

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

2005 MAR 15 AM 8:38

GREGORY C. LANGHAM
CLERK

Civil Action No. _____

05-MK-478

BY _____ DEP. CLK

EDWARD J. KERBER,
NELSON B. PHELPS,
Individually, and as Representative of plan participants
and plan beneficiaries of the QWEST PENSION PLAN,

Plaintiffs,

vs.

QWEST PENSION PLAN,
QWEST EMPLOYEES BENEFIT COMMITTEE,
QWEST COMMUNICATIONS INTERNATIONAL, INC.,

Defendants.

CLASS ACTION COMPLAINT

PLAINTIFFS **EDWARD J. KERBER** and **NELSON B. PHELPS**, by and through their
counsel, Curtis L. Kennedy, file their proposed Class Action Complaint:

PRELIMINARY STATEMENT

1. For many decades, a stable feature of the Qwest Pension Plan (and predecessor plans) has been a “death benefit” payable upon the death of a retiree receiving a service pension and delivered to his or her surviving spouse or dependent beneficiaries. Qwest and its predecessors have a long history of treating the death benefit as an “accrued” or protected pension benefit payable from trust fund assets. However, more recently, Qwest formally announced that “Qwest is considering eliminating the death benefit for all retirees regardless of

Qwest seeking a resolution that the death benefit payable under the Qwest Pension Plan is a protected pension benefit and would neither be eliminated nor reduced. Qwest formally denied the request and confirmed that all administrative remedies under the Qwest Pension Plan have been exhausted and that an action under ERISA § 502(a) may be commenced. Therefore, **this is an action** under ERISA § 502(a)(1)(B), 29 U.S.C. § 1132(a)(1)(B) **to clarify Qwest Pension Plan participants' rights to future death benefits under the terms of the plan** and for other declaratory, injunctive and appropriate equitable relief.

JURISDICTION AND VENUE

2. The Court has jurisdiction of the claims for Relief based upon the civil enforcement provisions of ERISA, 29 U.S.C. §§ 1132(a)(1)(B), 1132(a)(2), 1132(a)(3), 1132(e)(1), and 1132(f), and upon 28 U.S.C. §§ 1331 and 1337.

3. Relief is also sought under 28 U.S.C. §§ 2201 and 2202, granting any district court of the United States, in a case of actual controversy within its jurisdiction, the power to declare the rights and other legal relations of any interested party seeking such declaration and to grant further necessary or proper relief based upon a declaratory judgment or decree.

4. Venue of this action lies in the District of Colorado, pursuant to 28 U.S.C. § 1391(b) and 29 U.S.C. § 1132(e)(2), in that acts complained of herein occurred within this District and the subject employee benefit plan is administered in this District.

THE PARTIES

5. Named Plaintiff, EDWARD J. KERBER is a United States citizen and resident of Astoria, Oregon. He was formerly employed as a "District Manager" within the Human Resources Department at U S WEST, Inc. He retired from U S WEST, Inc. effective February 28, 1990. He is a retiree receiving a service pension annuity from the Qwest Pension Plan.

6. KERBER is a "participant," as defined by ERISA § 3(7), 29 U.S.C. § 1002(7), of the Qwest Pension Plan and he receives a service pension in the form of a monthly annuity. KERBER has a "mandatory beneficiary" for the "death benefit" payable from the Qwest Pension Plan.

7. Named Plaintiff, NELSON B. PHELPS is a United States citizen and resident of Aurora, Colorado. He was formerly employed as an "Executive Director" within the Human Resources at U S WEST, Inc. He retired from U S WEST, Inc. effective February 28, 1990. He is a retiree receiving a service pension annuity from the Qwest Pension Plan.

8. PHELPS is a "participant," as defined by ERISA § 3(7), 29 U.S.C. § 1002(7), of the Qwest Pension Plan and he receives a service pension in the form of a monthly annuity. PHELPS has a "mandatory beneficiary" for the "death benefit" payable from the Qwest Pension Plan.

