



1100 Main Street, Suite 1200
Kansas City, Missouri 64105-2112
816-426-5131 FAX 816-426-5511

April 26, 2001

Anne Hillborne
Senior Benefits Manager
Qwest Communications International, Inc.
555 - 17th Street, 22nd Floor
Denver, CO 80202

RE: U. S. West Pension Plan
EIN/PN 84-0926774/005

7.(A)

Dear Ms. Hillborne:

The U.S. Department of Labor, Pension and Welfare Benefits Administration (PWBA), has responsibility for administration and enforcement of Title I of the Employee Retirement Income Security Act of 1974 (ERISA). Title I establishes standards governing the operation of employee benefit plans such as the U. S. West Pension Plan (the Plan).

This office has scheduled the Plan for an on-site examination to begin **Tuesday, June 5, 2001, at 8:00 a.m.** at the address listed above. Investigative authority is vested in the Secretary of Labor by Section 504 of ERISA, 29 U.S.C. 1134, which states in part: "The Secretary shall have the power, in order to determine whether any person has violated or is about to violate any provision of this title or any regulation or order thereunder to make an investigation, and in connection therewith to require the submission of reports, books, and records, and the filing of data in support of any information required to be filed with the Secretary under this title..."

Our examination will consist of, but will not necessarily be limited to, a review of the documents listed below:

1. Plan Trustee or Plan Committee Meeting Minutes from June 1, 1995 to the Present
2. Identity of all Plan Trustees and Administrators over the last six years*
3. All correspondence with Plan service providers, including internally generated memoranda and notes for the last three years

4. Plan documents in effect from June 1, 1995 to Present, including Amendments, Trust Agreements and Summary Plan Descriptions*
5. 1998 and 1999 IRS Forms 5500*
6. Audited Financial Statements for Plan years 1995 through 1999*
7. The latest IRS Determination Letters for the Plan*
8. Qwest Communication International, Inc. and U.S. West, Inc. Annual Reports for years 1995 through the most recently issued*
9. Contract(s) between the Plan and service providers in effect for the period June 1, 1995 through the Present
10. Summary Annual Reports and Summaries of Material Modifications (if applicable) for Plan years 1995 through the most recently issued*
11. Detailed documentation of Plan administrative expenses for the period June 1, 1995 through the present including Salary, Accounting, Actuary, Contract Administration, Legal, Trustee and "Other" Expenses as reported on IRS Forms 5500. **Documentation must be in sufficient detail to determine exactly what services or tasks were performed.**
12. Plan Receipts and Disbursement Journal(s) for the period June 1, 1995 through Present
13. Complete copy of the Plan Fidelity Bond and any Fiduciary Liability Policies currently in force*
14. Copies of any Exemption Applications submitted by Qwest Communication International, Inc. or U.S. West, Inc. to the Pension and Welfare Benefits Administration since January 1, 1992*
15. Acquisition and valuation documentation for the Partnership/Joint Venture Interest reported on Line 31c(6) and the Income Producing Real Estate reported on Line 31c(7) of IRS Forms 5500 since 1995
16. Description of the "Other" Asset(s) reported on Line 31c(17) of IRS Forms 5500 since 1995

Please provide copies of the documents marked with an " * " for retention by the Department of Labor.

Your cooperation is appreciated. If you have any questions, please call me at

Sincerely

7(A)

7(A)

Senior Investigator

Response to Question 16 in the DOL letter dated April 26, 2001.

Question:

Description of the "Other" Asset(s) reported on Line 31c(17) of IRS Forms 5500 since 1995.

Response:

1995

Foreign Government Debt
U S Stock and Bond Futures
Private U S Debt
Group Trust
Swap Agreements

1996

Foreign Government Debt
U S Stock and Bond Futures
Private U S Debt
Group Trust
Swap Agreements

1997

Foreign Government Debt
U S Stock and Bond Futures
Private U S Debt
Group Trust
Swap Agreements

1998

Foreign Government Debt
U S Stock and Bond Futures
Private U S Debt
Group Trust
Swap Agreements

1999

Foreign Government Debt
U S Stock and Bond Futures
Private U S Debt
Group Trust
Swap Agreements

11A7

11C7
11A7

X-9

From: 1
To:
Date: Tue, May 22, 2001 10:27 AM
Subject: Qwest

Hi 11A7

I just got off the phone with the pension attorney for Qwest (Ann Hilborn). I wanted to let you know why we had contacted them... She mentioned you were coming there for an audit real soon...

