2006 Issue 3

THE RETIREE GUARDIAN

News from Association members in all 14 US West/Qwest states
Newsletter of the **A**ssociation of **US W**est **R**etirees
www.uswestretiree.org or www.qwestretiree.org

Nacchio Trial March '07

Joe Nacchio's insider trading trial in Denver is scheduled for March 19, 2007.

U.S. District Judge Edward Nottingham rejected the Nacchio defense team's claim that he cannot get a fair trial in the phone company's hometown because of negative publicity. The judge also ruled on a handful of evidence-related motions and heard arguments behind closed doors about classified information involving Qwest's business dealings with the government. He ruled the material needed to remain top secret to protect national security. Nacchio was absent from the hearings.

> *"He's charged simply with insider trading. He's not charged with doing harm to Qwest."*
> *...Jeffry Speiser, Nacchio attorney*

The trial, if the date holds, is estimated to take about 30 days, split equally between the prosecution and the defense.

...continued on page 16—"Nacchio"

"Pension Death Benefit" Ruling: Judge Refuses to Dismiss Kerber Case

by Curtis Kennedy, AUSWR Litigation Counsel

The *Kerber v. Qwest* case, known to members as the "Pension Death Benefit" case, was given a major retiree favorable ruling by Denver Federal Judge Boyd N. Boland. **On October 5, 2006, Judge Boland issued a 13-page order. He ruled against Qwest not to dismiss the case**.

Since March, we have been engaging in formal discovery in order to gather proof that the Pension Death Benefit, which is payable from the pension plan, now called Qwest Pension Plan, is a vested benefit, not something that can be reduced or taken away at the whim of Qwest leadership.

This dispute started as a result of Qwest leadership's announced plan to eliminate the Pension Death Benefit for *all* retirees.

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INSIDE

WE WERE THE OPERATORS AND REPAIR CLERKS, THE INSTALLERS AND LINEMEN, THE ENGINEERS AND NETWORK PLANNERS, THE CRAFT AND MANAGEMENT EMPLOYEES OF EVERY DESCRIPTION WHO BROUGHT TELECOMMUNICATIONS TO THE HOMES, BUSINESSES, AND INSTITUTIONS OF 14 STATES. NOW WE ARE UNITED IN OUR COMMITMENT TO PRESERVE AND ENHANCE THE RETIREMENT BENEFITS PROMISED TO US AND TO THOSE WHO FOLLOW US AS TODAY'S ACTIVE EMPLOYEES.

Legal Activities

("Pension Death Benefit" ...continued from page 1)
The *Kerber* case is filed as a proposed class action for *both* management and non-management retirees. On September 8, 2006, a formal motion was filed asking Judge Boland to certify the case as a class action for all service pension eligible retirees.

Qwest senior leadership's position is that the Pension Death Benefit was never considered to be either a *vested* or protected pension benefit. They want the right to pull the trigger and end this benefit. Qwest hired a cadre of defense lawyers who filed a motion with legal brief asking Judge Boland to dismiss the case, but that effort failed.

Curtis Kennedy, AUSWR Legal Counsel

Among other things, Judge Boland said, "delayed review of the issue would serve only to increase the uncertainty of the plaintiff's retirement benefits, and decrease their ability to compensate for the uncertainty."

Qwest Defendants have also asked Judge Boland to grant them a summary judgment, based upon the relevant evidence. But Qwest's defense team has deliberately ignored historic language in pension plan documents and the course of dealings when U S WEST administered the two qualified defined benefit pension plans after taking over its share of the two original Bell System pension plans divided up when AT&T was broken apart.

During formal discovery which ended on September 8, 2006, we gathered all the old pension documents, bulletins, summary plan descriptions, and obtained statements from persons who were involved with administering the pension plans during 1984-1999. We obtained a very detailed and favorable expert opinion report. On October 3, 2006, we submitted all of that information to Judge Boland.

There is a great deal of information posted at the AUSWR website and there will be further updates about the *Kerber* case as matters develop. Presently, the case is set for trial during January 22-25, 2007. Between now and then, Judge Boland will likely address: 1) the pending motion for class certification; and 2) Qwest Defendants' pending motion for summary judgment. Go to the AUSWR website at: **http://www.uswestretiree.org/legal2.htm#death**

Curtis L. Kennedy

SUMMARY JUDGMENT - A legal decision made on the basis of statements and evidence presented for the record without a trial. It is used when there is no dispute as to the facts of the case, and one party is entitled to judgment as a matter of law.

Curtis Kennedy Selected Among The Best Lawyers In America®

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AUSWR President's Message

Dear Fellow Retirees,

The season of politicking has once again rolled around prior to the November elections. Through our continuous involvement in the National Retiree Legislative Network (NRLN), we work with the Washington D.C. staff to raise awareness and to lobby for or against bills affecting retirees. We continually remind the members of Congress and their staffs about the thousands of voters that make up the ranks of our Associations. The results of NRLN are well documented in the emails and newsletters of AUSWR, and you have often responded to our requests to email, write a letter or call your legislators about a particular bill.


