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SENT VIA EMAIL & US MAIL

Tom Runnion
Staff Representative
District 9
Communications Workers of America
2804 Gateway Oaks Drive, Suite 150
Sacramento, CA 95833

RE: Pension Communication

Dear Tom:

I would like to provide notice of a Pension communication that will be distributed to bargained participants (active and inactive, who have not yet commenced their benefit) in the AT&T Pension Benefit Plan, describing interest rate changes for lump sum pension distributions.

AT&T will begin implementing changes, effective January 1, 2012, pursuant to Federal legislation known as the Pension Protection Act of 2006 (PPA). As such, we believe it is important that our employees understand how these changes may impact their pension benefit. Participants who may be considering retirement in the next few years are encouraged to visit their pension administrator's website to model their benefit at different commencement dates to assess the impact of the PPA changes to their retirement objectives.

Active bargained communications will be distributed via company email on July 29th. Inactive participant communications will be mailed during the months of August and September 2011.

Please call me or Joanne Chan on (925) 901-8782 if you have questions.

Sincerely,

Doug

Attachments

Attachment 1:**To: Active Bargained Participants in an AT&T Pension Plan****Pension Interest Rates to Change in 2012**

As you may know, Congress passed legislation known as the Pension Protection Act (PPA) in 2006 to foster stability in employee pension plans. Starting in 2012, AT&T will begin phasing in, over four years, interest rates as set forth in the PPA to calculate lump-sum pension amounts. The new rate will begin to phase in according to different schedules during 2012 or 2013, in accordance with collective bargaining agreements. As of 2015, all plans will have fully implemented the PPA rate.

Participants who choose to take their benefit solely in the form of an annuity will experience no reduction in their benefit based on this change. However, some participants who begin to receive their pension in 2012 or later and choose to take their benefit all, or in part, in the form of a lump sum may experience a reduction in either the lump sum or in the partial annuity portion of their benefit from the level it would have been without the change.

Use Online Modeling Calculator to Compare How Different Retirement Dates Would Affect Your Pension Benefit

If you are thinking about retiring at some point in the next few years, we encourage you to model how interest rate changes resulting from the PPA could affect your pension benefit. AT&T's pension administrators have easy-to-use calculators that you can use to individually model your pension benefit. We recommend that you compare several different retirement dates, including those in 2011 and beyond.

[Click here for instructions on how to access your pension modeling calculator.](#)

Changing Market Interest Rates May Also Impact Lump Sum Distributions

AT&T does not use a fixed interest rate to calculate lump sum pension benefits. Consequently, fluctuations in interest rates will impact pension benefits for employees whose pension formulas use interest rates to calculate lump sum payments. Interest rates and lump sum payments move in opposite directions. When interest rates rise, lump sum payment amounts may decline if that lump sum amount is derived by the higher interest rate.

Some calculators allow you to model interest rates that are higher and lower than current rates. If you're thinking about taking a lump sum payment and think interest rates might fluctuate, you may wish to model a range of different rates. Also, keep in mind that your actual lump sum amount might be different from the amount provided in the model due to a change in interest rates in the intervening period or other factors such as the actual pay you received or your benefit commencement date.

Questions?

[Click here for Frequently Asked Questions about the PPA and how it impacts pension plan benefits.](#)

Supervisors: Please share this information with employees who don't regularly use e-mail.

Change in Pension Interest Rate Employee FAQs

1. What is changing?

AT&T is changing the interest rate that is used to calculate lump sum distributions from our pension plans pursuant to the Pension Protection Act (PPA), which was passed by Congress in 2006. Today, many AT&T pension calculations use the 30-year Treasury bond interest rate to determine lump sums. The new interest rate will be based on corporate bond rates.

2. What action should I take?

The AT&T pension administrators have updated their online modeling calculators to reflect the use of the corporate bond rate. If you are contemplating retirement in the next few years, we encourage you to visit your pension administrator's website to model how different pension commencement dates would impact your pension benefit. For some employees, commencing their pension in late 2011 versus 2012 could result in a higher lump sum or annuity payment. You may want to discuss this change with your personal financial adviser.

