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SBC Employees and Retirees Allege Company Failed to Pay Promised Increased Benefits

Retirees and current employees of SBC Communications Inc. and Cingular Wireless LLC alleged in a lawsuit filed in the U.S. District Court for the District of Connecticut Jan. 26 that they are entitled to cash balance plan pension benefits as agreed upon in a collective bargaining agreement (Parry v. SBC Communications Inc., D. Conn., No. 3:04CV128 (JBA), lawsuit filed 1/24/04).

The plaintiffs claimed they can enforce, under Employee Retirement Income Security Act Section 502(a)(1)(B), their rights under the cash balance plan's "age-65 treatment provision." Under this provision, SBC and Cingular agreed, pursuant to a collective bargaining agreement with the Communications Workers of America, to treat employees with 30 years of service or 20 years of service and the age of 55 as if they were age 65.

SBC refused to comply with the provision after promising the plaintiff that it would, plaintiffs alleged. As a result, plaintiffs have or will lose benefits including thousands of dollars of cash balance account interest credits that should be added to their pension accounts, the complaint said.

In addition, the plaintiffs alleged that SBC underfunded its pension plan by calculating its contributions based upon the assumption that it does not need to pay retirees according to the age-65 treatment provision.

The 'Age-65 Treatment Provision.'

All the plaintiffs are covered by the same collective bargaining agreements either as employees of SBC or Cingular. The plaintiffs are or were participants in the Southern New England Telephone Co. (SNET) pension plan and became employees of SBC after it bought SNET in 1998. In 2001, SBC transferred some plaintiffs to Cingular, also owned by SBC, and those plaintiffs became participants in the Cingular Wireless Bargained Pension Plan.

In 2001, SBC and the Communications Workers of America agreed to amend their collective bargaining agreement to provide that for employees 1) who retire between July 1, 2001, and Dec. 31, 2004, 2) have completed 30 years of service, 3) or are age 55 or older with 20 years of service, the monthly pension attributable to the cash balance plan account will be determined as though the participant was age 65. Cingular also adopted this plan provision in 2001.