Mimi M. Hull

But now it is time for the members of Congress and other candidates for elected offices to

...please vote as an informed voter who has tested the candidates and know where they stand on the issues

hear directly from you, face to face, about issues that are important to you as retirees. Please take part in the national debate on issues from Social Security to income indexed Medicare Part B Premiums, from pension reform and funding to excessive executive compensation and disclosure, to Health Care reform and spiraling health care costs.

Go hear your candidates speak and ask them questions about their positions on issues that will affect the quality of life for retirees for decades to come. Ask them how they voted on particular bills, and why they voted that way. Ask who contributes to their campaign and does that make them beholden to special interest groups. And then, when you have cut through of all of the rhetoric, spin and double speak, please do what every loyal American should be doing- ***that is VOTE!***

And please vote as an informed voter who has tested the candidates and know where they stand on the issues. This election will be pivotal for the quality of life for Seniors. It is in your hands. Thank you.

Mimi Hull,
President,
Association of US West Retirees

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Executive Pension Funding...

Hidden Burden

As Workers' Pensions Wither, Those for Executives Flourish

Are "working stiffs" [and retirees] picking up the tab for posh executive retirement benefits?

That's the bottom line question developed in a recent executive pension plan report in the *Wall Street Journal*. [June 23, 2006, by ELLEN E. SCHULTZ and THEO FRANCIS]. Excepts of their investigative report follows.

AT&T

David Dorman was chief executive of AT&T Corp. from 2002 until its merger with SBC Communications in November. He left in January. His total of five years at AT&T earned him a yearly pension of $2.1 million. That will replace 60% of his annual salary and bonus in his final three years.

By contrast, former AT&T accountant Ralph Colotti's $28,800 annual pension replaces 33% of his final pay. He was at the company for 33 years.

Mr. Colotti's pension was held down by a change AT&T made in 1998 in the formula used to calculate pensions. The switch had the effect of freezing pension growth for older workers like him. The 55-year-old now works at another company with a pension plan. "Working here another 10 years won't make up for what my old pension would have been" without AT&T's change in formula, he said.

AT&T described its retirement benefits as excellent and said a pension on the scale of Mr. Colotti's is good in the telecommunications industry. Mr. Dorman's richer deal is "reasonable, customary and comparable to what similarly sized companies offer," AT&T said. A spokeswoman noted that "in any industry, senior executives are almost always provided with enhanced levels of benefits as a way to recruit and retain the best talent and the best leadership possible to lead the company."

At AT&T Inc., the pension liability for executives was a modest 3.8% of the company's total pension obligation at the end of last year. Yet these promises to 1,000 or so highly paid people generated more than 45% of AT&T's pension expense. The expense for them came to $113 million last year, and reduced AT&T's 2005 earnings by that amount.

The other 55% of pension expense? It covered 189,000 regular employees.

AT&T's controller, John Stephens, confirmed that executive pensions cause a bigger drag on earnings, per dollar of liability, than pensions for others. He added that AT&T, like some other companies, has informally earmarked an undisclosed amount of assets for paying executive pensions in the future. But while these assets earn investment returns, they don't lower pension expense, because the assets aren't irrevocably dedicated to this purpose. The executive pension plan, in other words, isn't funded.

Lucent Retirees

Lucent Technologies Inc. has pointed to retiree benefits as a burden and has cut benefits in a number of ways. For instance, for various retirees in recent years, Lucent has used a less-generous pension formula ; eliminated dental and spousal medical coverage and death benefits; and raised retiree health-insurance premiums. In a recent filing, the Murray Hill, N.J., telecom-equipment firm said, "Lucent's pension and postretirement benefits plans are large...and also costly."

Yet the pension plans for regular Lucent employees and retirees, who number about 230,000, are overfunded. In fact, they're so full of cash that the investment return on their assets not only erases the pension plan's expense -- it adds to earnings. In the fiscal year ended last Sept. 30, these pension-plan assets pumped $973 million into Lucent's bottom line, accounting for about 82% of the company's profit.

They would have pumped in still more, save for an unfunded pension plan for Lucent's highest-paid people, which had a liability of approximately $422 million last year. Lucent confirmed that pensions for its executives and those earning more than $210,000 in 2005 reduced net income. It declined to say by how much. A spokeswoman said Lucent follows U.S. pension accounting and disclosure rules and that if the expense for retiree medical plans were subtracted, its overall retirement benefits contributed $718 million to income.

General Motors

To help explain its deep slump, General Motors Corp. often cites "legacy costs," including pensions for its giant U.S. work force. In its latest annual report, GM wrote: "Our extensive pension and [post-employment] obligations to retirees are a competitive disadvantage for us." Early this year, GM announced it was ending pensions for 42,000 workers.

But there's a twist to the auto maker's pension situation: The pension plans for its rank-and-file U.S. workers are overstuffed with cash, containing about $9 billion more than is needed to meet their obligations for years to come.

Another of GM's pension programs, however, saddles the company with a liability of $1.4 billion. These pensions are for its executives.