3. How is AT&T implementing the use of the corporate bond rate?

AT&T is phasing in the use of the corporate bond rate over the next four years for most of our plans. This is similar to what other companies that still offer pension plans are doing, although our phase-in schedule is more favorable for our employees than is described in the PPA. During the phase-in period, we will use a blended interest rate that is a composite of the 30-year Treasury rate and the corporate bond rate. In 2012, the composite rate will be 75 percent 30-year Treasuries and 25 percent corporate bonds. The composite rate will shift toward the corporate bond rate in 25 percent increments over the four-year period. The phase-in will be complete in 2015.

4. When does the use of the corporate bond rate begin?

The use of the corporate bond rate will start to be phased-in beginning with pension distributions commencing on Jan. 1, 2012. Some bargained employees will not experience the change until later in 2012 or 2013, depending upon the applicable collective bargaining agreement.

5. What is the difference between the corporate bond rate and the 30-year Treasury rate?

Generally, corporate bond rates are higher than 30-year Treasury rates.

6. How will I be impacted by the use of the corporate bond rate?

Employees will not be impacted uniformly because AT&T has many different pension formulas and our employees have varying work histories and tenures. Some employees will not be impacted at all. If you take your pension benefit solely in the form of an annuity, you will experience no change in your annuity. However, if you take all or part of your benefit in the form of a lump sum, you may experience either a reduction in your lump sum or the annuity portion of your benefit from the level it would have been without the change.

7. How do changes in market interest rates impact pension benefits?

AT&T does not use a fixed interest rate to calculate lump sum pension benefits. Consequently, fluctuations in interest rates will impact pension benefits for employees whose pension formulas use interest rates to calculate lump sum payments. Interest rates and lump sum payments move in opposite directions. So, as interest rates rise, lump sum payment amounts may decline if that lump sum amount is derived by the higher interest rate. It's important to remember that your actual lump sum amount might be different from the amount provided in the calculator due to a change in interest rates in the intervening period or other factors such as the actual pay you received or your benefit commencement date.

8. When are the interest rates for my lump sum determined?

The following table provides details on when rates are set for the different pension plans.

AT&T Pension Program	How often is the lump sum interest rate re-set?	The lump sum interest rate is determined by reference to the 30-year Treasury rate and the PPA corporate bond rate as of ...	The pension administrator changes the lump sum interest rate on its online calculator on...
Nonbargained ¹ (Legacy SBC managers) Wireless (including Puerto Rico) ¹ Wireless Bargained ³ (District 6) Bargained Cash Balance ¹	Quarterly	The middle month of the prior quarter (Nov., Feb., May, Aug.)	Generally within 10 business days following the month used to establish the rate.
Southeast Management ¹ Southeast (Bargained) Southwest ² (Bargained) West ² (Bargained) Midwest ² (Bargained)	Annually	Nov. of the prior year	Legacy B: Updated mid-Dec. for commencement dates modeled in the upcoming year. Legacy S: Generally within the first 10 business days of Dec.
AT&T Legacy Management (including Puerto Rico) AT&T Legacy Bargained (including Puerto Rico)	Annually	Aug. of the prior year	Updated mid-Oct. for commencement dates modeled starting in the upcoming year.

¹ Interest rate impacts only grandfathered pension formulas.

² PPA interest rate change effective April 1, 2012, for some participants.

³ PPA interest rate change effective Jan. 1, 2013.

Notes:

- A. Bargained Cash Balance Program #2: Lump sum amounts are not impacted by changes in rates.
- B. The East Program is not impacted by the PPA interest rate change.
- C. The Wireless Bargained Program transitions to the PPA corporate bond rate in 2013 with no phase-in.

Online Pension Calculator for All Other Employees

Fidelity provides tools to help you model your pension benefit. To get started, log onto Fidelity NetBenefits at <http://netbenefits.fidelity.com> and:

1. Click on your **Pension Program** from the home page.
2. On the left panel, click "Pension Estimates."
3. Enter the age or date you plan to stop working, or enter the age or date you would like to start receiving your benefits.
4. Enter spousal information, if applicable.
5. Enter any additional modeling assumptions.
6. Click "Calculate Payment Option" at bottom of the page to review the **Pension Estimate Results** page.

You will see a summary of your pension estimates displayed with some of the assumptions used in the calculation.