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HEADLINE: WORKERS SUE SBC OVER STOCK;

THEY CLAIM COMPANY FORCED THEM TO SELL AIRTOUCH SHARES IN 401(K) PLAN

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BODY:

California employees of SBC Communications, the nation's largest local telephone company, sued the company Tuesday, accusing it of costing 45,000 employees and retirees $1.1 billion by selling shares of a lucrative investment that was in their company-controlled retirement accounts.

A group of 18 employees, retirees and spouses, who are seeking class-action status for their suit, accused the company of selling shares in AirTouch Communications from their 401(k) accounts after a series of mergers made AirTouch an SBC competitor.

The suit also accuses the company of giving out misleading information so that its California workers would not know about an unusual feature in their 401(k) plan that gave them the right to keep shares of AirTouch by rolling the shares into Individual Retirement Accounts while still at SBC. Typically, workers can move 401(k) funds to retirement accounts only if they leave their jobs.

SBC, in a statement, expressed confidence that it had acted lawfully at all times.

The suit is by far the largest in a growing number of cases involving possible conflicts between the self-interest of companies in how they invest their workers' retirement money and their duty under the Employee Retirement Income Security Act to operate the plans "solely in the interests of the participants and beneficiaries and for the exclusive purpose of providing benefits."

The case raises issues that can affect anyone whose employer gives them, or lets them buy, company shares and then spins off part of the company or is acquired by another concern.

The suit, filed in U.S. District Court in Los Angeles by Eli Gottesdiener of the Sprenger & Lang law firm in Washington, centers on AirTouch, which was the wireless telephone division of Pacific Telesis until it was spun off in 1994. SBC employees received 11 million AirTouch shares in their 401 (k) accounts as a stock dividend at the time and, to retain the shares, employees had to file statements saying they wanted to hold onto them.

When SBC acquired Pacific Telesis in 1997, the Pacific Telesis shares were converted to SBC shares, but the AirTouch shares were not affected. Subsequently, the suit charges, SBC decided to sell the AirTouch shares from the 401(k) accounts because the company competed with SBC's own cell phone businesses.

In interviews, several plaintiffs who do not know each other said that when they asked Gail Roberts, an SBC 401(k) plan administrator, to let them keep their shares she told them that SBC did not want its workers owning shares in a competing company. Roberts did not respond to voice mail messages Tuesday.

The lawsuit asserts that when SBC began selling the AirTouch shares, SBC management "knew or should have known" that their value would rise because Bell Atlantic and Vodaphone were competing to acquire AirTouch. Vodaphone won the bidding war and bought AirTouch last June for $60 billion in cash and stock.

The value of the AirTouch shares have tripled since they were sold by SBC, the lawsuit says. Hourly workers' AirTouch shares were replaced with SBC shares, which have since lost 16.6 percent of their value. Management workers, whose AirTouch shares were sold at a different time, have seen their SBC investment grow 9 percent.

GRAPHIC: New York Times