



## FREQUENTLY ASKED QUESTIONS (FAQs) Changes to How Pfizer Contributes to Retiree Medical Coverage

These FAQs provide additional information regarding the changes in how Pfizer contributes toward your Retiree Medical coverage.

**Q1:** What is changing for Pfizer’s retiree medical coverage?

**A1:** Pfizer is changing how much the Company contributes toward the cost of coverage for certain retiree groups.

Under the current contribution structure for Medicare-eligible retirees, retirees contribute approximately 10 percent toward the cost of their coverage and 20 percent toward the cost of coverage for their Medicare-eligible dependents. From 2016 through 2018, the retiree share of this cost-sharing arrangement for certain retiree groups – those receiving the Retiree Medical Subsidy and groups that are not currently subject to a contribution cap – will increase so that retirees contribute 15 percent toward the cost of their coverage and 30 percent toward the cost of coverage for their Medicare-eligible dependents.

Additionally, Pfizer will be adding a retiree medical contribution limit or “cap” for Medicare-eligible and non-Medicare-eligible retiree groups that are not currently capped. The cap limits how much the Company contributes toward the cost of retiree medical coverage. This limit will be based on actual 2018 retiree medical costs.

These changes affect the *monthly contribution* retirees pay toward their Pfizer coverage – not the *level of coverage* provided under Pfizer’s retiree medical plan.

**Q2:** Why is Pfizer making these changes now?

**A2:** Pfizer is making these changes to provide consistent treatment of Pfizer’s various retiree groups and to help the Company continue to provide retiree medical coverage. These changes are consistent with steps made by our pharmaceutical industry peers a number of years ago.

**Q3:** What does it mean to have a limit or “cap” on Pfizer’s contribution toward retiree medical coverage??

**A3:** A limit or “cap” is the maximum Pfizer will contribute toward the cost of providing retiree medical coverage. Once the limit is reached, retirees pay the difference, through monthly contributions, between the cost of coverage (the premium) and the limit (the cap).

**Q4:** Which retiree groups are affected by the cap change?

**A4:** This cap change applies to those retiree groups that currently do not have a limit or cap, including:

- Legacy King (Alpharma and Meridian grandfathered) colleagues who retired prior to Jan. 1, 2014
- Legacy NutraSweet colleagues who retired prior to Jul. 1, 1988
- Legacy Pfizer colleagues who retired prior to Jan. 1, 1994
- Legacy Searle colleagues who retired prior to Apr. 1, 1993
- Legacy Warner-Lambert colleagues who retired prior to May 12, 2000
- Legacy Wyeth (including American Cyanamid) colleagues who retired prior to Jan. 1, 2012

To confirm which retiree group you are in, please call the *hrSource* Center at **1-877-208-0950**. Representatives are available to assist you Monday through Friday from 8:30 a.m. to midnight, Eastern Time.

**Q5:** I am part of a retiree group who receives the Retiree Medical Subsidy (RMS). Am I affected by these changes?

**A5:** The Retiree Medical Subsidy (RMS) is already a limit. It represents the total contribution that Pfizer will make toward retiree medical coverage over the course of your retirement. Once this account is used up, you pay the full cost of coverage.

*Non-Medicare-eligible retirees* receiving the RMS are not impacted by these changes. *Medicare-eligible retirees* receiving the RMS are not impacted by the cap but will be affected by the contribution percentage change announced in the enclosed letter. Specifically, the cost-sharing arrangement will increase beginning in 2016 so that by 2018 Medicare-eligible retirees will contribute 15 percent of the cost of their coverage and 30 percent of the cost of coverage for their Medicare-eligible dependents. This increase to the cost-sharing arrangement for Medicare-eligible retirees will result in lower reductions from their RMS balance each year, helping the RMS balance last longer.