When General Motors cites retiree costs, the giant auto maker has a point: It owed nearly 700,000 U.S. workers and retirees pensions that totaled $87.8 billion at the end of last year.

But $95.3 billion had already been set aside to pay those benefits when due.

All of these assets are earning investment returns, which offset the pensions' expense. GM lost $10.6 billion in 2005. But deep as its losses have been, they would have been far worse without the more than $10 billion per year in investment income that the GM pension plan for the rank and file generates.

The pension plan for GM executives is another matter. Executive pensions are unfunded to the tune of $1.4 billion. It detracts from GM's bottom line each year. GM doesn't break out the figure for executive pensions. It said executive pensions are "a very small portion of our overall expense" but declined to give the figure.

Earlier this year, GM announced it would freeze the pensions of its 42,000 salaried workers starting next January, as well as of those 5,200 highly paid employees. The freeze of the executive pensions will cut GM's pension liability by $60 million, while its freeze of salaried workers will yield a far bigger reduction, $1.6 billion.

A spokeswoman for GM said its concerns about its pension plans have eased, though the company remains concerned about retiree health-care costs. With the pension freeze and improved returns on its pension assets, including billions of dollars GM has contributed to the plans in recent years, "I would say pension really is not a problem any more," the spokeswoman said. She said that GM has no fixed obligation to pay the executive benefits and could renege at any time, although she called such a move unlikely.

...continued on next page

Workers' Pensions Wither...

GM has often said its U.S. pension plans added about $800 to the cost of each car made in the U.S. in 2004. It declines to say how much was due to executive pensions.

The "Squeeze"

This is the pension squeeze companies aren't talking about: Even as many reduce, freeze or eliminate pensions for workers -- complaining of the costs -- their executives are building up ever-bigger pensions, causing the companies' financial obligations for them to balloon.

Companies disclose little about any of this. But a *Wall Street Journal* analysis of corporate filings reveals that executive benefits are playing a large and hidden role in the declining health of America's pensions. Among the findings:

• Boosted by surging pay and rich formulas, executive pension obligations exceed $1 billion at some companies. Besides GM, they include General Electric Co. (a $3.5 billion liability); AT&T Inc. ($1.8 billion); Exxon Mobile Corp. and IBM Corp. (about $1.3 billion each); and Bank of America Corp. and Pfizer Inc. (about $1.1 billion apiece).

• Benefits for executives now account for a significant share of pension obligations in the U.S., an average of 8% at the companies above. Sometimes a company's obligation for a single executive's pension approaches $100 million.

• These liabilities are largely hidden, because corporations don't distinguish them from overall pension obligations in their federal financial filings.

• As a result, the savings that companies make by curtailing pensions for regular retirees -- which have totaled billions of dollars in recent years -- can mask a rising cost of benefits for executives.

• Executive pensions, even when they won't be paid till years from now, drag down earnings today. And they do so in a way that's disproportionate to their size, because they aren't funded with dedicated assets.

One reason executive pensions have grown so large is that they are linked to ballooning overall executive compensation. Companies often design retirement payouts to replace a percentage of what a person earns while active.

But for executives, the percentage of pay replaced is itself higher. Compensation committees often aim for a pension that replaces 60% to 100% of a top executive's compensation. It's 20% to 35% for lower-level employees.

In percentage of pay replaced, Pfizer's chairman and CEO, Henry McKinnell, does best of all. His future $6.5 million-a-year pension will replace 100% of his current salary and bonus.

Cutting Back

Even as executives' pensions grow, many companies are curtailing those for the rank and file. In one move, hundreds of employers, including Boeing Co., Xerox Corp. and Electronic Data Systems Corp., have switched to pension formulas known as "cash balance" plans. One effect is to slow the growth of older workers' pensions or halt it altogether. That's what happened to Mr. Colotti at AT&T.

Other companies, including Verizon Communications Inc., Unisys Corp. and Sears Holdings Corp., are freezing their pension plans for some workers. A freeze leaves intact pensions already earned but prevents any further growth during a worker's career.

Completely Legal Change

Companies that restrict regular pension plans often point to the 401(k), some noting that they've enhanced their match of contributions. Unlike pension plans, 401(k) plans don't create a corporate debt or

...Executives Flourish

Companies generally are also free to alter, freeze or end regular employees' pension plans, unless a union contract is involved. But executive pensions often are protected from management interference by employment or other contracts.

By curtailing pensions for regular workers, large companies have reduced pension obligations to them by billions of dollars in recent years. So pension obligations to regular workers are stable or shrinking at many companies while those for executives rise. At Bell South Corp., for example, the obligations for pensions for ordinary workers have edged down 3% since 2000. The liability for pensions for executives is up 89% over the same period. A BellSouth spokesman noted that, like many executive pensions, the benefit could be lost in the event the company becomes insolvent.

The promise of any pension becomes a corporate obligation. Although the payments are in the future, the promise means the company has a liability now. And a number can be put on it.

