

AT&T

Right for you.

Overview of Benefits and Employee Advantages



This brochure has been designed to provide you, as a candidate for employment with AT&T, a better understanding of:

- ! the benefits that most AT&T Business Units or Divisions provide to regular full-time and part-time management employees

AND

- ! the work- advantages available to AT&T employees.

Only the major highlights of AT&T's benefit plans and employee advantages are described. It does not attempt to cover all aspects of benefits or advantages available to our employees.

Thank you for your interest in AT&T.

This booklet is not a contract of employment and is not intended to create nor should it be construed to create any contractual rights, either express nor implied, between the Company and its employees. The employment relationship is by mutual consent (employment-of-will) and employees have the right at any time to terminate their employment for any reason. The Company reserves the right to terminate employees on the same basis unless the terms of an applicable collective bargaining agreement provides otherwise, regardless of any statements, written or oral, by the Company or any of its employees or representatives which may seem to be to the contrary. The practices and procedures described in this and related booklets are guides for managers and may be changed, altered, modified or deleted at any time, with or without prior notice by the Company.

This booklet is a product of the AT&T Employee Resources and Development Directorate, an organization within Corporate Human Resources. ER&D is responsible for providing leadership, core products and consultative support in a number of critical areas, including selection and testing, employment staffing, EO/AA and diversity, high potential identification and development, executive education, performance management and education and training strategy and support.

If you need additional information, please contact:

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Special Thanks to AT&T's Benefits and Legal Services Divisions for review.

BENEFITS FOR FULL-TIME EMPLOYEES

INTRODUCTION

AT&T offers a variety of available benefits for purchase on the day the new employee reports for work. However, AT&T's financial support of an employee's benefit program begins in the month in which the new employee attains six months of service with the company. During the initial six-month period of employment, a new employee is eligible to enroll in a Health Maintenance Organization or in AT&T's High Medical Option. The employee pays the full cost for these benefits during the first six months. After six months of employment, AT&T then enrolls the employee in its benefits programs and provides the employee with benefits dollars, which the employee then uses to help pay for the benefits he or she has selected. The employee is required to contribute monies to their benefits package, if they have selected a plan greater than the dollars allotted to them.

Beginning July 1, AT&T is offering a flexible benefits program to full-time management employees. Flexible benefits*, sometimes called "cafeteria plans", offer employees a choice of a specific package of benefits and levels of coverage that best meets their own personal needs, lifestyle and situation. The following benefits areas comprise AT&T's Flex Plan:

- ! Medical
- ! Dental
- ! Long-Term Care Life Insurance
- ! Dependent Life Insurance Accidental Loss Insurance
- ! Dependent Accidental Loss Insurance
- ! Long-Term Disability
- ! Vacation Buy
- ! Health Care Reimbursement Account
- ! Child/Elder Care Reimbursement Account

With the flex program, AT&T allocates the money it spends on certain benefits to the employee as "benefit dollars"*, instead of just providing the coverage directly. The employee then considers the cost, or "price tag" of each option, and spends the allocated benefit dollars on the level of coverage desired.

If the employee chooses to purchase a higher level of benefits than he/she received benefit dollars for, this can generally be done with pre-tax money from the employee's pay. The employee may also receive money back as taxable pay for taking a lower level of benefits.

Part-time employees are not eligible for the flexible benefits program — they receive a separate benefits package.

FLEXIBLE BENEFITS FOR FULL-TIME EMPLOYEES

MEDICAL BENEFITS

There are four types of medical coverage available: They are the High Option, Standard Option, and Minimum Options, or membership in a Health Maintenance Organization (HMOs)*.

High Option Plan

AT&T pays the cost of an employee and eligible dependents to be enrolled under the High Option. The High Option Plan offers an employee 80% to 100% coverage of Reasonable and Customary charges for hospital and certain surgical and medical expenses, such as lab tests and X-rays. There is a deductible based on the employee's base salary pay that applies to most covered charges*.

Office visits and prescription drugs are covered at 80% of the Reasonable and Customary charges.

Standard Option Plan

The Standard Option Plan offers an employee and eligible dependents up to 80% coverage of the Reasonable and Customary charges for all covered medical expenses. A deductible, which is based on pay, also applies to all covered charges.