9. U S WEST, Inc., was at all times relevant to this complaint: an "employer" as defined by ERISA § 3(5), 29 U.S.C. § 1002(5); a "fiduciary" of the Qwest Pension Plan (formally called U S WEST Pension Plan), pursuant to ERISA § 3(21), 29 U.S.C. § 1002(21); a "plan administrator" and "plan sponsor" of the pension plan, pursuant to ERISA § 3(16)(A)(i) &

(B), 29 U.S.C. § 1002(16)(A)(i) & (B); and, a corporation qualified to do business in Colorado. U S WEST, INC.'s principle place of business was within the District of Colorado.

10. In July 2000, U S WEST, Inc. merged with QWEST COMMUNICATIONS INTERNATIONAL, Inc., the surviving corporation.

11. Defendant QWEST COMMUNICATIONS INTERNATIONAL, Inc. ("QWEST") is, an "employer," as defined by ERISA § 3(5), 29 U.S.C. § 1002(5); a "fiduciary" of the Qwest Pension Plan, pursuant to ERISA § 3(21), 29 U.S.C. § 1002(21); a "plan administrator" and "plan sponsor" of the Qwest Pension Plan, pursuant to ERISA § 3(16)(A)(I) & (B), 29 U.S.C. § 1002(16)(A)(I) & (B); and a Delaware corporation qualified to do business in Colorado. QWEST's principle place of business is within the District of Colorado.

12. Defendant QWEST PENSION PLAN (as restated) is the successor in interest to the following defined pension plans, beginning with the pension plans first sponsored by AT&T before the mandated break-up of that corporation:

AT&T Pension Plan;
AT&T Management Pension Plan;
U S WEST Pension Plan;
U S WEST Management Pension Plan;
U S WEST Pension Plan (as restated – several times); and
Qwest Pension Plan.

13. QWEST PENSION PLAN ("PLAN") is an "employee pension benefit plan," pursuant to ERISA § 3(2)(A), 29 U.S.C. § 1002(2)(A). The PLAN is named as a party defendant pursuant to Rule 19(a), Fed.R.Civ.P.

14. The PLAN provides a "death benefit" to the mandatory beneficiaries of PLAN participants who retired with a service or disability pension annuity before January 1, 2004.

15. The PLAN provides that for participants who retired before March 1, 1993 there is a “death benefit” in the same dollar amount as the PLAN participant’s base annual salary on the date of employment termination.

16. The PLAN provides that for participants who retired after March 1, 1993 and before January 1, 2004 there is a “death benefit” in the same dollar amount as the PLAN participant’s base annual salary as of March 1, 1993.

17. The PLAN provides that *only* PLAN Participants have a reversionary interest. The PLAN does not give QWEST or any other participating company a reversionary interest.

18. The PLAN’s current Summary Plan Description (SPD) dated January 1, 2001 and distributed to PLAN Participants in year 2002 contains the following text:

“The current provisions of the Plan state that if there are any remaining assets after provisions for the payment of all benefits earned to the date of termination to all participants and others provided for in the Plan upon its termination, plus making provisions for future possible death benefits, such remaining assets are to be applied solely for pension purposes in an equitable manner consistent with the purposes of the Plan.”

19. If the PLAN terminates with a surplus, the surplus may **not** be distributed to QWEST or any participating company.

20. Defendant QWEST EMPLOYEES’ BENEFIT COMMITTEE (hereinafter "COMMITTEE") is, pursuant to ERISA §§ 3(21) and 3(16), 29 U.S.C. §§ 1002(21) and 1002(16), a named "fiduciary" and "administrator" of the PLAN. The COMMITTEE is comprised of QWEST officers (at least one person, but not more than seven persons). The COMMITTEE's principle place of business is Denver, Colorado, the locale from which it

administers the PLAN. The COMMITTEE is a body appointed by QWEST which body performs certain designated fiduciary and administrative functions under the PLAN.

21. The COMMITTEE is the successor to the U S WEST Employees Benefit Committee, the named fiduciary and administrator of the PLAN during the period of January 1984 through July 2000.

22. At all times mentioned herein, PLAN administrators were the agents of the COMMITTEE, and the COMMITTEE has ratified and approved the acts of the PLAN administrators.