Deferring Compensation Creates Debt to Executives

As a result of the executive compensation trends, executive pensions make up a significant portion of total pension liabilities at many companies: 12% at Exxon Mobil and Pfizer; 9% at Metlife Inc. and Bank of America; 19% at Federated Department Stores Inc.; 58% at insurer Aflac Inc.

At some companies, the only people who have pensions at all are executives. At Nordstrom Inc., the nearly 30,000 ordinary employees don't get pensions. But 45 executives do. At retailer, Dillard's Inc., pensions are only to certain officers..

Companies' retirement liabilities for their executives have also grown through another little-noticed trend: Over recent years, an increasing portion of executives' pay has been postponed, via pension and deferred-compensation plans, rather than given in current paychecks.

Sol Paid $72 Million

from articles ***by Jeff Smith, Rocky Mountain News****, August, 2006*

Qwest Communications agreed to pay then-U S West CEO Sol Trujillo a $72 million golden parachute a day before the merger between the two communications giants closed on June 30, 2000. The severance package, which included $5.5 million for the use of a corporate plane for 3 1/2 years, excludes the value of stock options that immediately vested and certain other long-term incentives. Those potentially added tens of millions of dollars to his ultimate windfall.

Details of the package -- believed to be previously unreported and amended from an earlier severance agreement -- were recently found by a Denver attorney in court documents connected with a case involving shareholder dividends.

Qwest apparently wasn't required to file the last-minute arrangement with the Securities and Exchange Commission.

Just months before, Trujillo had decided not to stay on with the merged company because of style differences with then-Qwest CEO Joe Nacchio. Trujillo reportedly left a four-year retention package worth $48 million on the table. When the merger was completed, it was widely reported that Trujillo had received a compensation package of $36.9 million.

Over the years, Trujillo's severance has been reported in a wide range -- from the $36.9 million to as high as $230 million by a shareholder advisory group.

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...Trujillo Severance Package

Curtis Kennedy, attorney for the Association of U S West Retirees and the one who discovered the documents, characterized Trujillo's severance agreement of June 29, 2000, as "outrageous."

"We're the little people, the retirees who built the company, and these big shots were taking care of themselves . . . greedy and gluttonous, lining their pockets," Kennedy said.

Trujillo is now chief executive of Telstra, an Australian communications giant. He had a 26-year career with U S West, including a two-year stint as chief executive.

The $72 million payment to Trujillo, according to court documents, included a $36.9 million change-in-control payment, a $10 million payment to sign the agreement, a $13.7 million pension payment, the $5.5 million airplane allowance, $2 million worth of office space and administrative support, and nearly $1 million in perks.

The perks included memberships at Castle Pines and Glenmoor country clubs south of Denver, $100,000 worth of limousine services and more than $13,000 to attend the World Economic Forum.

The agreement was signed by Frank Popoff, then chairman of the Qwest board's human resources committee. Popoff, still a Qwest director and a former chairman and chief executive of Dow Chemical Co., couldn't be reached for comment.

Kennedy noted the amended agreement to Trujillo followed a testy exchange between Trujillo and Nacchio over U S West's plans to pay its stockholders one final dividend upon completion of the merger.

Nacchio believed the money would be better spent on investing in video services, wireless programs and customer-service improvements.

In a letter to Nacchio on June 2, 2000, Trujillo wrote that "our shareholders' interest and expectations are important to us, and we do not believe it would be in our mutual interest to surprise them this late in the game." The U S West board approved the 53.5 cents-a-share dividend on June 5.

Replied Nacchio on June 6: "U S West materially breached the merger agreement by declaring a $270 million dividend payable to shareowners of record at the close of business on June 30."

On June 7, U S West changed the shareholder record date from June 30 to July 10, effectively enabling Qwest to kill the dividend after the merger.

On June 21, U S West shareholders went to Denver District Court to try to force the phone company to set aside $273 million to pay the stock dividend.

On June 23, the motion was denied. Trujillo's amended golden parachute agreement was dated June 23 and signed on June 29.

Last year, U S West shareholders won a $50 million class-action settlement on the dividend issue. Kennedy ran across the Trujillo severance documents while preparing an appeal of the $16.3 million award to the plaintiff attorneys, a fee he has said is another example of "greed gone wild."

Trujillo's Golden Parachute:

- Change-in-control payment: $36.9 million
- Payment for signing agreement: $10 million
- Pension payment: $13.7 million
- Corporate airplane allowance: $5.5 million
- Office space and administrative support: $2 million
- Dividend equivalent award: $1.5 million
- Other perks: $943,441 (including Glenmoor and Castle Pines country club memberships, $100,000 in limousine services and $13,000 to attend the World Economic Forum)
- About 2 million stock options, which immediately could be exercised

ADVOCACY: Guarding Our Benefits

NEXIUM IS OUT!!

In late August UHC (United Health Care) sent a letter to employees and retirees notifying them that UHC would no longer cover the cost of the prescribed medication *NEXIUM.*

You know NEXIUM. It's that little purple capsule you have all seen on TV and/or in magazine and newspaper advertising.

