

Association of Ameritech /SBC Retirees, Inc

Proudly representing retirees of the AT&T Midwest Region, SBC Midwest Region, Ameritech, and predecessor/successor Bell Companies of the New AT&T, located throughout the United States



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First Quarter Newsletter March, 2008

FROM THE PRESIDENT’S DESK, MARCH, 2008

My fellow retirees, I have many things to report.

- Ray Sternot, AASBCR’s Vice President of Legislation, and I attended the National Retiree Legislative Network (NRLN) in Washington DC. One of the main NRLN efforts will be the reversal of the EEOC ruling that allows companies to eliminate healthcare benefits for retirees over age 65. Ray was seated as a member of the NRLN Board of Directors. This means that AASBCR will have more input into the NRLN’s legislative agenda.

- Tom Cotton, Vice President AT&T Relations, has worked very hard with our three sister retiree groups of the AT&T Retiree Coalition (SRA, TelCo, and ACER), to create the 2008 joint member survey. It took a bit more effort than planned. However, we do have a finalized survey that is being distributed. Please, take the few minutes needed to complete the survey and FAX it to our virtual office at (312) 962-2770, or, if you are unable to FAX it, mail it so that your opinions are counted. Tom and I will be attending the 2008 AT&T Shareholders meeting in April when Tom, speaking for the AT&T Retiree Coalition, will present the survey results to AT&T. Please review the two shareholders proposals which are also supported by all four AT&T Retiree Coalition member groups. Vote for and encourage friends and relatives who are AT&T stockholders to vote for both of these proposals.

- The Florida Town Hall Luncheon was a success!! There were about 20 attendees. Pat Reichard, Florida state representative for AASBCR was in attendance as well. We had good food and enjoyable conversation. We discussed how to “grow” AASBCR, the EEOC ruling and other retiree issues. I look forward to doing it again next year and await the opportunity to participate in AASBCR Town Hall Luncheons in other locations. Our thanks to Bob Papierniak, Strategic Planning Group, who donated half of the cost to rent the room as well as other attendees who also donated. AASBCR costs were minimal.

AASBCR State Representatives

Florida	Pat Reichard	Ohio	Tom Burkhardt
Illinois	Phil Schelinski	Ohio	Kathy Vitelic
Michigan	Ron Rhodes	Wisconsin	Bob Ledvina
		Wisconsin	Corey Parolina

Office / Fax Number (312) 962-2770

P.O. Box 7477, Buffalo Grove, IL 60089-7477

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● As to membership, I am investigating inexpensive advertising. AASBCR State Member Representatives have started attending luncheons and other functions where AT&T retirees gather. Our State Representatives will offer a handout that explains what AASBCR is all about and an attached application. Adding to our number adds to our influence. Also, your prompt renewal of your membership is appreciated and saves AASBCR the expense of multiple reminders.

As always, I thank you for your membership and the support that you provide. Without your support, the AASBCR Board would not be able to continue. We are all working hard to retain the benefits that we all worked so hard to earn.

Yours in retirement;
Carole Lovell
AASBCR President and Membership Director
Member AT&T Retiree Coalition

P.S. The following is a thank you letter from the NRLN that I was happy to receive on behalf of the AASBCR membership:

February 27, 2008

Dear Carole,

Thanks very much to you, your leadership team and the membership of the Association of Ameritech/SBC Retirees for the payment of 2008 NRLN dues.

Association dues give us a real shot in the arm early in the year and allow us time to solicit individual contributions during the rest of the year. Your personal belief in what we are doing for retirees and prospective retirees is evidenced by your hard work on behalf of your association and support for the NRLN.

I look forward to working for you in 2008 and hope that you remain fresh and eager to do the things that help to protect pensions and health care benefits for members of your association and other retiree associations through the NRLN.

I will need your continued help to grow our grassroots network and contributing membership.

