

## **APPENDIX B: 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.

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 the divestiture on January 1, 1984, that service was assigned to the pension plan of the former Bell System company who employed you 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 on January 1, 1984, your previous service was assigned to the pension plan of the former Bell System company where you last worked.

### **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.

MPA rules only apply to employees hired on and after the date a company becomes an interchange company.

### **MPA Coverage**

Whether you are covered under the MPA depends on your employment status on each of the following dates:

- December 31, 1983
- The day you terminate employment from an interchange company

- The day you start working for another 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 a 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.
- As of your date of hire by another 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 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, incentive compensation or similar lump sum payments.

If you are hired by an interchange company and are covered by MPA:

- 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.

- Your service with your old interchange company employer may be bridged under the terms of the hiring interchange company's pension plan if you do not go directly from one interchange company to another. 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 (if any) under the hiring company's plan.
  - Your benefit under the hiring company's pension plan (based on your interchange company service and your eligible service with the hiring company).

***Important Note:*** Remember that you *are not eligible* for the Service Based Program if you are hired by Avaya on or after January 1, 1999 regardless of whether or not you waive your rights under MPA. This means that you will never become a participant in the Service Based Program if you are hired on or after January 1, 1999 even if your service date under the MPA rules is before January 1, 1999.

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 (participation, vesting 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 are covered by the MPA, 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 interchange company pension plan, those pension payments will stop if you do not waive coverage under the MPA.
- If you are hired by a participating company on or after January 1, 1999, you are *not* eligible to participate in the Service Based Program, regardless of whether or not you waive your rights under the MPA.
- If you are eligible for retiree health and/or welfare benefits from an interchange company, those benefits could terminate if you do not waive coverage under the MPA.
- If you waive portability, you will be considered a new employee and will not receive credit for your service with other interchange companies except for limited vesting 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.

## **Foreign Affiliate and Joint Venture Employment**

If you are a salaried employee who is temporarily reassigned or granted a leave of absence to accept employment with a foreign affiliate, you may continue to participate in the Plan as long as you do not participate in another funded plan of deferred compensation related to compensation paid by the foreign affiliate.

If you are reassigned to a foreign affiliate or granted a leave of absence to work for a foreign entity or joint venture company that is not a foreign affiliate, compensation you earn while employed by such entity may be included in the calculation of a pension under the Plan, subject to limitations established by the Employee Benefits Committee.

If you are an eligible employee and you resign your employment with a participating company to work for a joint venture company that is not a foreign affiliate, you may have your first period of continuous service with the joint venture company credited toward your net credited service solely to determine eligibility for a service pension. (The service with the joint venture company will not be used in computing the amount of your pension.) You can only receive up to five years of service under this provision and your service can only be used to satisfy the eligibility requirements for a service pension if all of the following conditions are met:

- You resign your employment with Avaya solely to accept employment with a joint venture company,
- You are within five years of satisfying the age and/or service eligibility requirements for a service pension when you terminate from Avaya,
- You are employed by the joint venture company immediately following your termination from Avaya, and
- You complete the age and/or service requirements for a service pension during your first period of service with the joint venture company.