According to the letter from UHC they are recommending an Over The Counter (OTC) drug (has to be paid for by the retiree) called *Prilosec OTC*. This drug is used to treat heartburn and stomach ulcers according to UHC and the brochure associated with the drug.

Nexium is used to treat other conditions, among them rehabilitation of the esophagus. Prilosec OTC does not claim to provide this relief.

In addition, in the drug description on the UHC web site it states that *Prilosec OTC can only be taken for **14 days***.

The rational given by UHC for their decision is based upon cost savings when the OTC drug is "therapeutically" equivalent to Nexium.

In addition to the recommendation of the OTC drug the letter offers some added options. These include three (3) other medications that require a doctor's prescription.

Of these three medications, one is the generic Prilosec for which Nexium has been prescribed as replacement when it, Prilosec, doesn't do the job. One of the medications suggested as an option would cost a total of 17 cents difference for a 90 day supply as compared to the cost of Nexium. There are no cost -saving there. The third option was shown as not available from Medco.

Our position is that the elimination of coverage for Nexium, after it has already been covered, is in violation of the Phelp's lawsuit settlement whereby there can be no reduction in Health Care benefits for pre- '92 retirees.

Because of all of the problems associated with the above a formal request has been filed for a review of the decision to eliminate *Nexium* from coverage. This request has been made to both UHC and Qwest Benefits. To date, 9-12-2006, no response has been received from either party. However, the UHC web site now shows that Nexium is no longer covered by the Health Care drug benefit.

Howard Rickman
Ombuds AUSWR

If you have a question or issue that you are unable to resolve during your inquiries to Qwest and other benefits providers, please contact your state Advocate for assistance.

AUSWR STATE ADVOCATES:

Arizona	Don Gillespie	602-275-4213
Colorado/Wyo	Jim Heinze	303-442-1831
Idaho/Montana	Shirley Moss	208 342-3449
Iowa/So Dakota	Vikki Farrand	605-332-3670
Nebraska	Milt Jenner	402-333-4455
New Mexico	Monte Shriver	505-258-8640
No Dakota	Arnie Pauls	701-451-0771
Minnesota	Barb Hermanson	763-757-4985
Oregon	Barbara Brown	541-382-5544
Oregon	Howard Rickman	503-646-4848
Utah	Dick Johnson	801 963-6220
Utah	Byron Lemmon	801 295-4653
Washington	Shirley Jones	206-368-8686

Remember to send your address and email changes to your retiree group...saves $$$ for us all...

Grassroots Network

by Hazel Floyd, AUSWR Regional
Vice President for Legislation
email: hafloyd1@msn.com—tel.303-455-1535

An agenda of retiree-focused issues form the **AUSWR/NRLN Legislative Network** future directions. Reduced patented medicine expenses, tax deductions for health care costs, bankruptcy protection of pension benefits and high health care costs, Universal health care, and Medicare Part D changes top the agenda. —And give you a list to use in asking questions to your 2006 Congressional Candidates. Find out just how they support these issues. AUSWR and NRLN will give you updates in the future.

Patented Medicines

- Importation of safe prescription drugs to lower costs [as allowed in the Veterans' Health Care Plan]. Senate Bill 334 is pending.
- Prevention of in-year changes and interruptions of Medicare Part D. House Bill H.R. 4685 is pending.
- Suspension of Late Filing Penalties for Medicare D eligible subscribers. Senate 2810 & House 5399 bills are pending.
- Legislation to permit competitive bidding by Medicare for prescription drugs [as allowed in the Veterans' Health Care Plan]. No bills pending
- Support of legislation to eliminate Medicare D Doughnut Hole. No bills pending.

Income Tax Deductions

- Legislation to make health care premiums and out-of-pocket medical costs fully income taxable deductible. No Bill is Pending in Congress at this time.
- Legislation enabling tax free rollovers from 401K, IRA, or other individual retirement accounts to Health Care Savings Accounts, regardless of age, and permit tax free use of such accounts to pay for healthcare costs not covered by insurance. No Bill Pending in Congress at this time.

Bankruptcy Protection

- Protection of health care and pension benefits in event of corporate bankruptcy filings. No bill pending in Congress.

Other Health Care Legislation

- The NRLN Health Care Committee is currently evaluating two Proposals in Congress to establish a Health Care Information Technology Act. Senate 1418 and House H.R. 4157 have been referred to their respective Committees for further action.
  - Both of these bills purport to implement a national technology information system [aka national electronic medical records] recommended by the National Council for Health Care (NCHC).

AUSWR Members Legislative Web Page

www .uswestretiree.org/legislative2htm

The AUSWR Legislative Activities Web Page is redesigned to better serve our members for contacts with their elected representatives and help in our pursuit of affordable health care and pension benefit protection.

The website is: **www .uswestretiree.org/legislative2htm .** Put this address in your Favorites or Bookmarks for instant access. When you click on **Congressional Directory,** and click on your state in the map of the USA, you will receive the addresses for all your *Congressional Representatives*.

If you wish to *research a certain bill* in Congress, click on the **Additional Congressional Links** and go to the **Thomas Web Site.** You can read summaries of any bill by number or word/phrase you enter.