Minimum Option Plan

This Minimum Option Plan offers an employee and eligible dependents up to 70% coverage of the Reasonable and Customary charges for all covered charges after a \$2,500 deductible.

HMO

If a Health Maintenance Organization (HMOs) is available in their area, an employee may select membership in a HMO as their medical option. In general, a HMO is a health organization that offers a wide range of medical services for an annual fee. If an employee chooses to use a HMO, it must be used for all medical services.

DENTAL BENEFITS

There are three levels of dental coverage available to employees: The Standard Option Plan, the High Option Plan, membership in a Dental Maintenance Organization (DMO)* or no dental coverage.

High Option Plan

This plan pays 100% of the Reasonable and Customary charges for preventive and diagnostic care. Restorative services are paid at a scheduled rate of approximately 40% higher than under the Standard Option Plan.

The annual maximum benefit is \$2,000 per dependent and the life-time maximum orthodontia benefit is \$1,500 per dependent.

Standard Option Plan

This plan pays 100% of the Reasonable and Customary charges for preventive and diagnostic dental care. The plan pays the employee's dental expenses according to a schedule for "restorative" services. AT&T provides the benefits dollars for The Standard Option for AT&T employees and their dependents.

This plan provides a \$1,250 annual limit on non-orthodontia treatment per person and a \$1,250 lifetime orthodontia maximum.

A feature of the Standard Option Plan is the DM0 plan. This option enables an employee to not pay a deductible when a Dental Maintenance Organization (DM0) "Personal Dentist" is used. The DM0 is a dental provider network that covers dental services at a higher level if designated providers are used. There is no annual maximum deductible; lower out-of-pocket payments for most dental services; and no claim forms to fill out when visiting a DM0 Personal Dentist.

LONG-TERM CARE BENEFITS

This insurance coverage is designed to help protect employees and eligible family members from the high cost of long-term care. You can select long-term care for not only yourself but for your spouse, parents, grandparents, parents-in-law, and grandparents-in-law through a separate enrollment process. There are six levels of coverage available to employees and eligible family members. Should an employee choose this benefit, the coverage is paid for entirely by the employee. This program was designed to enable employees to plan for nursing home and home care expenses not covered by medical plans.

LIFE INSURANCE BENEFITS

With this plan an employee can buy protection for his or her family's financial future. The employee can choose between seven levels of coverage. From one half times their salary up to six times their salary.

The Company pays for accidental loss insurance equal to one times total annual base salary pay.

DEPENDENT LIFE INSURANCE BENEFITS

There are seven levels of coverage available for an employee's dependents and coverage is paid for by the employee. The employee can purchase amounts of life insurance of up to \$4,000 on each child and up to \$50,000 for a spouse.

ACCIDENTAL LOSS INSURANCE BENEFITS

Accidental loss insurance offers additional protection for an employee's family if they die in an accident. It also pays benefits if an employee should sustain certain injuries in an accident. Under this plan there are seven levels of coverage available. From one half times an employee's base salary pay to six times their total annual pay*

The Company pays for accidental loss insurance equal to one times total annual base salary pay.

DEPENDENT ACCIDENTAL LOSS INSURANCE BENEFITS

This benefit is paid if an employee's spouse or dependent child(ren) die or sustain certain injuries in an accident. There are seven levels of coverage available. Coverage is paid for by employee.

LONG-TERM DISABILITY BENEFITS

This plan provides the employee with income protection if he or she becomes disabled for an extended time and cannot work. There are two levels of coverage: the Standard Option and the High Option.

An employee is required to elect at least the Standard Option for coverage, which provides an employee with 50% of their base pay if they remain disabled after their Sickness Disability Benefits expire. AT&T provides the benefit dollars for this amount of coverage.

The High Option provides an employee with at least 60% of base pay if they remain disabled after their Sickness Disability Benefits expire.

VACATION BUY

Do you sometimes wish you had a few extra days to spend with your family? Are you planning a special trip? This flex benefit lets an employee buy up to five additional vacation days.

This benefit is paid for by the employee and in a fashion similar to regular vacation days, the scheduling of all vacation buy days must be approved by the employee's supervisor. You cannot sell vacation days back to AT&T and you will not be able to carryover a vacation buy day into the next year.