We had received word from various parties (mostly at the state level) that Qwest was not going to pay accrued benefits to employees with less than 20 years of creditable service... so we felt compelled to at least question Qwest about the change. Here's what I found out in case it comes up when you are there..

Qwest did not terminate the previous USWest pension plan, instead the plan was changed to a cash balance plan effective 1/1/01. Any employee with less than 20 years of creditable service will maintain the accrued benefit from the original plan, but all service beginning with 1/1/01 will be credited to the cash balance plan. These individuals began the cb acct with a zero balance (the previous accrued benefit was not converted to a lump-sum amt.. the usual issue we get complaints on). Anyone with over 20 yrs will continue the DB accrual unchanged. Therefore, the less than 20 yr group will have the accrued benefit (say \$1000/mo) combined with the new cb formula amounts at retirement and a single annuity ck issd.

Ann did not know at this time, whether the IRS qualification determination had been received, she did indicate Qwest had already applied and all employees received the required notifications.

We see no issues for referral, but wanted to give you a heads up..

11C7

CC:

11C7

711

U.S. Department of Labor

Pension and Welfare Benefits Administration

1100 Main Street, Suite 1200
Kansas City, Missouri 64105-2112
816-426-5131 FAX 816-426-5511



August 7, 2001

Debbie J. Colia
Vice President, Human Resource Services
Qwest Communications International, Inc.
555 - 17th Street, 22nd Floor
Denver, CO 80202

RE: Qwest Pension Plan
EIN/PN 84-0926774/005

7(A)

Dear Ms. Colia:

During a meeting held on Friday, August 3, 2001 with both of Watson Wyatt, the following documents and information (with the exception of item #13) related to the review of the Qwest Pension Plan were requested:

7(C)

1. Time sheets supporting the salary allocations from the Benefits Department for the period 3rd Quarter 1995 through 1998 (Item #11 of my April 26, 2001 letter to Anne Hilborne)
2. All documents supporting the reimbursements from the Plan to the US West or Qwest Asset Management Company as indicated on the Plan Trust statements for the period 3rd Quarter 1995 through the most recent reimbursement (Item #11 of my April 26, 2001 letter to Anne Hilborne)
3. Spread sheets or other documentation for batched expense reimbursements paid from the Plan to US West or Qwest for outside vendor expenses procured by the Benefits Department for the period 3rd Quarter 1995 through 2nd Quarter 1998 (This information was provided by Anne Hilborne for the period 3rd Quarter 1998 through 2000)
4. Complete 2000 and 1st and 2nd Quarter 2001 Trust Statements (Item #12 of my April 26, 2001 letter to Anne Hilborne)
5. Supporting documents for the 2000 Accounting/Auditing, Legal and Actuary (invoice numbers for actuary expenses are listed in the Trust Statements)

722

X-7

expenses indicated on the Trust Statements as paid directly from the Trust (Item #11 of my April 26, 2001 letter to Anne Hilborne)

6. 2001 Cash Balance Plan Amendment (Amendment 2000-3 was provided by
on August 3, 2001)
7. Plan Amendment curtailing retiree health benefits during 2000 (Amendment
2001-1 was provided by on August 3, 2001)
8. Plan document for the Plan that provides retiree healthcare benefits in effect
from 1990 to the present with all amendments, appendices and Summary Plan
Descriptions (SPD) (received the current plan document only from
on August 3, 2001)
9. Long and Short-term Disability Plan documents with all amendments,
appendices, SPDs and Summaries of Material Modifications (SMM) in effect
since the beginning of 2000
10. 2000 and 2001 SPDs for the Qwest Pension Plan (Item #4 of my April 26, 2001
letter to Anne Hilborne)
11. All SPDs, SMMs and sample copies of any waivers required to be signed by
participants to receive benefits under the Programs (as indicated in the program
documents) related to all "Enhanced Benefit Programs" such as the ones
initiated during 2000 and 2001
12. All documents submitted to the Internal Revenue to determine the qualification
of all "Enhanced Benefit Programs"
13. Plan documents, amendments, appendices and SPDs related to any Severance or
Separation Plans operated by US West or Qwest for the period 2000 to the
present
14. Explanation of the \$32,956 payment from the Plan Trust (p. 604 of the 1997
Plan Trust Statement) described as " USW share of audit cost overrun"