FACTS

A. Exhaustion of Available Administrative Procedures

23. The only administrative procedure established under the PLAN is a written procedure for processing a claim for payment of benefits.

24. Named Plaintiff PHELPS submitted several written demands for a declaration of his rights to the "death benefit" which demands were treated as internal claims under the claims procedure provisions of the PLAN. PHELPS submitted a September 26, 2003 demand letter and a March 5, 2004 demand letter.

25. On September 26, 2003, PHELPS faxed, emailed and regular mailed a demand letter to Defendants, and the complete text of his letter is reproduced below:

September 26, 2003

(Via Fax, Email and First Class Mail)

Barry Allen, Senior Vice President HR
QWEST COMMUNICATIONS INTERNATIONAL, INC.
1801 California Street, 52nd Floor

Denver, CO 80202
Tele: 303-992-2020
Fax: 303-296-0520
Barry.Allen@qwest.com

Margie Dobis, Plan Administrator
QWEST PENSION PLAN
c/o Felicity O'Herron, Esq., Senior Director, Employee Benefits
1801 California St., Suite 4590
Denver, CO 80202-2645
Tele: 303-992-6153
Fax: 303-672-2757
Felicity.o'herron@qwest.com

Re: QWEST PENSION PLAN – Death Benefits
REQUEST FOR INTERPRETATION / DETERMINATION

Mr. Allen and Qwest Pension Plan Administrators:

Recently, you had a meeting with Nelson Phelps and certain board members of the Association of U S WEST Retirees during which meeting you told everyone present that company leadership was planning to discontinue providing death benefits to beneficiaries of service pension retirees. You stated the change might take effect October 1, 2003. However, several days later, you reported back to Mr. Phelps and others stating that the decision was being delayed.

It is the position of Mr. Phelps and thousands of other former U S WEST retirees that death benefits paid from the Qwest Pension Plan (formerly the U S WEST Pension Plan) have been treated, interpreted, and considered the same as accrued benefits and that Qwest, as plan sponsor and plan fiduciary, should not eliminate those benefits. Indeed, for decades, the company promised such benefits to its service pension eligible retirees. The retirees seek assurances that the company will not eliminate the death benefits and will, in fact, memorialize a promise in new language to be placed in the governing plan documents.

Certainly, there can be no question that U S WEST officials and pension plan fiduciaries, repeatedly, made representations to Mr. Phelps and other retirees assuring them that death benefits was an expected benefit of one eligible for a service pension. Even to this date, an eligible annuitant can choose to receive a lump sum distribution of benefits that includes the present value of death benefits. We are certain virtually all service pension eligible retirees believe their beneficiaries will be rightfully considered for the death benefits upon the passing away of the plan participant. Most spouses are counting on this financial benefit to help them when that difficult financial time arises.

Mr. Phelps and the others reasonably believe the plan administrator and the EBC are in possession of (or have direct access and privy to) many documents reflecting communications made to worker and retirees alike which communications are contrary to any intent to eliminate death benefits or a reservation of rights disclaimer set forth in the Qwest Pension Plan. All such statements and representations were material and relied upon in making individual retirement decisions. We ask that you review those materials and agree that the appropriate course of action

is to grant plan-wide relief and memorialize a commitment to treat death benefits as an accrued benefit for service pension eligible pensioners payable to qualified beneficiaries.

Therefore, this claim letter is submitted on behalf of Nelson Phelps, individually and for the benefit of all participants in the Qwest Pension Plan. Since the Employee's Benefits Committee, apparently, is the only entity with authority to construe and interpret the terms of the Qwest Pension Plan, plan participants seek the EBC's declaration confirming death benefits will neither be eliminated nor reduced.

Mr. Phelps and the class of Qwest Pension Plan participants formally request the Plan Administrator and the EBC obtain a resolution from the Qwest Board of Directors formally acknowledging the company is contractually bound not to either reduce or eliminate death benefits for those persons eligible for a service pension. Further, Mr. Phelps and the class demand Qwest and the EBC acknowledge this obligation by amending the Qwest Pension Plan's reservation of rights disclaimer and insert language memorializing a contractual obligation for death benefits. Finally, Mr. Phelps and the class ask there be a formal notice distributed to the Qwest Pension Plan participants.