REIMBURSEMENT ACCOUNTS

HEALTH CARE REIMBURSEMENT ACCOUNTS (HCRA)

This offering is available for eligible active employees*. Employees may elect to put up to \$3,000 of *pre-tax* wages into an individual reimbursement account for their own health care expenses or those of their dependents.

Medical, dental and vision services that are not paid or reimbursed by the company or another health care plan may be paid for with pre-tax dollars using a reimbursement account.

CHILD/ELDER CARE REIMBURSEMENT ACCOUNTS (CECRA)

Employees can place up to \$5,000 per year in *pre-tax* wages into an account for child or elder care expenses.

NON-FLEXIBLE BENEFITS FOR FULL-TIME EMPLOYEES

AT&T MANAGEMENT PENSION PLAN

AT&T's Pension Plan is non-contributory.

Employees are vested* after 5 years of service. The plan pays lifetime pension benefits in addition to the income received from Social Security.

Service Pension

Employees can retire with a Service Pension any time after the following minimum age and service requirements are met:

Age**	Net Credited Service (NCS)
any	30 years
50	25 years
55	20 years
65	10 years

**NOTE: Service Pension may be reduced for individuals retiring before age 55.

AT&T SAVINGS PLAN FOR SALARIED EMPLOYEES

This program is available to an employee after one year of employment service. Employees designate payroll allotments and choose one or a combination of different investment funds.

Under this program AT&T will match the first 6% of an employee's deduction allotments at the rate of 66 2/3%. This plan has both a 401K (pre-tax) and 401A (after-tax) option (maximum 16% of salary).

SICKNESS/ACCIDENT DISABILITY/DEATH BENEFITS

SICKNESS DISABILITY BENEFITS

This plan's coverage is available to an employee after six months of employment. The disability benefits begin on the eighth calendar day of an employee's absence for disability due to sickness or off-the-job injury.

Plan Pays Based on Length of Service:

Length of Service	Full Pay Up To:	Half pay Up To:
6 months but less than 2 years	-----	52 weeks
2 years but less than 5 years	4 weeks	48 weeks
5 years but less than 15 years	13 weeks	39 weeks
15 years but less than 20 years	26 weeks	26 weeks
20 years but less than 25 years	39 weeks	26 weeks
25 years or more	52 weeks	

Long Term Disability Plans (LTD)

An employee is eligible after six months of employment service. The plan provides payments to the employee after a Sickness. Disability Benefits expire if employee meets eligibility criteria for this plan.

The plan allows payment (in combination with other sources of disability income) equal to **50% of base pay**. Benefits continue while the Plan's definition of disability is met.

Disability Pension

This pension may be granted to employees of any age with at least 15 years of Net Credited Service* who continue to be disabled following expiration of Sickness Disability Benefits.

ACCIDENT DISABILITY BENEFITS (ON-THE-JOB ACCIDENTS)

An employee is eligible for this benefit as of the first day of their employment, when injury is due to an accident directly related to the job.

Benefit payments begin on the first day of the disability. Amounts under the Plan are offset by Workers Compensation Payments.

Plan Pays for Total Disability:

An employee is paid based on their rate of base salary pay and years of Net Credited Service.

Plan Pays for Partial Disability:

An employee is paid based on their rate of base salary pay and years of Net Credited Service.

Anticipated Disability Program

A leave of absence is available to employees for the period prior to a disability expected to occur in the future.

Leave of absence for Care of Newborn/New Adopted Child is included in this Program. (See Work and Family Program).

Once a disability actually begins, the employee will receive benefits under the Sickness and Accident Disability Benefit Plan, if eligible.

An employee is eligible to receive the unanticipated disability benefit while receiving payments for the anticipated disability (but not while on unpaid leave portion).

Employee service credit is granted for the entire period an employee is disabled during a certified disability.

An employee will receive up to 30 days service credit upon reinstatement from an anticipated disability leave, or up to 30 days service credit for a Care of Newborn Child Leave, with a maximum of 30 days for a combination of these leaves.

DEATH BENEFITS

Sickness Death Benefit

An employee has coverage from the first day of their employment. The plan provides one year's pay to a qualified beneficiary (e.g., spouse living with employee at time of death, dependent children).

