

Attention Future Pension Recipients
By Andy 'Owen' Anderson, Area Vice President

During a recent ZIPP / VSPP downsizing offer made to Qwest employees, it was discovered that the Internal Revenue Service (IRS) has issued regulations that impose new requirements regarding pension benefit payments. Because of these new regulations, you must request a Pension Benefit Kit **at least 30 days** (but not more than 90 days) before your last day on the Payroll.

It is stated in HR Express under Qwest Pension Plan Summary of Changes:

If you request a pension kit by contacting the Pension Service Center at least 30 days (but no more than 90 days in advance) of your anticipated termination or retirement, your pension benefit under the Plan will be calculated as of the day immediately following your date of termination. This has been the historical practice.

If you do not request a pension kit by contacting the Pension Service Center in advance of your date of termination or retirement, your pension benefit under the Plan will be calculated as of the 30 day following your date of termination. Generally, this 30-day delay in your pension effective date should have no significant impact on your Plan benefit. However, if you are 'service pension eligible' ("SPE") and entitled to an unreduced pension, the later pension effective date could cause you to miss one month of your pension payments if you elect a monthly annuity. (Generally, you are eligible for an unreduced pension if, when you terminate employment with Qwest, (1) You are at least 55 years old and are "service pension eligible" (as defined by the Plan). (2) You are an Occupational Employee with a TOE of at least 30 years or (3) You are an Occupational Employee eligible for a disability pension.

The officers and Area Vice Presidents have been made aware of this change. We will be certain to keep the Qwest management aware of this process when they attempt to do accelerated downsizing. This came to my attention with the recent downsizing offer. Qwest management had members leaving the company in less than the 30 days required and the affected members would not have been in compliance with the new Internal Revenue Service regulation.

The good news is that when this was brought to the attention of the Qwest Management, they changed the 'last day on the payroll' dates, so our members would not lose one month of their pension payment.

Keep this information in mind when you are looking at retiring or are in a surplus situation. You do not want to lose one month of your pension payments by not being in compliance. This could certainly put you into an undue hardship if you were short that first check!

The following are two letters, one from Qwest's Director of Labor Relations Cynthia Kok; and the other is from Qwest's Director of Compensation and Benefits Felicity O'Herron:



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Cynthia Kok
Director - Labor Relations

September 26, 2004

Ms. Annie Hill
Assistant to the Vice President
Communications Workers of America
District 7
8085 East Prentice Avenue
Greenwood Village, Co 80111

RE: Qwest Pension Plan Dear Ms. Hill:

Over the past several months, the IRS has issued regulations that impose significant new requirements relating to the administration and calculation of benefit payments from pension plans. This letter is intended to inform you of changes Qwest anticipates making to the Qwest Pension Plan in response to the new regulations, and to give you the opportunity to ask any questions you may have concerning those changes.

By way of background, pension plans are required to pay benefits in the form of a “qualified joint and survivor annuity” or “QJSA”, unless the participant waives the QJSA form of benefit (with the consent of his or her spouse, if married) and selects an optional form of benefit available under the plan. Prior to a participant’s “annuity starting date” (the date as of which a participant’s benefit is calculated), terminating participants must generally receive a written explanation of the QJSA and well as other information. However, if certain requirements are met, this QJSA explanation can be given after a participant’s annuity starting date, resulting in a “retroactive annuity starting date.”

As a part of the QJSA explanation, the new IRS regulations require that substantial additional disclosures be made to participants concerning the non-QJSA forms of benefit available under the plan (if the QJSA is waived), and the value of those optional forms of benefit in relation to the QJSA. The regulations were issued in response to concerns that participants were not able to compare alternative pension distribution forms without professional advice. In particular, the IRS was concerned that existing disclosure rules didn’t ensure that participants who were eligible for both subsidized annuity distributions and unsubsidized or partially subsidized lump sum distributions were given an adequate explanation of the value of the subsidy they would lose if they elected a lump sum benefit.

The new IRS regulations also impose significant additional requirements if pensions are calculated using retroactive annuity starting dates (i.e., where the annuity starting date used in the benefit calculation is before the date the QJSA explanation was given to the participant). According to our actuaries, those additional requirements would significantly increase the cost, complexity, and administrative burden involved in calculating pension benefits under the Qwest Pension Plan, and would cause the enhanced QJSA explanations and relative value disclosures that are required to be furnished to employees under the new regulations to be substantially more complicated.

After thoroughly reviewing the matter with our actuaries and legal counsel, Qwest has determined that the additional costs, complexities, and administrative burdens associated with using retroactive annuity starting dates

For married participants, the QJSA is an annuity for the life of the participant with a survivor annuity payable for the life of the participant’s surviving spouse, if any (the survivor annuity will generally be either 50% or 100% of the value of the annuity paid while both spouses were alive). For unmarried participants, the QJSA is an annuity for the participant’s life.



To: Qwest Pension Plan Participants

From: Felicity O'Herron, Director — Compensation and Benefits

Subject: New Pension Benefit Payment Regulations

Within the last year, the Internal Revenue Service (IRS) has issued regulations that impose new requirements regarding pension benefit payments. As a result of these new regulations, you should request a Pension Benefit Kit from the Qwest Service Center at least 30 days (but not more than 90 days) before you expect your employment to end. You can request a Pension Benefit Kit by calling 800-729-7526 and selecting the "Pension Plan" option or by accessing the Qwest Service Center Web site at www.qwestpension.com.

In general, if you do not request a Pension Benefit Kit at least 30 days in advance of your termination date, your pension benefit will be calculated as of the 30th day following your termination date. If you do request a Pension Benefit Kit at least 30 days in advance of your termination date, your pension will be calculated as of the day immediately following your termination date, which has been the historical practice.

If you are service pension eligible (SPE) and are eligible to receive an unreduced pension*, it is especially important that you request a Pension Benefit Kit at least 30 days prior to your termination or you may lose one month's pension payment.

*Generally you are eligible for an unreduced pension if 1) you are at least 55 years old and are service pension eligible, 2) you are an occupational employee with a TOE of at least 30 years, or 3) you are an occupational employee eligible for a disability pension.

If you elect to receive a lump sum pension payment, the interest rate used in this calculation will be based on the date your benefit is determined.

If you request a Pension Benefit Kit and ultimately do not terminate your employment, your request will not cause your pension benefit payments to begin or negatively impact your pension or your employment. Your benefit payment will not be processed until your service has been terminated in the official Qwest records.

If you have any questions about this notice, please contact the Qwest Service Center at 800-729-7526 (option 1, 3).