Retirees receiving the RMS include:

- Post-2009 Pfizer retirees including legacy Pharmacia and legacy Warner-Lambert Post-2009 retirees
- Post-2011 legacy Wyeth retirees

**Q6:** How do I know if I am not impacted by these changes?

**A6:** To confirm your retiree group and if you are impacted by these changes, please call the *hrSource* Center at **1-877-208-0950**. Representatives are available to assist you Monday through Friday from 8:30 a.m. to midnight, Eastern Time.

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These changes do not impact all retiree groups. Retiree groups who already have a cap are not impacted. In addition, groups for which this does not apply include:

- AH Robins retirees
- American Optical retirees
- Parke Davis Oil, Chemical and Atomic Workers (OCAW) union retirees
- Warner-Lambert colleagues who retired before Jan. 1, 1992
- Warner Lambert retirees covered by the Enhanced Severance Plan (ESP)
- Wyeth retirees covered by the Change in Control (CIC) arrangement

**Q7:** How will the limit or “cap” affect my monthly contributions for coverage?

**A7:** Once the limit is reached, all annual premium cost increases over the limit will be passed on to retirees through the monthly contributions set for the following year. Once the limit is reached, retirees will generally see higher contribution increases than in prior years.

**Q8:** What will be the amount of the cap for retiree groups that are affected by the change and will now have a limit on Pfizer’s contribution?

**A8:** The cap for these groups will be based on Pfizer’s actual retiree medical costs and will vary based on Medicare eligibility and dependents covered.

Below is an *estimate* of the projected limits. Actual limits will be announced once costs are finalized.

| Projected Cap Amount Based on Estimated Pfizer Costs | Non-Medicare-Eligible | Medicare-Eligible |
|--|-----------------------|-------------------|
| Retiree Only   | \$11,000              | \$6,000           |
| Retiree + Spouse/Domestic Partner                    | \$17,000              | \$11,000          |

**Q9:** Can you give me an example of how a cap could affect my contributions?

**A9:** Below is a chart providing an illustrative example to show how reaching the cap impacts a Medicare-eligible retiree's annual contributions for retiree-only coverage in the Pfizer Medicare Advantage Base option:

| Pfizer Medicare Advantage Base Plan – Retiree Only | Without Cap | Year with Cap | \$ Increase | % Increase |
|--|-------------|---------------|-------------|------------|
| Total Annual Cost                                  | \$7,500     | \$8,100       | \$600       | 8%         |
| Annual Cap (Pfizer's Cost)                         | \$6,000     | \$6,000       | \$0         | 0%         |
| Retiree's Annual Contribution                      | \$1,500     | \$2,100       | \$600       | 40%        |

**Q10:** These increases can be significant when there is a limit (or “cap”). What is Pfizer doing to help?

**A10:** To help retirees adjust to a cap on Pfizer's cost, Pfizer is providing advance notice of this change. In addition, for the three-year period from 2019 through 2021, annual contribution increases for retirees will not exceed 15 percent per year.

To account for this, the 2018 limit or cap on Pfizer's cost will be further increased as it is expected that the 15 percent limit on annual contribution increases will increase Pfizer's contribution toward retiree medical coverage. This will result in a new higher cap being set after 2021 retiree medical costs are finalized. This new cap will be communicated in early 2022.

Pfizer continues to pay a significant portion of overall retiree medical costs. This change, as well as the Pfizer-sponsored Medicare Advantage plan and the new funding for prescription drug coverage for Medicare-eligible retirees that takes effect Jan. 1, 2016, will help Pfizer continue to provide comprehensive retiree medical coverage, including 100 percent coverage for Pfizer drugs and Greenstone generic drugs. As the cost of medical coverage continues to increase, we continue to look for ways to moderate cost increases and keep this coverage sustainable.

We recognize that retirees may find other coverage that is less costly than Pfizer's coverage. If a retiree chooses to waive his or her Pfizer coverage during annual enrollment, he or she may rejoin the plan during a future annual enrollment period as long as he or she maintains continuous creditable medical and prescription drug coverage.