Accident Death Benefit (Job Related)

An employee has coverage from the first day of their employment. The plan provides up to three years' pay to a qualified beneficiary. Payments are offset (i.e., reduced) for amounts paid under Workers Compensation.

Automatic Annuity*

For vested employees with less than 15 years of employment service.

- IF an employee is vested, (i.e., completed five or more years of vesting service after age 18), and employee dies in active service.
- THEN, surviving spouse (married at least one year as of the date of employee's death) will receive a survivor annuity paid monthly for life, beginning at employee's age 65.

For employees with 15 or more years of service

- IF, employee dies in active service
- THEN, surviving spouse will receive a survivor annuity paid monthly for life and it is payable immediately after employee's death.

Survivor's Extended Health Insurance Coverage

- Medical Expense Plan Upon Employee's Death:
Employee's coverage continues up to six full months for surviving spouse and eligible dependents.

Surviving spouse may then elect to continue and pay for group coverage for self and eligible dependents under the Surviving Spouse Program.

- Dental Expense Plan and Vision Care Plan:

Coverage ceases at the end of the month that employee dies. Surviving spouse and eligible dependents may continue and pay for group coverage up to 36 months under the 1986 Consolidated Omnibus Budget Reconciliation Act (COBRA).

VISION CARE PLAN

Vision care coverage is available to employees after the initial six months of employment. The Vision Care Plan pays a scheduled amount for vision examinations (ophthalmological or optometric), lenses and frames once in any 24-month period.

BENEFITS FOR PART-TIME EMPLOYEES

MEDICAL BENEFITS

Part-Time employees are offered two types of medical coverage. They are the High Option or Health Maintenance Organization (HMOs) Plan. Part-Time employees must contribute toward the cost of either of these plans at varying levels based on their weekly scheduled hours of work.

HIGH OPTION

The High Option offers part-time employees 100% Coverage of Reasonable and Customary charges for hospital and certain surgical and medical expenses, such as lab tests and X-rays.

Office visits and prescription drugs covered at 80% of Reasonable and Customary charges. Only certain expenses are subject to the deductible.

HMOs

If a Health Maintenance Organization (HMOs) is available in their area, an employee may select an HMOs as their medical option. In general, an HMOs is a health plan that offers a wide range of services for an annual fee. The HMOs plan must be used for all medical services.

DENTAL BENEFITS

If a Part-time employee decides to elect dental coverage, the employee must contribute toward the cost of their coverage.

This plan pays for 100% of Reasonable and Customary charges for preventive and diagnostic care. The plan also pays according to a schedule for "restorative" services.

There is a \$1,250 annual limit on non-orthodontia treatment and a \$1,250 lifetime orthodontia maximum per person.

The plan also includes a Dental Maintenance Organization (DMO) option, which offers no annual maximum, lower out-of-pocket costs and no claim forms.

LIFE INSURANCE BENEFITS

Company pays for life insurance equal to one times total annual pay. The part-time employee may purchase an additional one to five times their base salary pay in supplementary coverage. Also included in this coverage is one times base salary pay for Accidental Death and Dismemberment.

DEPENDENT LIFE INSURANCE

Coverage is available for a part-time employee's dependents and coverage is paid for by the employee.

LONG-TERM DISABILITY

This plan provides for payments after the Sickness Disability expires. This benefit provides the part-time employee with 50% of their base salary pay.

REIMBURSEMENT ACCOUNTS

HEALTH CARE REIMBURSEMENT ACCOUNTS (HCRA)

This plan is available to all eligible active employees (full-time and part-time).

Employees may elect to put up to \$3,000 of their *pre-tax* wages into an individual reimbursement account for their own health care expenses or those of their dependents.

Medical, dental and vision services that are not paid or reimbursed by the company or another health care plan may be paid for with pre-tax dollars using a reimbursement account.

CHILD/ELDER CARE REIMBURSEMENT ACCOUNTS (CECRA)

Employees can place up to \$5,000 per year in their *pre-tax* wages into an account for child or elder care expenses.

EMPLOYEE ADVANTAGES

CLUBS AND ACTIVITIES

Employees have the opportunity to join a wide variety of AT&T clubs and activities to pursue personal interests and hobbies, such as Toastmasters for presentation skills enhancements, The Alliance of Black Telecommunication Employees for African American employees, HISPA for Hispanic employees, 4A for Asian American employees, Ski clubs, etc.