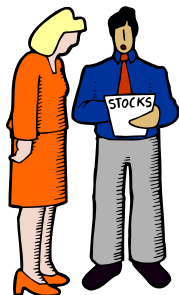
Sincerely,

*S/ Bill Kadereit
President
National Retiree Legislative Network, Inc.*

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“SAY ON PAY” – OUR SHAREHOLDER PROPOSAL

The AT&T 2007 Annual Report and 2008 Notice of Annual Meeting and Proxy Statement have been distributed to all stockholders.



Five Stockholder Proposals have been submitted and accepted (Items 3 through 7, beginning on page 19 of the Annual Meeting notice). Ours is number 7, beginning on page 27. **If you are a stockholder, please be sure to vote in favor of Proposal 7. In this editor's opinion, all 5 deserve to be supported.** The TelCo Retirees Association (PacTel) and the Kansas City Firefighters Union Pension Fund have joined AASBCR in this proposal as cosponsors. The KC Firefighters researched "Say on Pay" and found there were a total of **eighty two** such Shareholders Proposals filed this year. Thirty five were re-filings and forty seven were new filings. The time has come to expose excessive executive pay to the light of day.

We picked up a few common themes among the reasons AT&T "Recommends a Vote 'AGAINST' (each) Proposal":

- 1) *'We are already reporting the requested information - and reporting to shareholders would impose unwarranted expenses and administrative burdens.'* Where are the expenses and burdens if the information is already gathered?
- 2) *'We are already doing what is requested so there is no need to formalize this practice.'* If you are already doing it, what harm is there in making it official?
- 3) *'We must compensate accordingly to attract the best people to run the corporation - not a job just anyone can do.'* True. Not anyone can see his salary grow from (approximately) \$600,000 to \$5,000,000 while our stock went from (approximately) \$70.00 a share to \$22.00. That is real talent!

Our response to AT&T addressed these weak issues from the perspective that permitting sunlight to shine on the process cannot hurt but can only help the stockholder, the corporation that we worked so hard to create, and the customer base it serves. The important response will be the stockholders' vote for the issue!

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Text of SRA Shareholder Proposal Co-Sponsored by ACER (Stockholder Proposal Item #4)

“RESOLVED, the shareholders of AT&T, Inc. urge the Board to determine future awards of performance-based compensation for executive officers using a measure of earnings that excludes non-cash “pension credits” that result from projected returns on employee pension fund assets, and to report annually to shareholders on the specific financial performance measure used to award performance pay.”

Supporting Statement

In recent years a substantial share of AT&T’s reported earnings has not been cash flow from ordinary operations, but rather accounting rule income from “pension credits.” Because pension credits reflect neither operating performance – nor even actual returns on company pension assets – we believe these credits should not factor into performance-based executive compensation.

When this resolution was submitted by one of its co-sponsors to the pre-merger AT&T, the Board’s Compensation and Employee Benefits Committee adopted it as an executive compensation policy (February 23, 2004). The Committee stated, in the 2004 proxy statement, that “[w]e are joining many other companies which are adopting similar compensation policies, which our Board believes comport with evolving best practices for executive compensation.”

Unfortunately, the policy was not included in AT&T’s post-merger Corporate Governance Guidelines. We believe it should be.

Pension income is simply not a good measure of management’s operating performance. Pension credits are not even based on actual investment returns, but on the “expected return” on plan assets and other assumptions set by management.

For example, SBC Communications (which merged with the “old” AT&T) used non-cash pension credits to add \$1.14 billion to reported operating income in 2002.

Similarly, management at the pre-merger AT&T added \$1.3 billion in pension credits to earnings in 2000 through 2002 based on a projected \$5 billion net gain on pension investments. In 2000, pension credits of \$775 million accounted for nearly one-fifth (19.7%) of AT&T’s pretax income.

In reality, AT&T’s the pension trust actually lost \$2.9 billion over this three-year period. Meanwhile the pension surplus deteriorated from \$9 billion surplus to less than \$1 billion by year-end 2002.

