

APPENDIX C: SPECIAL RULES AND AGREEMENTS AND YOUR PENSION

Interchange Companies

Interchange companies are companies covered by the Mandatory Portability Agreement (MPA), including AT&T Corp., Ameritech Corporation, Bell Atlantic Corporation, Telcordia Technologies (formerly Bell Communications Research, Inc.), BellSouth Corporation, NYNEX Corporation, Pacific Telesis Group, SBC Communications, Inc., US West, Inc., Cincinnati Bell Telephone Company, The Southern New England Telephone Company, AirTouch Cellular, AirTouch International, Lucent Technologies Inc., Avaya Inc., certain but not all of their subsidiaries, and other eligible companies as may be added from time to time. Additional subsidiary interchange companies may be added from time to time.

The Avaya Pension Service Center maintains a list of all companies covered by the MPA.

Divestiture Interchange Agreement

If you had Bell System service before divestiture on January 1, 1984, that service was assigned to the pension plan of the former Bell System company where you were on payroll on January 1, 1984. This applies even to previous service with a former Bell System company participating in the AT&T pension plans. If you were not employed by a former Bell System company as of divestiture, your previous service was assigned to the pension plan of the former Bell System company where you last worked. Previous service that was not assigned to an AT&T pension plan at divestiture and subsequently assigned to Lucent at the time of Lucent's spin-off from AT&T according to these rules can never be included as service under an Avaya Inc. pension plan unless you are covered by the Mandatory Portability Agreement or the Special Bell System Divestiture Vesting service Credit Rules summarized in this Appendix.

Mandatory Portability Agreement (MPA)

The MPA is an agreement effective January 1, 1985 between AT&T and the interchange companies. The agreement provides for mutual recognition of service credit and transfer of benefit obligations for certain employees who leave one interchange company and are later employed by another interchange company.

The MPA covers many, but not all of these companies' subsidiaries. Additional subsidiary interchange companies may be added from time to time. MPA rules only apply to employees hired on and after the date a company becomes an interchange company. The Avaya Pension Service Center maintains a list of all current and former companies covered by the MPA.

MPA Coverage

Your coverage under the MPA depends on your employment status on:

- December 31, 1983,
- The day you terminate employment from an interchange company, and
- The day you start working for a different interchange company.

To be covered by the MPA, you must meet the following tests:

- As of December 31, 1983, you must have been:
 - Employed by a Bell System company in a position covered by the Bell System Pension Plan or the Bell System Management Pension Plan (or on leave of absence or layoff status and reinstated after December 31, 1983, but before expiration of the leave or the period of layoff recall rights), and
 - Employed in a non-supervisory position or, if in a supervisory position, with an annual base rate of pay (as defined below) of \$50,000 or less.
- As of your date of termination from an interchange company, you must be:
 - Employed in a position covered by the interchange company's occupational (represented) or management (salaried) pension plan, and
 - Employed in a non-supervisory position, or if in a supervisory position, with an annual base rate of pay as of your termination date of \$50,000 or less, as increased to reflect changes in the Consumer Price Index-Wages (CPI-W) since December 31, 1983. The CPI-W reflects changes in the cost-of-living figures between specific dates and is issued monthly by the U.S. Bureau of Labor Statistics.
- As of your date of hire by another interchange company, you must be:
 - Employed in a position covered by the interchange company's occupational or management pension plan, and
 - Employed in a non-supervisory position, or if in a supervisory position, with an annual base rate of pay of \$50,000 or less, as increased to reflect changes in the CPI-W since December 31, 1983.

For purposes of the MPA, your *annual base rate of pay* equals your annual base salary rate as of the relevant point in time. It does not include lump sum merit awards, marketing incentive compensation or similar lump sum payments.

If you are hired by an interchange company and are covered by MPA, meeting the requirements described above:

- Your benefit under your old employer's plan will be transferred to your hiring company's pension plan and you will receive credit for your service and compensation, if you go directly from one interchange company to another.
- If you do not go directly from one interchange company to another, your service with your old interchange company employer may be bridged under the terms of the hiring interchange company's pension plan. If your service is bridged, your benefit under your old employer's pension plan will be transferred to your hiring company's pension plan and you will receive credit for your service and compensation.
- If your pension benefit is transferred from your old employer's pension plan to the hiring company's pension plan, your pension under the hiring company's plan will equal the greater of:
 - The sum of (a) your benefit under the transferring company's pension plan (based on your service when you left) and (b) your benefit under the hiring company's plan (based on your service after your transfer).
 - Your benefit under the hiring company's pension plan (based on all of your interchange company service).

If you are otherwise eligible for coverage under the MPA and are hired by a company that is not an interchange company, but it:

- Is a parent, subsidiary or affiliate of an interchange company, and
- Is a participating company in an interchange company pension plan or has a separate pension plan and that plan provides for the recognition of pension service credit (credit for participation, vesting eligibility and benefit accrual) with an interchange company pension plan under an agreement generally comparable to the MPA,

then service with that non-interchange company is *not* recognized and is counted as a break in service for purposes of bridging service under the MPA. However, if you later bridge your prior service with an interchange company (i.e., by going to work for an interchange company and satisfying that company's service bridging rules), service with the above-described non-interchange company will also be recognized, for pension purposes (but not for any other benefit or personnel purposes).

Waiving MPA

You can waive your rights under the MPA. If you meet the eligibility criteria described above, you will be provided with a detailed summary regarding the impact of such a waiver and given a chance to waive portability.

The decision to waive portability is a personal choice that you need to make based on your situation. When making the decision, you should consider the following:

- The waiver is irrevocable and waives all of your future rights under MPA, even if you are hired by another interchange company.
- If you receive pension payments from an old employer that is an interchange company, those pension payments will be suspended if you do not waive coverage under the MPA.
- If you are eligible for retiree health and/or welfare benefits from an old employer that is an interchange company, those benefits could terminate if you do not waive coverage.
- If you waive portability, you will be considered a new employee and not receive credit for your service with other interchange companies except for limited purposes.

Service Recognition Under Certain Corporate Transactions

In certain instances, employees may receive additional service recognition for specific purposes as a condition of certain corporate transactions (e.g., acquisitions). If this applies to you, you will be informed in a separate document.