CREDIT UNIONS

As an AT&T employee you may be eligible for membership in a local credit union. Credit Unions provide a wide variety of services, such as, free checking accounts, savings accounts, mortgages and loans (car/personal).

EMPLOYEE ASSISTANCE PROGRAMS

The Employee Assistance Program is a service available to employees and their immediate family members. This service is designed to help employees resolve personal problems and help them to improve their health and job performance.

EMPLOYEE DISCOUNT PROGRAM

The Employee Discount Program provides employees with the opportunity to purchase a wide selection of AT&T's consumer products, such as computers, typewriters, answering machines, and telephones at the lowest prices anywhere through a variety of programs.

EMPLOYEE TUITION ASSISTANCE PROGRAM

AT&T recognizes that employees are vital resources whose talents are critical to the success of the Company. The Tuition Assistance Program encourages self-improvement through formal education so that employees can improve or maintain job-related skills or enhance their ability to compete for reasonably attainable jobs within AT&T.

Full-time employees will be reimbursed for tuition and fees for approved coursework beginning the first day of their employment. Part-time employees will be reimbursed for tuition and fees for approved coursework upon completion of six continuous months of employment.

HOLIDAYS

Fixed Holidays

AT&T employees are provided with six (6) common fixed holidays within the calendar year: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Floating Holidays

Floating holidays are standard workdays that an eligible employee may take off according to personal preference and are subject to the employee's supervisor's approval based on the needs of the business. All regular full-time employees are eligible for floating holidays upon completion of 1 month of Net Credited Service. The number of days for which an employee is eligible depends on the date of hire and number of floating holidays authorized by the Business Unit/Division and/or work location.

MANAGEMENT PERSONAL DAYS

AT&T provides management employees with a fixed number of personal days off each year to eligible employees. This provides the management employee with additional days off with pay. Regular full-time employees are eligible for management personal days after completing one month of employment service. Days of eligibility depend on the date of employee's hire.

VACATION

Full-time employees are eligible for annual paid vacation as follows:

Length of Service	# of Days**
1 through 6 years (eligible for 5 of 10 days upon completion of the first 6 months' service)	10
7 through 14 years	15
15 through 24 years	20
25 or more	25

**pro-rated for part-time employees

VACATION BUY

See information on program in Flex Benefits portion of brochure.

MANAGEMENT GROUP LEGAL SERVICES PLAN

AT&T recognizes that an employee's neglected legal needs can often lead to anxiety, stress and reduced job efficiency. AT&T's Management Group Legal Services Plan, provided at no cost to all eligible management employees, can restore the employee's peace of mind with a simple phone call to a law office.

Most employees won't seek legal help, even though consulting an attorney could make life easier. Some fail to recognize the need for legal services; others don't know how to select an attorney or fear the cost of hiring one. Talking to a lawyer need not be a financial burden for employees covered by a legal services plan.

Approximately 10,000 participating attorneys, with an average of 16 years of experience, are available to provide covered legal services to eligible employees. Employees may also consult non-participating attorneys and receive prompt reimbursement of fees up to stated limits. Covered services include a toll-free "Legal Hotline" for telephone advice from an attorney in the employee's state of residence, as well as paid-in-full coverage from a participating attorney for face-to-face consultations, preparation of a simple will and other specific documents; and real estate, domestic, and debt collection matters.

AT&T's Management Group Legal Services Plan makes legal services accessible and affordable, and can keep small problems from becoming big ones.

MATCHING GIFT PROGRAM

AT&T matches an employee's contribution of \$25 - \$5000 to colleges or universities and \$25 - \$1000 to cultural organizations, which meet the Program's criteria. This allows employees to make contributions to his or her alma mater or chosen cultural organization. Gifts to health and social action organizations are not eligible under this plan.

RESIDENCE TELEPHONE DISCOUNT SERVICE

AT&T provides *long distance* discounts on toll charges to eligible employees from their first day of employment. The maximum reimbursement provided to management employees is \$67.50. A separate discount exists for occupational employees and retirees.