According to a Wall Street Journal report (June 25, 2001), “companies can use pension accounting to manage their earnings by changing assumptions to boost the amount of pension income that can be factored into operating income.”

An Institutional Shareholder Services (ISS) issue brief explained that “although in many

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cases pension assets plummeted in value, non-cash 'pension credits' boosted not only reported earnings, but also performance-based executive pay." ["Cookie-Jar Accounting: Pension Credits Plump Executive Pay," ISS, April 2002.]

Because AT&T's management retains great discretion over the assumptions used to calculate pension credits, we believe that excluding this accounting rule income from calculations of executive pay will help to assure shareholders that this discretion will not lead to conflicts of interest.

In addition, if incentive pay formulas encourage management to skip cost-of-living adjustments expected by retirees, or to reduce retirement benefits expected by employees (as we believe AT&T did in switching to a cash balance pension plan), in our opinion AT&T's ability to recruit and retain experienced employees could be undermined.

Please VOTE FOR this resolution.

WE GET LETTERS

Subject: Shareholder Proposal - Executive Compensation

Monday 12/31/2007 Mr. Lee Rosenthal, AASBCR member, writes in part:

I would like to respectfully disagree with AASBCR's support for the proposal that AT&T shareholders should be able to vote to approve or disapprove executive compensation, the so called "Say on Pay". While individual shareholders may want to support this proposal, I don't think that AASBCR's support for this proposal is in the best interest of AASBCR and its members.

... I think AASBCR will be perceived as a group of sour, old retirees who are jealous and resentful that AT&T executives are well compensated. Being perceived as sour and jealous does nothing to advance AASBCR's standing with AT&T... We need to work cooperatively with AT&T to get the best healthcare deal for retirees...

AASBCR VP-Communications responds in part:

Thank you for sharing your concerns. The Say-On-Pay share holder proposal that AASBCR initiated (not just supported) was not put together without many hundreds of hours of consultation, deliberation and consideration. I want to share with you some of the reasoning that drove the conclusions that resulted in not only this proposal but the overall balanced strategy of AASBCR.

First, some baseline facts: AASBCR does, indeed work very closely with AT&T HR on retiree benefit issues. We have a very good working relationship with AT&T. When we talk with them, we don't whine. We deal in validated factual information that we have checked-out well so our interactions are professional and efficient. AT&T is committed to delivering its retiree benefits efficiently and without errors or waste and AASBCR helps them do it. AT&T has appointed HR personnel specifically to work with AASBCR on benefits issues and it is

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working well and getting better all the time. AASBCR does not intend to jeopardize this relationship!

There are 4 AT&T retiree groups comprising the AT&T Retiree Coalition of which AASBCR is one. AASBCR is working with the coalition members to assure that our dealings with AT&T are continually increasing in efficiency. It is critically important that the AASBCR leadership is in touch with its members' needs, problems, and concerns. Just like your concerns - we have got to know them and incorporate them into our strategies and tactics.

Today, our economics are warped and driven by pork-barrel politics, deficit spending, Medicare shortages, EEOC rulings, social security shortfalls, Enron bubbles, Adelphia deceits, consolidations, acquisitions, litigations, and another half-dozen yet to be named conditions all tied up in one way or another with Federal Legislation. And a lot of that legislation directly impacts our former employer and fellow retirees. We spent our working lives building a solid, efficient, telecommunications infrastructure company and we care about its continuing health. Its health is also important to our future as retirees. AASBCR does not intend to do any harm to the financial well being of its members' former employer!

Did you know that in a recent survey of top US executives over 65% of the CEOs surveyed felt that they were overpaid? That is a fact. Another fact is the variation in salary between the CEO and entry level employees - in Europe it is 44% but in the US it is 400%.