If you would like to read the latest in **Health Care**, you can access that on the Health Care Web Page.

Another avenue to contact your Congressional Representative is to click on the **National Retirees Legislative Network** website: **www.nrln.org** where you may use the CapWiz network to Write to members of Congress by entering your Zip Code.

Other Organizations such as the **AARP (www.aarp.org)** and **Pension Rights Center (www.pensionrights.org)** are also available as resources with just a click.

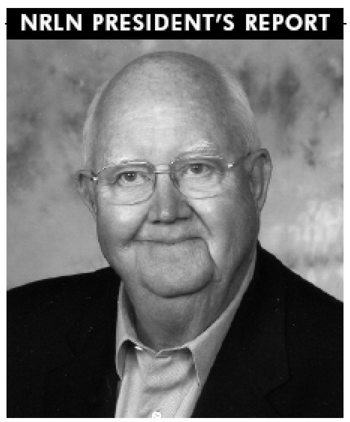
IMPORTANT NOTE: You must remember that all contacts with Legislative Representatives must always be non-partisan. When you are representing AUSWR in any matter, you cannot take any one political party's position. This would be against the law concerning our IRS non-profit status.

The AUSWR/NRLN Grassroots Network is for the 14 Regional States of the Qwest and former U S West corporate area, plus Wisconsin. For more information or to discuss state and national plans, please contact Hazel Floyd at the address above.

View from Washington

REPORT ON PENSION REFORM

Thank you! The passage of The Pension Bill in both houses of Congress represents a major accomplishment by the NRLN and our Grass Roots Network members. You are commended for your determined efforts to convince your Senators and Representatives of the urgent necessity to pass legislation tightening corporate pension funding rules and closing the loopholes that have enabled companies to accumulate huge pension liabilities.



A.J. (Jim) Norby

On the very last vote before adjourning for the Congressional summer vacation, Congress finally passed The Pension Reform Bill. The Senate passed 93 to 5. The House passed 279 to 131.

I don't believe everyone ever gets everything one wants in a Bill; however, the NRLN certainly got a good number of its key issues included in the legislation that has passed.

First, the basic thrust of the Bill substantially tightens pension plan funding requirements and greatly reduces the risk that plans will default to the taxpayers via the Pension Benefit Guaranty Corporation (PBGC) in the future.

Second, the change in the 5-year asset smoothing rule on the timing an amount of funding a company has to add back to a Pension Plan after the assets plummet due to a Stock Market loss. This means companies will face having to add assets back after 2 years, instead of after 5 years. A clear win for us.

Third, the defeated effort to retroactively legalize Cash Balance Conversions, and the benefit "wearaway" often inflicted on older workers.

Next, the prevention of a reduced level at which a pension fund "surplus" can be transferred to offset corporate operating expenses for a retiree health care benefits. (So called Section 420 transfers). And, finally, pension plan disclosures to participants are improved. For example, each year Pension Plans must affirmatively disclose their funding levels and make extra disclosures if they are under 100%. These reports must be published in the form of statements to retirees within 120 days from the end of the Plan year. Today, we get nothing for 10 months, too late for taking action. Also, under the new law, detailed filings must be made available electronically.

Had it not been for the constant pressure exerted by the NRLN and its Grass Roots Network members, I'm convinced the legislation would have been much less favorable to workers and retirees. In fact, there probably would have been no bill passed at all. This is an election year, and our Senators and Congressmen must recognize the power of the retirees at the ballot box. As I have shared with a number of members of Congress, as retirees we may be older, but most of us still know how to drive, and we know our way to the polling places.

Additional information is available on our Website: www. NRLN.org. And look for more information in the next edition of the "A View From Washington."

Until next time, good luck and
God speed.

NRLN represents more than 20 major companies' retiree organizations that include more than 2 million members. To learn more about NRLN and their activities go to:
WWW.NRLN.ORG

Arizona Telephone Retirees are affiliated with NRLN through our support of AUSWR.

NRLN website states, *"We can help anyone with a burning desire to keep predatory executives from running through your pension money or taking away promised …benefits."*

Legal Activities

by Curtis Kennedy, AUSWR Litigation Counsel

Qwest Consolidated Federal Securities Cases: Update

On September 29, 2006, Denver Federal Judge Robert Blackburn issued a ruling agreeing with some of AUSWR's significant objections to the attorney's fees and costs that the Lead Plaintiffs' law firms wanted to be paid. They were seeking $96 million, plus $2.2 million costs out of the $400 million settlement fund in the partial settlement of the Qwest Federal Securities Cases. Judge Blackburn limited his award to $60 million, plus $2.0 million costs, a savings of over $36 million to be distributed to shareholders. AUSWR will seek recovery of costs and fees for our efforts.

excerpts from Jeff Smith of the *Rocky Mountain News*

U.S. District Judge Robert Blackburn also denied motions by former Qwest Chief Executive Joe Nacchio and former Chief Financial Officer Robert Woodruff to be included in the settlement. Investors want to take Woodruff and Nacchio to trial on civil securities fraud charges.

