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**HEADLINE:** Workers sue SBC over 401(k) Claim: \$1.15B in profits missed

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**BODY:**

A lawsuit filed Tuesday by 18 current and former SBC Communications employees claims the phone giant improperly manipulated their 401(k) retirement plan, costing employees \$1.15 billion in lost profits.

The suit, filed in federal district court in Los Angeles, is seeking class action status on behalf of an estimated 40,000 former Pacific Telesis Group 401(k) plan participants who had stock in AirTouch, a wireless communications company that was spun off by PTG in 1994.

According to the complaint, about a year after SBC took over Pacific Telesis, it began selling about \$ 635 million in AirTouch (now Vodafone AirTouch) stock from the 401(k) plan without the employees' consent. Most of the proceeds were reinvested in SBC stock.

SBC's actions violated federal laws requiring it to put the interests of 401 (k) plan participants ahead of corporate interests, says Eli Gottesdiener of the Washington law firm Sprenger & Lang, one of three firms that filed the lawsuit.

The lawsuit seeks to restore to the employees the estimated \$ 1.15 billion they would have in their 401(k) accounts if they could have held onto the AirTouch stock. Since SBC began selling the stock in May 1998, it has more than doubled, from \$ 22.28 to \$ 50.13 a share, adjusted for a split. In the same period, SBC stock has gone from \$ 42 to almost \$ 60 and back to \$ 41.50.

SBC said it had not reviewed the complaint Tuesday, but it denied any wrongdoing. "No SBC savings plan includes direct stock ownership in any other company that is not related to SBC," the company said. It said SBC did not profit from the stock conversion.

The lawsuit comes as employees are becoming more involved in pension and retirement issues. "I think when you educate employees and open their eyes to the world of investments, they're going to be asking a lot more pointed questions," says William Arnone, director of employee financial education at consultants Ernst & Young.

Some recent examples:

\* Last year, First Union employees sued the bank, claiming its 401(k) plan is charging them too much and not giving them enough investment choices. First Union has denied any wrongdoing.

\* Last year, IBM workers, opposed to a new cash-balance pension plan, pressured IBM to double the number of employees who can choose between the traditional pension and the new plan.

On Tuesday, at IBM's annual meeting, shareholders will vote on a resolution that would, among other things, let all employees choose between the two plans.

\* Also Tuesday, at GE's annual meeting, shareholders will vote on a resolution protesting payment of pensions to outside directors while retirees complain they are not getting adequate cost-of-living adjustments.

"For the first time, we're seeing an employee pension revolution in this country," says Karen Friedman of the Pension Rights Center.