Please send me written confirmation of receipt of this claim letter stating when a full response will be provided.

Finally, this is a reminder that Mr. Phelps' request for pension plan financial information set forth in the letter dated August 15, 2003 sent to you remains outstanding. Please respond. Thank you.

Sincerely,

Curtis L. Kennedy

Reviewed and
Approved:

Nelson B. Phelps
1500 So. Macon St.
Aurora, CO 80012-5141
Tele: 303/743-7928

26. By letter dated December 22, 2003, Defendants responded and told PHELPS's “[t]he requests in the September 26, 2003 claim letter are hereby denied as outside the scope of the EBC's authority under the Pension Plan and premature for review. . . . The decision of the EBC is final. All administrative remedies under the Qwest Pension Plan have been exhausted. . . . You have the right to bring a civil action under ERISA § 502(a).”

27. In a demand letter dated March 5, 2004, Named Plaintiffs together renewed the prior request made by PHELPS and stated in their letter:

“Although this request was previously made by Mr. Phelps and sardonically denied, named claimants, including Mr. Phelps and his spouse, Mr. Kerber and his spouse and the class of Qwest Pension Plan participants, again formally request the Plan Administrator, the EBC, the PLAN Design Committee and the Qwest Board of Directors issue a resolution formally acknowledging the company is contractually bound not to either reduce or eliminate death benefits for those persons eligible for a service pension. Further, named claimants and the class of Qwest Pension Plan participants demand Qwest, the EBC and the PLAN Design Committee acknowledge this obligation by amending the Qwest Pension Plan's reservation of rights disclaimer and insert language memorializing a contractual obligation for death benefits. Finally, claimants and the class ask there be a formal notice distributed to the Qwest Pension Plan participants.”

28. By letter dated May 28, 2004, Defendants responded and reiterated the prior denial stating “the EBC's December 22, 2003 denial letter made clear that its decision was final and that all administrative remedies under the Pension Plan had been exhausted.”

29. Named Plaintiffs fully exhausted all available internal claims procedures under the PLAN.

30. It would be folly to require any of the proposed class of PLAN participants to pursue the same requested administrative relief, as Named Plaintiffs gave notice that their claim should be treated as a demand on behalf of all other PLAN participants.

31. Moreover, perhaps more than a thousand retiree PLAN participants sent letters by either regular mail or electronic internet mail to QWEST officers and the Secretary of the COMMITTEE requesting QWEST formally acknowledge a commitment that the “death benefit” under the PLAN will neither be eliminated nor reduced. Those letters were not given the same formal treatment as given to PHELPS’ claim, but the outcome was the same – effectively a denial of the request or claim.

32. It would be folly to require either Named Plaintiffs or any other plan participants to pursue non-existent internal claims process under the PLAN to redress any violations of ERISA's fiduciary duty provisions. *Unger v. U S WEST, Inc.*, 889 F. Supp. 419, 423 (D. Colo. Judge Babcock, 1996).

33. This action under ERISA has been timely filed.

B. Description and History of the Death Benefit

34. Since post-World War II, AT&T and successor companies, to-wit: “Mountain Bell,” “Northwestern Bell,” “Pacific Northwest Bell,” “U S WEST,” and, now, QWEST, committed to provide a “death benefit” payable out of the assets of the PLAN to the surviving spouse or dependent beneficiaries of a retired PLAN participant who dies while receiving either a service or disability pension annuity from the PLAN.

35. Prior to the January 1, 1984 effective divestiture of AT&T and creation of U S WEST, Inc. as the new holding company for Mountain Bell, Northwestern Bell and Pacific Northwest Bell, AT&T committed to provide a “death benefit” payable out of the assets of its

defined benefit plans to the surviving spouse or dependent beneficiaries of a PLAN participant who dies while receiving either a service or disability pension annuity from the PLAN.

36. AT&T established and maintained two defined benefit plans, the “AT&T Management Pension Plan” and the “AT&T Pension Plan,” and both plans are predecessors in interest to the PLAN.