It was agreed that items 1-5 and 14 would be made available at the time of my return to Qwest on September 10, 2001 and items 6-12 would be sent to my office as soon as possible. Please send item #13 to my office as soon as possible. Please feel free to call me at _____ should you have any questions concerning the information requested. Thank you for your assistance and cooperation.

Sincerely, //

7(A)

Senior Investigator

CC

Watson Wyatt
Watson Wyatt

7(C)

From: "Wickes, Gene (Denver)" <Gene.Wickes@WatsonWyatt.com>
To: @pwba.dol.gov" @pwba.dol.gov>
Date: Tue, Apr 23, 2002 5:00 PM
Subject: Curtailment response

7 (A)

Attached is a response your question regarding the curtailment of retiree health benefits. I hope that is responsive to what you were looking for. Please let me know if you have any questions.

Thanks. Gene

CC:

7 (C)

Explanation of Curtailment of Retiree Welfare Benefits

Effective September 7, 2000, Qwest modified the post-retirement medical, dental and life benefits for management employees. The benefits were eliminated unless an employee had 20 years of service by December 31, 2000 or would be service pension eligible by December 31, 2003. This change in benefits is required to be accounted for under Statement of Financial Accounting Standards No. 106. Under this statement, the liability for post-retirement medical, dental and life was measured on September 7, 2000 before and after the change. The change in liability was a gain of \$106 million. This is called a curtailment gain in Statement 106 and it was disclosed in Qwest's financial footnote information at year-end 2000.

Pension and Welfare Benefits Administration



Date of Interview: May 15, 2003

Felicity O'Herron (O'Herron), Corporate Counsel was interviewed by Telephone on the above date at

10:45 AM by :

). In response to questioning, O'Herron

7(A)

provided the following information.

1. Todd Flessner is no longer with Qwest as of last week. _____ are now reporting to O'Herron. O'Herron now has a dotted line (reporting) to Jill Sanford. 7(C)
2. Both the 401(k) and Pension Plan SPD's were mailed to participants and beneficiaries last week.
3. O'Herron will fax to _____ copy of an invoice paid by Qwest that shows that Qwest paid for the work done to change the actuarial assumptions of the Pension Plan as discussed in the February 1, 2000 Investment Committee (IC) meeting (the Meeting). O'Herron had problems locating all of the Towers Perrin invoices, which is the reason the one to be faxed was not included in the group provided to _____ the week before last. 7(A)
4. _____ s indicated he was preparing an e-mail to be sent to O'Herron requesting additional information with regard to the actuarial work that was discussed in the meeting. 7(A)

By: _____
At: Qwest Communications Inc., Denver, CO

Date Prepared: 5/15/2003
File No.: _____

7(A)

5. _____ understands O'Herron's position with regard to the asset mix change discussed in the meeting, although, _____ does not necessarily agree with that position. It appears to _____ that the context of the meeting discussion was to improve the pension credit by making changes to the Pension Plan actuarial assumptions and asset mix. O'Herron is not sure the asset mix change was ever undertaken. O'Herron also indicated the meeting minutes indicate the asset mix change was discussed in the context of improving the surplus assets, which benefits the Plan in general and is the overall objective of Qwest Asset Management and the Investment Committee.

7(A)

6. _____ s agreed to review the relevant documents again and to provide O'Herron with an opportunity to discuss the issue prior to DOL alleging violations with regard to this matter in a letter.

7(A)