optional life insurance coverage can't exceed $3 million

Dependent Life Insurance

- You can purchase optional life insurance for your spouse and dependent children, as follows:

Spouse	$10,000, $25,000, $50,000, $100,000 $150,000, $200,000, $250,000, $300,000 $350,000, $400,000, $450,000, $500,000
Dependent Children	$5,000, $10,000, $15,000, $20,000, $25,000

- Spousal coverage in excess of $50,000 requires evidence of insurability
- Premium rates for spousal coverage are based on age, gender and smoker status (same rates as employee coverage)
- You pay the premiums through payroll deductions; you may not use FLEX Credits
- Coverage amount for children is the same for each covered child and the cost is the same regardless of the number of children you cover

Employee Assistance Program (EAP)

- Provided through Shepell-fgi, EAP Worklife Services are designed to enrich and support you in your personal and working life
- Some of the benefits the EAP offers are:
  - Confidential expert counselling
  - Access to research and referral for child/elder care, legal/financial assistance, education
  - Online information resources such as educational information, helpful web links, assessment tools, online requests for services and much more

- For more information call Shepell-fgi at 1-888-859-5263 (English) or 1-888-859-5256 (French) or go to www.fgiworldmembers.com and enter the user name (nortel) and password (networks)

Default Coverage

- You receive the following new hire default coverage for your first 31 days (or until you make your selections, whichever comes first):

Medical	Provincial Health Insurance and Basic medical for you only (you and your family in Quebec)
Dental/Vision/Hearing Care Coverage	No coverage
STD and LTD	Core coverage only
Employee Life Insurance	Core coverage only
Dependent Life Insurance	No coverage
AD&D Insurance	No coverage
FLEX Credits	Allocated to taxable income
Employee Assistance Program	Access to services

- New hire selections will become effective the date they are received by HR Shared Services

Current Tax Information

All Provinces Except Quebec

- FLEX Credits are not counted as taxable income
- Medical, dental/hearing/vision care, AD&D benefits and HCRA reimbursements are not taxed
- Any STD and LTD benefit payments you receive are taxable income

Quebec Only

- FLEX Credits are considered employment income if used to purchase STD, LTD, AD&D, medical and dental/hearing/vision care, or deposited in the HCRA
- FLEX Credits used to purchase AD&D are taxed at the provincial level; however, AD&D benefits paid are not taxable
- Any STD and LTD benefit payments you receive are taxable income
- Medical and dental/vision/hearing benefits and HCRA reimbursements are taxed at the provincial level

Paid Time Off –
Vacation, Sick Leave and Holidays

- **Vacation:** Accrued each month based on your years of service, as follows:

Years of Service	Annual Accrual Days	Monthly Accrual Days
0 – 9	15	1.25
10 – 18	20	1.67
19+	25	2.08

- **Holidays:** You are eligible for a total of 14 statutory and Company-paid holidays per year
- **Sick Leave:** Nortel continues to pay your salary during the first five consecutive working days of absence if you need to take time away from work due to a legitimate illness or injury

Note: Paid Time Off is not part of the FLEX program

Enrollment Process

- Once you have decided which benefits you want to select, you will enroll using the **Employee Self-Service (ESS) Benefits Enrollment Tool**
- You must enroll within 31 days of hire
- Once you have confirmed your elections, you will not be able to make any changes, even if you are within your 31 days of hire
- After you enroll, print your confirmation statement and keep it for your records
- Your selections are effective through to December 31 of the current FLEX plan year; you can't make changes until the next plan year, unless you have a Status Change

Available Tools

- **2007 FLEX Benefits Site** - access detailed information about your benefits for the rest of this year
  - Go to S@W to access the web site
- **2008 FLEX Benefits Site** - access detailed information about your 2008 FLEX benefits
  - Go to S@W to access the web site
- **Employee Self-Service (ESS) Benefits Enrollment Tool** – a web enrollment application
  - Automatically calculates benefit costs and FLEX credits
  - Go to https://selfservice.us.nortel.com/
  - For assistance, contact HR Shared Services at ESN 355-9351 or toll-free at 1-800-676-4636

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