



## FREQUENTLY ASKED QUESTIONS ABOUT THE ANNUITY PURCHASE

This document contains frequently asked questions (FAQs) about the annuity purchase that will occur with respect to the FirstEnergy Corp. Master Pension Plan (the Pension Plan). Please review this information carefully and contact the FirstEnergy Pension Center at Aon at **1-855-326-8167** if you have additional questions.

### WHAT IS CHANGING AND WHY

#### **1.1. Why is FirstEnergy purchasing an annuity for my pension?**

The transfer will provide FirstEnergy with cost reductions as we strive to manage the overall pension trust, control costs and ultimately benefit the security of retirees' pensions. FirstEnergy fully funded the pension benefit obligation transferred to Western-Southern Life Assurance Company, a member of the Western & Southern Financial Group (Western & Southern) and has taken steps to ensure payments will not be interrupted.

#### **1.2. What insurance company has been selected?**

Western & Southern has been selected to provide retirement income to retirees, beneficiaries and alternate payees included in this group annuity purchase. Founded in 1888, Western & Southern provides high-quality life insurance, retirement and investment products to its customers.

#### **1.3. What does it mean that the Pension Plan purchased an annuity for my pension?**

The financial and administrative responsibility for your monthly pension payments is being transferred from the Pension Plan to Western & Southern. Group Annuity Contract #GLFIRSTENE0118F was purchased from Western & Southern on November 13, 2018.

Under the terms of the group annuity contract, all promised monthly pension payments to covered retirees, beneficiaries and alternate payees are guaranteed by the insurance company.

**While the company that makes your monthly payment will change, this does not affect the amount of your monthly payment.** Beginning in January 2019, Western & Southern will become responsible for your monthly pension payments. To accommodate the transition, FirstEnergy will make your January 2019 and February 2019 payments, but they are solely and exclusively backed by Western & Southern. You will begin receiving your monthly pension payment directly from Western & Southern in March 2019.

**1.4. Whose benefits are being included in the annuity purchase?**

Only certain retirees, their surviving beneficiaries and alternate payees receiving monthly pension payments from the Pension Plan as of January 1, 2018, are part of the annuity purchase. Participants were included in the annuity purchase based upon the dollar value of their monthly pension benefit.

**1.5. Do I need to do anything?**

You do not need to do anything. The transfer to Western & Southern will happen automatically without any action on your part.

You can expect to receive additional information from Western & Southern about your annuity and how to contact them.

**1.6 Are other companies completing similar transactions?**

Yes. This is becoming a common approach to control costs and assure payments for pension plans. In 2017, more than 500 U.S. pension plans undertook similar transactions.

**IMPACT ON THE MONTHLY PAYMENT**

**2.1. Will my monthly payment change?**

No, the transfer of pension payments to an annuity contract will **not** change the amount of your monthly payment.

Over time, the net payment you receive each month could change based on your personal selections at the time your benefit commenced or due to changes in benefits deductions and withholdings, just as it would if it were issued by the Pension Plan. For example:

- Your tax withholdings could change due to annual changes in tax rates or if you change your withholding instructions.
- If you have any garnishments or other legally required deductions from your pension payments that change or cease in the future, your pension payment may be impacted.

**2.2. Can Western & Southern change my benefit in the future?**

No. The agreement with Western & Southern is an irrevocable commitment to make monthly payments under the same payment terms you have under the Pension Plan.

**2.3. I use direct deposit for my monthly pension payments. Do I need to send my banking information to Western & Southern?**

FirstEnergy will transfer your banking information so there should be no interruption to your monthly pension payments.

**2.4. Will my monthly annuity payment be charged fees by Western & Southern?**

No, Western & Southern will not charge you fees. The group annuity contract will provide you with the same monthly payment under the same terms as you have today.

## **2.5. What happens in the event of a death (mine or my spouse's)?**

The insurance company will honor the elections you made when you elected your pension benefits, including any survivor benefits. What will change is whom you contact to report a death. Starting February 15, 2019, you should report any death directly to Western & Southern. More information about how to contact Western & Southern will be provided before the company takes over the responsibility of administering your monthly pension payments on March 1, 2019.

If you still have other benefits (i.e., life insurance or medical benefits), you will need to contact the FirstEnergy Human Resources Service Center at 1-800-543-4654 to notify us of the death.

## **ABOUT THE TRANSITION**

### **3.1. When will I start receiving annuity payments from Western & Southern instead of pension payments?**

Western & Southern will take on responsibility for your annuity payments starting January 1, 2019. To accommodate the transition, FirstEnergy will make your January 2019 and February 2019 payments, but they are solely and exclusively backed by Western & Southern. You will begin receiving your monthly pension payment directly from Western & Southern in March 2019. The transition to Western & Southern will happen with no interruption to your monthly pension payments.