37. Each of AT&T’s aforesaid defined pension plans stated it was established “**to provide for the payment** of definite amounts to [the participating companies’] respective employees when they are retired from service or **in the event of death, to their dependent relatives**, or in certain cases to their annuitants, or to former employees when they become entitled to deferred vested pension payments or in certain cases to their annuitants.”

38. Each of AT&T’s aforesaid defined pension plans included a “death benefit” as a key element of retirement benefits. The summary plan descriptions for each defined pension plan reported that the participant’s qualified beneficiaries were protected by the defined pension plan’s death benefit provision for the entire period of the participant’s retirement on service or disability pension.

39. During the several years before the divestiture of AT&T, the “Baby Bell” companies – Mountain Bell, Northwestern Bell and Pacific Northwest Bell – issued to their employees a PLAN publication with the following or substantially similar language:

“FAMILY PROTECTION BENEFITS – An important part of your financial security during retirement is provided by your Family Protection Benefits, which include Group Life Insurance, the Death Benefit, and the Survivor Annuity.

DEATH BENEFIT – In addition to your Group Life Insurance, your qualified beneficiary would also receive a Death Benefit following your death during

retirement. This benefit equals your annual pay as of the date you leave the Company.”

40. The summary plan descriptions for AT&T’s defined pension plans specifically stated that every participant who retired and received a service pension or disability pension was entitled to have a death benefit paid to his or her surviving spouse or to other dependent relatives.

41. The master trust agreement for AT&T’s defined pension plans directed trustees to pay death benefits out of plan assets.

42. The master trust fund for AT&T’s defined pension plans was *fully funded* for payment of all “death benefit” liabilities.

43. Each of AT&T’s aforesaid defined pension plans provided that, upon termination *or partial termination* of the pension plan, plan assets were to be applied, after making the payments required by ERISA Section 4044, 29 U.S.C. § 1344, to making provisions for the payment of death benefits “upon the death of retired employees who are on the pension roll as of the date of termination and of employees eligible as of that date for retirement of death benefits which would have been payable from the Pension Fund had the Plan not been so terminated.”

44. Effective January 1, 1984, there was a federal court approved divestiture of AT&T and partial termination of AT&T’s aforesaid defined pension plans.

45. Effective January 1, 1984, AT&T’s aforesaid defined pension plans were split up and assets transferred to successor defined pension plans established by newly formed holding companies, including U S WEST, Inc.

46. Effective January 1, 1984, sufficient assets were transferred from AT&T's defined pension plans into U S WEST's newly created defined pension plans so as to fund PLAN participants' "death benefits."

47. As part of the federal court approved terms of the divestiture of AT&T, the newly created holding companies, including U S WEST, were required to continue providing retiree benefits, including the "death benefit," as previously committed by AT&T.

48. The partial termination of AT&T's aforesaid defined pension plans triggered AT&T's and the successor holding companies' obligation to make provision for the payment of "death benefits."

50. After the January 1, 1984 effective divestiture of AT&T and creation of U S WEST, Inc. as the new holding company for Mountain Bell, Northwestern Bell and Pacific Northwest Bell, U S WEST, Inc. committed to provide a "death benefit" payable out of the assets of the PLAN to the surviving spouse or dependent beneficiaries of a PLAN participant who dies while receiving either a service or disability pension annuity from the PLAN.

51. Effective January 1, 1984, U S WEST established two defined pension plans, "U S WEST Management Pension Plan" and "U S WEST Pension Plan" and each mirrored the provisions of the predecessor AT&T defined pension plan.

52. From January 1, 1984 until December 29, 1994, U S WEST's defined pension plans created after transfer of assets from AT&T's defined pension plans, contained the following controlling plan terms (at Section 4.8):

"The U S WEST Pension Fund **shall be** held by a trustee or trustees or an insurance company or companies as permitted by law **for pension and death**

benefit purposes only and shall be disbursed as directed by the Company [U S WEST] or any other Participating Company, as applicable, from time to time. The Company undertakes to preserve the integrity of the U S WEST Pension Plan as a fund held in trust or by an insurance company or companies as permitted by law **to be applied solely to pension and death benefit purposes** and to take such action as may be necessary and appropriate to insure the application of the entire fund to such purposes.”