"I'm very happy about the outcome . . . shareholders will receive something more from this..." __Hazel Floyd, AUSWR Legislation VP

The settlement fund for investors will total $650 million because it also will include a $250 million penalty paid by Qwest to the Securities and Exchange Commission. Still, the settlement will only pay a fraction of the money lost by investors when Qwest stock plummeted from a high of $66 a share in March 2000 to a low of $1.07 a share in August 2002.

About two dozen institutions and dozens of individuals have opted out of the settlement, with many pursuing separate litigation in hopes of getting a premium over the settlement amount.

Investor groups alleged Qwest and former executives such as Nacchio misled them, inflating company revenues between 1999 and 2002 to keep the stock price artificially propped up. Qwest eventually erased more than $2.5 billion of revenues from its 2000 and 2001 books.

The **Association of U S West Retirees** had fought the $96 million in attorney fees sought by Lerach Coughlin, the lead law firm for the plaintiffs, calling the fees excessive and tantamount to winning the lottery.

Blackburn's decision to cut the attorney fees means investors will get $36 million more from the settlement than they would have otherwise.

"I'm very happy about the outcome . . . that shareholders will receive something more from this," said Hazel Floyd, a regional vice president of legislation for the Association of U S West Retirees. She credited the group's attorney, Curtis Kennedy, for pursuing the issue and prevailing.

Nacchio and Woodruff had argued their rights had been subverted by a settlement that excluded them.
But Blackburn disagreed, concluding Nacchio and Woodruff "do not have standing to assert the interests of the plaintiff class (Qwest investors) as a basis to challenge the settlement."

Many investor groups, as indicated by those opting out, felt the $400 million settlement was inadequate.
Blackburn himself, in reducing the attorney fees, noted the Pennsylvania State Employees' Retirement System had argued that class members would be receiving only about 15 cents per share, not including the SEC payment.

But Blackburn concluded the $400 million was "fair, reasonable and adequate" based on the risks of recovery, an apparent reference to Qwest's testimony about what it could afford based on its financial condition. Qwest's financial condition has improved since the settlement was announced last fall.
"We're pleased the court has approved the fairness of the settlement," Qwest spokesman Bob Toevs said Friday.

Qwest had $105 million in reserves for those additional costs as of Dec. 31, 2005, according to a regulatory filing.

Legal Activities

by Curtis Kennedy, AUSWR Litigation Counsel

U S WEST Shareholder Dividend Case: Update

In this state court case, the trial judge at the "Fairness Hearing" made an instant decision to award the attorneys the full amount they requested -- $15 million in fees and another $1.3 million for expenses and costs, no questions asked, out of the $50 million Settlement Fund.

AUSWR's leaders decided to appeal this ruling before the Colorado Court of Appeals. The opening appellate brief was filed on August 5, 2006. During the course of preparing AUSWR's opening appellant brief, a thorough review was conducted of the 5,282 page trial court record. AUSWR discovered that soon after the decision was made to avoid paying the $273 million U S WEST shareholder dividend, an agreement was executed on June 29, 2000 - a day before the merger closed -- to provide U S WEST CEO Solomon D. Trujillo a severance payout valued in excess of $70 million cash, including $5.5 million for Mr. Trujillo' sue of corporate jet services.

__SEE STORY ON PAGE 7, "TRUJILLO" FOR DETAILS ON THE SETTLEMENT PACKAGE.

Rathbun v. Qwest - Telephone Concession Case: Update

In this case, AUSWR intervened to protect retirees' rights to continue to receive the telephone concession on an income 'tax free' basis.

The plaintiff and her Washington, DC based attorneys have been arguing that the retiree telephone concession should be treated as an ERISA governed benefit which would mean taxation applies.

AUSWR intervention successfully caused the case to exclude tens of thousands of retirees. AUSWR agrees with Qwest's position.

The same attorneys pressing forward in the *Rathbun* case are the same ones who tried to derail the settlement we obtained in the *Colvin* case which, fortunately, was successfully concluded.

- *Additional information on the pending legal activities including the "Pension Death Benefit" litigation are available at the U S West/Qwest Retiree website:*
  www.uswestretiree.org or www.qwestretiree.org

Legal Activities

by Curtis Kennedy, AUSWR Litigation Counsel

Hull v. Department of Labor: Update

In this case, Mimi Hull, AUSWR President, successfully pursued a claim to cause the United States Department of Labor (DOL) to comply with the Freedom of Information Act to disclose what, if anything, was going on with the DOL's investigation of the Qwest Pension Plan.

The DOL was compelled to give us information that we requested.

Also, in early October, 2006, the DOL finally agreed to make a $25,000 payment for attorney's fees and costs.

AUSWR's expenditure and payment of fees will be fully reimbursed. Now, the DOL is most cooperative whenever AUSWR seeks information.