William W. McGuire, the former CEO and Chairman of the Board of UnitedHealth Group, Inc. recently settled with the SEC. They announced a record \$468 million settled enforcement action in an options backdating case. The Commission's complaint alleges that during a 12-year period, McGuire repeatedly caused the company to grant undisclosed, in-the-money stock options to himself and other UnitedHealth officers and employees without recording in the company's books and disclosing to shareholders material amounts of compensation expenses as required by applicable accounting rules. Without admitting or denying the SEC's charges, McGuire agreed to a \$468 million settlement that includes a \$7 million civil penalty and reimbursement to the Minneapolis-based health care company for all incentive- and equity-based compensation he received from 2003 through 2006. This too is a fact. It is antidotal but it would be foolish to totally ignore it.

There is a vast need in Corporate America to stem the tide of wide open coffers for CEOs regardless of the health of the corporation that employs them. The US Congress has recognized this fact. Many major companies are now voluntarily advising shareholders of executive compensation. AASBCR interacts professionally at shareholder meetings. The AT&T management respects professionalism and doesn't deny facts. They operate as well as they can within the parameters of the law and economics.

AASBCR's Strategy: The AASBCR strategy for dealing with AT&T, the government, and others affecting its members is very straight-forward:

1. Work cooperatively with AT&T HR and the other AT&T departments.
2. Work with the NRLN to get retiree friendly legislation passed.

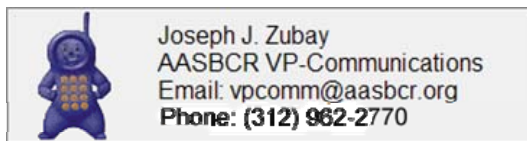
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3. Submit relevant shareholders proposals.

As for our Number 1 strategy - I believe I've adequately addressed that. With respect to our Number 2 strategy - We know that healthcare is a major problem in the US economy. AT&T is suffering and being squeezed by the competitive advantaged new upstart competitors that employ young workers and don't have to contend with an aging group of retirees. Somehow, I don't know how, but somehow this playing field must be leveled. That leveling must occur through legislative action because it has been decades of legislative actions which have resulted in the worsening condition we are experiencing. AASBCR supports the efforts of the NRLN which is using its influence of over 2,000,000 members to promote our cause.

Our coalition partners support our Say-on-Pay shareholder proposal and we have been joined by other telecom and non telecom shareholders in the proposal. If our proposal were unsound or if we were not respected professionals, that would not have happened. Our proposal does not infringe on the management prerogatives of the corporation - we wouldn't be a party to that. Our proposal only assures that sunlight shines in the corporate hiring rooms and the pulse of reality is taken before an executive's deal is cut.

We believe that we have reasoned our approach well. It is a complicated multifaceted situation in which we are living, made so complicated by the multiple factors working in tension with each other. AASBCR is your firewall for retiree benefits and we are walking a complicated path trying to be the best firewall that we can be. I surely will say this too - we would have never supported (much less initiated) such a proposal 25 years ago! But, 25 years ago there was no need for such an organization as AASBCR. We had the Telephone Pioneers for an ongoing activity after retirement and needed nothing more... Bell System retirees were totally cared for. Times have changed and we have tried to follow the times while remembering our roots, our values, our heritage, and how to behave professionally. Again, thank you for your concerns.



AASBCR must receive your completed survey by: 4-18-08 for it to be included in the total count and reported to AT&T.

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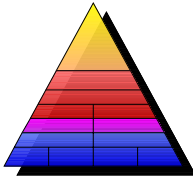
Robert F. Papierniak
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(Retired Ameritech Finance Director)

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NEWS YOU CAN USE

U-VERSE IS COMING. FOR SOME CUSTOMERS. SOMEDAY

We have received a mailing announcing U-Verse. For \$109 a month I can have Phone, DSL, and Cable-like TV. (With Dish HDTV and 2 phone lines, we are currently paying about \$129 a month. When we called the number on the mailer and asked about retiree discounts, we were told there was a 25% discount for retirees. We did not pursue this further: How much is a second line? Is HDTV the standard, or is that extra?
-Art (Editor)

EEOC RULING

Last Fall the EEOC ruled that it was NOT age-discrimination if companies cut Healthcare Benefits for over-65 retirees. The AARP appealed to the Supreme Court, which just refused to hear the case. The NRLN is drafting a letter to Congress and will shortly be asking all 2 million of its members (AASBCR Members included) to personalize the letter and, through CapWiz, send it to our Representatives and Senators – well before election day. So watch your e-mail for a Legislative Ledger with the details. For our non-electronic members, we will

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include the NRLN letter in the next newsletter. Unfortunately, we cannot supply the names and addresses of your Representative and Senators.