53. Said PLAN terms constituted an extra-ERISA contractual commitment limiting the right of U S WEST to make PLAN changes and eliminate the “death benefit” to be paid to PLAN participants’ beneficiaries.

54. The aforesaid extra-ERISA contractual commitment is now binding upon QWEST, the successor in interest, the COMMITTEE and Plan fiduciaries.

55. In addition, upon information and belief, since 1984 U S WEST represented to state public utilities commissions that a rate base for U S WEST had to include the cost of funding and providing the “death benefit” in the PLAN. Accordingly, the state utilities commissions in fourteen different states set charges for ratepayers that included U S WEST’s costs of providing the “death benefit.”

56. The master trust fund for U S WESTs defined pension plans was fully funded for payment of all “death benefit” liabilities.

57. Effective January 1, 1993, U S WEST’s aforesaid defined pension plans were merged to create the single “U S WEST Pension Plan.” In 2001, the U S WEST Pension Plan was renamed the “Qwest Pension Plan (“PLAN”).

C. **U S WEST Issued PLAN Publications and Summary Plan Descriptions and Representations About the “Death Benefit.”**

58. Prior to and when the Named Plaintiff's commenced their respective retirements, U S WEST, Inc. and PLAN administrators habitually made official written representations stating that a "death benefit" would or **will** be payable out of the assets of the PLAN to the surviving spouse or dependent beneficiaries of a PLAN participant who dies while receiving either a service or disability pension annuity from the PLAN.

59. In numerous versions of the Summary Plan Description (SPD) and PLAN publications issued to Named Plaintiffs and PLAN participants, both before and after their respective retirements had commenced, fiduciary representations were made to PLAN participants that the "death benefit" was an entitlement.

60. In 1977, a PLAN publication was issued containing the following text: "*A benefit equal to one year's pay at retirement **will be paid** to the qualified beneficiary on the death of an employee who retires with a Service or Disability Pension.*"

61. In October 1980, a PLAN publication was issued containing the following text: "*A benefit equal to one year's pay at retirement **will be paid** to the mandatory beneficiary of an employee who dies after retirement while receiving a service or disability pension.*"

62. In December 1981, a PLAN publication was issued containing the following text: "*A benefit equal to one year's pay at retirement **will be paid** to the mandatory beneficiary of an employee who dies after retirement while receiving a service or disability pension.*"

63. In January 1987, a PLAN publication was issued containing the following text: "*A benefit equal to one year's pay at retirement **will be paid** to the mandatory beneficiary (if any) of an employee who dies after retirement while receiving a service or disability pension.*"

64. In October 1988, a PLAN publication was issued containing the following text:
*“After you retire on a service or disability pension, a benefit equal to one year’s pay immediately prior to your retirement **will be paid** under the Management Pension Plan to any “qualified” beneficiary(ies) you may have at the time of your death.”*

65. In July 1989, a PLAN publication was issued containing the following text: *“If you should die after retirement while receiving a service or disability pension, a benefit equal to one year’s pay at retirement **will be paid** to your mandatory beneficiary (if any).”*

66. In March 1990, a PLAN publication was issued containing the following text: *“A benefit equal to one year’s pay immediately prior to your retirement **will be paid** under the U S WEST Management Pension Plan to any “qualified” beneficiar[ies] you may have at the time of your death. The death benefit is paid in addition to benefits paid under the Group Life Insurance Program.”*

67. In March 1993, a PLAN publication was issued containing the following text: *“If you are a participant of the U S WEST Pension Plan as of 2-28-93, **you will always remain eligible** to a death benefit to the extent an eligible beneficiary under the plan is living.”*

68. In July 1993, a PLAN publication was issued containing the following text:
*“Employees hired on or after March 1, 1993 are not entitled to the lump sum death benefit. If your Term of Employment [TOE] date is February 28, 1993 or earlier, at the time of your death, your eligible beneficiaries **are entitled** to this benefit.”*