Qwest Has A Plan To Reduce Your Group Life Insurance to a Mere $10,000

Most recently, Qwest was compelled to answer my questions that uncovered this dastardly 'plan.' If they carry out this plan, certainly, AUSWR will fight back. ***Visit the AUSWR website, stay tuned for more details, and continue to financially support AUSWR, so that AUSWR can continue to protect your benefits!!!!.***

Qwest Ex-CFO Sentenced

excerpts by *Forbes* magazine business reporter, Gary Levine

Think of her as the female Enron's Andrew Fastow--minus the prison time.

Robin Szeliga, once the chief financial officer of Qwest Communications International learned the price July 28, 2006, for insider trading she allegedly committed amid the telecom's huge accounting imbroglio. But the former finance honcho, who pleaded guilty to one count of insider trading, won't be playing the harmonica inside a correctional facility: Szeliga's sentence was two years' probation, six months of home detention and a $250,000 fine.

In return for her freedom and fresh air, she will reportedly assist the government with its case against Qwest. As a former C-suite dweller, Szeliga was the company's highest-ranking executive to plead guilty--and thus might be the most valuable witness in the trial of the company's former Chief Executive **Joseph Nacchio**, who has pleaded not guilty to 42 counts of insider trading. U.S. Attorney Bill Leone reportedly described Szeliga's help in the Nacchio case as "very substantial."

However, forgiveness--or at least, leniency--does not signify forgetfulness.. "I do not divorce this conduct from the overall illegality," Judge Walker Miller declared. "There does seem to be [at Qwest] a culture of--I would use the word--greed."

Another Legal Action...

Feds: Criminal trial not affected

Qwest civil case is on again

excerpts reported by Jeff Smith, *Rocky Mountain News*

Defendants in a civil-fraud case against six former Qwest executives can begin taking some depositions in December, a federal magistrate ruled September 28, 2006.

Federal magistrate Craig Shaffer's decision to unfreeze the case came after a federal prosecutor agreed that depositions of certain individuals won't interfere with the government's criminal insider-trading case against former Qwest Chief Executive Joe Nacchio.

The parties still need to reach an agreement on the deposition list, but it tentatively includes about a dozen former KPMG and Arthur Andersen accountants and Qwest employees. The depositions are expected to focus primarily on how Qwest accounted for its fiber-optic capacity and telecommunications equipment sales in the late 1990s.

Shaffer indicated he wants to move the case forward to preserve witness memories as much as possible.

The civil-fraud lawsuit, filed by the Securities and Exchange Commission in 2005, alleges that Nacchio and several other former Qwest executives orchestrated a $3 billion financial fraud between 1999 and 2002.

Other defendants in the civil case include former Chief Financial Officers Robert Woodruff and Robin Szeliga, former Chief Operating Officer Afshin Mohebbi and former Qwest accountants James Kozlowski and Frank Noyes.
The U.S. attorney's office in Colorado previously had been opposed to depositions in the civil case, arguing they could harm the criminal case.

At a status conference, Assistant U.S. Attorney Kevin Traskos still spoke about the need to ensure the criminal case "isn't subverted."

But Traskos also said there certainly were "substantial pieces" of the civil fraud case that aren't related to the criminal action against Nacchio.

The bulk of the depositions in the civil case are expected to be conducted after the Nacchio criminal trial is completed next spring. The 30-day trial starts March 19.

The attorneys for Kozlowski and Noyes especially have been pushing to move the civil case forward in hopes of winning a dismissal or otherwise resolving the matter as soon as possible.
Attorneys for Nacchio, Woodruff, Szeliga and Mohebbi took more neutral positions, deferring to the U.S. attorney's office.

Separately, Denver federal judge Marcia Krieger refused to dismiss the civil fraud case against Szeliga.

Nacchio ...continued

Long-awaited action begins more than 15 months after federal prosecutors accused Nacchio of improperly using inside knowledge when he sold $101 million in stock five years ago. Nacchio's attorneys had argued his trial should be moved from Denver, preferably to New Jersey where he lives, citing what they called pervasive negative publicity that linked Nacchio to Qwest Communications International Inc.'s multibillion-dollar accounting scandal.

"The press just keeps pounding away," Nacchio attorney Jeffrey Speiser told Nottingham. "He's charged simply with insider trading. He's not charged with doing harm to Qwest."

Nacchio Potential Witness List

Court documents filed the first week of September named more than 15 former Qwest executives and directors who may be critical to the government's criminal case against former CEO Joe Nacchio.

Potential witnesses

- Gregory Casey, former top sales executive, settled civil fraud charges
- William Eveleth, former senior vice president of financial planning, settled civil fraud charges
- Peter Hellman, board audit committee member
- Roger Hoaglund, former senior vice president, settled civil fraud charges
- Mark Iwan, Arthur Andersen audit partner, sanctioned by the SEC
- Steve Jacobsen, former executive vice president
- Afshin Mohebbi, former chief operating officer, faces civil fraud charges
- Yash Rana, former senior associate general counsel
- Tom Stephens, former chairman of the board's audit committee
- Robin Szeliga, former chief financial officer, pleaded guilty to insider trading
- Drake Tempest, former chief legal counsel
- Bryan Treadway, former controller, acquitted of fraud charges
- Lee Wolfe, former investor relations director

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