WHERE TO GO FOR MORE INFO – 2008 VERSION

The 2008 Edition of AT&T's booklet ["WHERE TO GO FOR MORE INFO"](#) is on our web site. "A tool you can use to get the answers you need" This is a one-stop reference guide for frequently called numbers, Web site addresses and other important AT&T benefits contact information. Our complaining last year must have done some good because AT&T is in the process of shipping this 31 page document to all retirees! Because of the volume, the shipping effort will take several weeks. Hopefully everyone will have a copy by the end of April.

CANDIDATE QUESTIONNAIRE – 2008 EDITION

For the 2006 Election Ray Sternot, our Legislative VP put together a questionnaire for all Congressional candidates in the Ameritech Region. This was a massive effort since many races had candidates from several parties. Most of the Board was involved. We posted all returns on the web site - and listed all those who ignored us.

For the 2008 election Ray has interested the NRLN in this effort, so the survey will be nationwide. And, with the NRLN's 2 Million members, this effort should generate more responses. The survey is being developed now. With continuing benefit erosion by many major corporations, joined now by the EEOC, the outcome of this election will be critical to our future way of life. For this reason we will keep you apprised of the questionnaire's progress. We hope to report results in the September newsletter, with an interim report in the June newsletter.

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TOWN HALL LUNCHEON

The Southwest Florida Town Hall was a rousing success. The attendees were able to meet Pat Reichard, our Florida State Representative. Unfortunately JoAnn Alix-Gagain was not there – she was attending a neighbor's medical emergency. Carole announced the donations that AASBCR has gotten for the luncheon, especially from Bob Papierniak. Carole reviewed what AASBCR has been up to: The member survey; The shareholder proposal; The AASBCR Legislative agenda (supported through NRLN). We discussed the EEOC ruling. We talked about "concession" offered by AT&T to our retirees in the former Bell South area. And passed out lots of handouts.



Carole welcomes everyone



The food was good - and so was the company



Enough! When do we Eat?



Now we have to sit through the Commercial!

This Town Hall was definitely a success. We hope to be able to make this an annual event and to hold other Town Hall meetings in areas where a number of members live. ***(But we need Officers or State Representatives to host these Town Halls!)***

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Quarterly Correspondence:

During the past quarter we have sent the following correspondence via e-mail.
(E-mail recipients will only receive the following links to our web page.)

- [1/8/08 NEWS REGISTER - "AASBCR IS PLEASE TO ADVISE OUR MEMBERS OF A NEW TELEPHONE SERVICE OFFERING." - POSTED 1/10/08](#)
- [1/9/08 LEGISLATIVE LEDGER - EEOC RULING ISSUED DECEMBER 26, 2007 - POSTED 1/10/08](#)
- [2/13/08 NEWS REGISTER - Ray Sternot AASBCR's Vice-President Legislation, was seated as a Board Member on the National Retiree Legislative Network \(NRLN\) Board of Directors](#)
- [2/27/08 LEGISLATIVE LEDGER - AASBCR ATTENDS NRLN CONFERENCE ON RETIREE HEALTHCARE AND PENSIONS - POSTED 2/26/08](#)
- [2/29/08 NEWS REGISTER - POSTED 3/3/08 - 2008 AASBCR INITIATIVES](#)
- [3/5/08 NEWS REGISTER - POSTED 3/5/08 - AASBCR distributes 2008 Health Care Survey.](#)