TOTAL LIFE CONCEPT

It is well known that a vibrant corporation is only possible with a healthy workforce. AT&T is committed to increase corporate performance by investing in its most valuable resource, its people. With over 23 fitness facilities and professional staff located in major AT&T locations, Total Life Concept (TLC) is a health promotion program made available to employees throughout AT&T. It is an element of Health Risk Management which is the operating philosophy of the Health Affairs Organization. The goal is to help employees achieve optimal well-being through programs and services that help to minimize their health risks. TLC provides an opportunity for employees to assess lifestyle behavior and plan better ways to living life to the fullest.

Support for healthy living is provided by access to fitness activities, healthy food options and professional consultation on a wide range of health issues. TLC offers comprehensive strategies for creating a healthy corporate culture and assisting individual employees in making lifestyle changes. Total Life Concept is a program that is supported by all levels of AT&T management. Its success and popularity is a result of eight years of proven effectiveness and a corporate commitment to employee health and well-being.

WORK AND FAMILY PROGRAM

Child-Care Resource and Referral Service

AT&T's Child-Care Resource and Referral Service provides AT&T employees with assistance in locating, evaluating and managing care for children under the age of 15. This assistance can be especially helpful for busy working parents looking for reliable and responsible Child-Care facilities for their children.

Elder-Care Consultation and Referral Service

AT&T's Elder-Care Consultation and Referral Service provides AT&T employees with assistance in locating, evaluating and managing quality care for relatives 60 years of age or older.

Child/Elder-Care Reimbursement Accounts

Refer to Reimbursement Accounts.

Family-Care Development Fund

AT&T will contribute dollars to fund family-care projects and initiatives that foster an increase in the number and quality of child-care and elder-care services. AT&T employees can nominate programs and centers for consideration to this funding program.

Adoption Assistance

Under the Work and Family Program AT&T employees are eligible for a maximum reimbursement of \$2,000 for expenses associated with the legal adoption of a child under 18 years of age.

Care of New Born Child Leave (CNC)

An AT&T employee is allowed to take a maximum leave from his or her position of one year with a guarantee of reinstatement to the same or an equivalent job upon return.

AT&T will continue death benefits coverage and one times total annual pay for up to one year during the Care of New Born Child Leave.

During the first six months, AT&T will cover the cost of the medical, dental, and vision plans. The employee is responsible to pay medical premiums during the remainder of the leave period.

Family Care Leave

The Family Care Leave Program is designed to assist the AT&T employee in caring for family members who are seriously ill. The employee's leave is without pay and may be up to twelve months during a two-year period.

The employee is guaranteed reinstatement to the same or an equivalent job at the end of the leave. AT&T will continue to provide coverage for death benefits and one times total annual pay for up to one year during the Family Care Leave.

During the first six months, AT&T will cover the cost of the medical, dental, and vision plans; the employee is responsible for premiums during the remaining leave period.

GLOSSARY

Active Employee: An employee who is on AT&T's payroll and is not on a leave of absence.

Annuity: The annual payment of an allowance or income which a person receives fixed payments for a lifetime or a specified number of years.

Base Salary: Your regular pay not including extra payments such as bonuses, incentives, overtime, AT&T Performance Awards (APA) or Individual Performance Awards (IPA).

Benefit Dollars: Money that AT&T will allocate to spend on certain benefits for full-time management employee's benefit package.

Covered Charges: Expenses that are eligible for partial or full payment through your medical or dental options. Not all medical or dental expenses are covered.

Dental Maintenance Organization (DMO): is a registered services mark of the Prudential Insurance Companies of America. It is a dental provider network that covers dental services at a higher level of coverage if used by employees.

Flexible Benefits: A plan that offers choices among welfare benefits and cash or other permissible tax benefits.

Health Maintenance Organization (HMOs): is a health plan that offers a wide range of medical services for an annual fee.

Net Credited Service: The length of time an employee is on the AT&T's payroll beginning with the first day of his or her employment.

Reasonable and Customary (R&C) Charges: Reasonable and Customary charges are determined by the carrier/claim administrator on the range of fees charged by doctors with comparable training and experience for the same or similar services within a geographic locality.

Vested: Employees who have completed five years of service after age 18 are entitled to a lifetime pension benefit in addition to the income received from Social Security.