### **3.2. Who do I call if I have questions after the transition occurs?**

You will receive additional information from Western & Southern in mid-February. This will include contact information should you:

- Have questions about your monthly annuity payment
- Need to change your address, update your bank information, or modify your tax withholding
- Need to report a death or divorce that could affect your monthly payments

If you have other benefits (i.e., life insurance or medical benefits), you will need to contact the FirstEnergy Human Resources Service Center at 1-800-543-4654 with any questions.

### **3.3. Does the payment I receive from Western & Southern continue to be considered a pension plan benefit?**

No. Your monthly payment will transition from a pension plan benefit to an annuity payment, fully guaranteed by Western & Southern, based on the provisions of the annuity contract. The annuity contract is designed to continue payments that satisfy the pension you were promised under the Pension Plan. (Refer to the "Protection of monthly payments" section in this document to learn more.)

## SELECTION OF THE INSURANCE COMPANY

### **4.1. How was the insurance company selected?**

This annuity purchase selection process was conducted in accordance with the guidelines set forth in the U.S. Department of Labor's (DOL) Interpretive Bulletin No. 95-1. As part of these guidelines, the FirstEnergy Investment Committee (the Committee), which is responsible for making fiduciary decisions for the Pension Plan, retained Aon Hewitt Investment Consulting, Inc., an independent consulting firm, to advise the Committee regarding the purchase of the annuity contract.

In conducting the assessment, the Committee and its advisors went through an exhaustive process and followed the fiduciary standards set forth under the Employee Retirement Income Security Act (ERISA), the federal law that governs pension plans, and the DOL Interpretive Bulletin. The Interpretive Bulletin requires, among other things, that the Committee analyze the criteria applicable to identifying the "safest available annuity." Other important factors, such as customer service, insurance company financial ratings, experience and insurance company reputation, were also considered as part of the selection process.

After reviewing these factors, the Committee selected Western & Southern to provide your future pension benefit payments. Western & Southern is looking forward to providing your pension benefits in the future.

### **4.2. Why was an independent annuity expert hired to evaluate the insurance company?**

Under federal law governing pension plans, plan fiduciaries are obligated to make plan decisions prudently and for the exclusive benefit of plan participants and beneficiaries. FirstEnergy decided it was best to hire an independent annuity expert to provide the Committee with a comprehensive evaluation of the various insurance companies.

### **4.3. Where can I learn more about the insurance company that will provide my benefits?**

You can find additional information on the insurance company's website at [westernsouthern.com](http://westernsouthern.com).

## PROTECTION OF MONTHLY PAYMENTS

### **5.1. How is my pension benefit protected today?**

During the time you, your beneficiary or alternate payee are receiving pension payments from the Pension Plan, your benefit is guaranteed by the Pension Plan. In the rare event of a default by the Pension Plan to meet pension obligations, your benefit is insured by the Pension Benefit Guaranty Corporation (PBGC), a U.S. government agency that provides protections—up to certain limits—for pension benefits in the event the Pension Plan can no longer pay benefits. (Learn more about the PBGC at [pbgc.gov](http://pbgc.gov).)

## **5.2. How will my pension benefit be protected after it is transferred to Western & Southern?**

Under the group annuity contract, the amount of your pension benefit will be guaranteed by Western & Southern. Insurance companies are heavily regulated to protect the interests of individuals receiving annuity payments. Additional protection is also provided by the state guaranty association, with coverage that is subject to certain limits that may vary by your state of residence. State guaranty associations act as a form of insurance for insurance companies.

For more information on state guaranty associations, visit the National Organization of Life & Health Insurance Guaranty Associations at [nolhga.com](http://nolhga.com). Click on *Facts & Figures*, then click on *GA Law Summaries* and scroll through the drop-down menu to select your state.

## **5.3. What state guaranty association will provide protection for my annuity payment?**

Generally speaking, in the rare case that Western & Southern is unable to pay your annuity benefit, where you live at the time determines which state guaranty association is responsible (subject to applicable limits). In certain circumstances, other factors such as where the insurance company is licensed to do business determine which state guaranty association may be responsible.

## **5.4. How can I assess the financial health of an insurance company?**

Insurance companies file an annual report that is available on their websites. In addition, you should know that FirstEnergy had a fiduciary obligation under ERISA to consider the financial health of the insurance company that was ultimately selected.

## **EXPLANATION OF TERMS**

### **6.1. What is an annuity?**

An annuity is series of payments made over a specific period of time, such as a fixed time period or over the lifetime of one or more individuals. Annuity payments may be made by pension plans or by insurance companies.

### **6.2. What is a group annuity contract?**

A group annuity contract is the written agreement between an insurance company and an organization covering annuity payments to multiple individuals. The group annuity contract outlines each party's obligations in an annuity coverage agreement and defines the terms of the annuity payments. Each individual under a group annuity contract has a right to his or her specific annuity amount.

### **6.3. What is the Pension Benefit Guaranty Corporation (PBGC)?**

The Pension Benefit Guaranty Corporation – or PBGC – is a U.S. federal government agency that provides protections – up to certain limits – for defined benefit pension benefits in the event a plan can no longer pay benefits. The FirstEnergy Corp. Master Pension Plan is a defined benefit pension plan.