69. In January 1996, a PLAN publication was issued containing the following text:
“The plan may pay your qualified beneficiaries a death benefit which is equal to one year’s pay

*for your death due to sickness or accident. Effective February 28, 1993, the death benefit for active employees was frozen based on their eligible pay as of that date. If you were hired on or after March 1, 1993, you are not entitled to the lump-sum death benefit. However, if you were rehired on or after March 1, 1993 with prior service and a service bridge adjusts your TOE to February 28, 1993 or earlier, your eligible beneficiaries **will be eligible** to the death benefit. As a retiree with a TOE date of February 28, 1993 or earlier, your eligible beneficiaries are eligible to receive this benefit.”*

70. From 1984 to July 2000, U S WEST, Inc. used the aforementioned PLAN publications and the SPDs as the primary informational documents issued to its retirees to inform them of their rights and obligations for “death benefits” under the PLAN.

71. All of the written representations in the PLAN publications and SPDs issued by AT&T (and Baby Bells - Mountain Bell, Northwestern Bell, Pacific Northwest Bell) and U S WEST were part of a common course of conduct designed to impress upon Named Plaintiffs and PLAN participants that the “death benefit” was a funded, protected ‘pension’ benefit and there was a legally enforceable commitment that the “death benefit” would be made payable to survivors and beneficiaries.

72. For instance, U S WEST sent retirees a November 26, 1986 newsletter entitled “Benefits and Compensation News” containing the following text: “*What changes take place in my benefits when I retire? . . . DEATH BENEFITS – Your qualified beneficiaries are protected by the Plan’s sickness and accident benefit provisions for the entire period of employment and during your retirement. A benefit equal to one year’s pay at retirement will be paid to the*

mandatory beneficiary (if any) of an employee who dies after retirement while receiving a service or disability pension.”

73. In **none** of the PLAN publications and SPDs that AT&T (Baby Bells) and U S WEST issued to Named Plaintiffs and PLAN participants were there statements and disclosures to advise PLAN participants that the sponsoring company reserved the right to reduce or eliminate the “death benefit” after a PLAN participant had retired, in the absence of a PLAN termination.

74. Certainly, in **none** of the PLAN publications and SPDs that AT&T (Baby Bells) and U S WEST issued to Named Plaintiffs and PLAN participants were there statements and disclosures, **easily understood by a reasonable person**, to advise PLAN participants that the sponsoring company reserved the right to reduce or eliminate the “death benefit” after a PLAN participant had retired, in the absence of a PLAN termination.

75. To the extent that any or all of the PLAN publications and SPDs that AT&T (Baby Bells) and U S WEST issued to Named Plaintiffs and PLAN participants included any statement of “reservation of rights,” there was an **ambiguity** about whether the sponsoring company also reserved the right to eliminate the “death benefit”, absent a plan termination.

D. U S WEST Fiduciary Representations When Offering Special Retirement Incentives.

76. From time to time, U S WEST offered a special retirement incentive as part of an effort to reduce its workforce through voluntary retirements. For example, in 1990 U S WEST provided a special retirement incentive to several thousand employees, including Named

Plaintiffs. During the 1990 special retirement “window,” U S WEST and PLAN administrators issued a letter dated March 26, 1990 to Named Plaintiffs containing the following text: “A *benefit equal to one year’s pay immediately prior to your retirement will be paid under the U S WEST Management Pension Plan to any “qualified” beneficiar(ies) you may have at the time of your death. The death benefit is paid in addition to benefits paid under the Group Life Insurance Program.”*

77. Because of the representations and provisions for the “death benefit,” PHELPS declined the survivor annuity option for the payment of his service pension and the election became irrevocable upon retirement.

78. Because of the representations and provisions for the “death benefit,” both KERBER and PHELPS declined the option to take a lump sum distribution of their respective service pensions and their respective elections became irrevocable upon retirement.

79. By virtue of these and other similar representations and promises, PLAN administrators, acting with the approval of the then existing COMMITTEE, effectively interpreted the “death benefit” to be a protected or accrued benefit under the PLAN.

80. PLAN fiduciaries, including past members of the COMMITTEE have acknowledged the aforesaid representations and commitments were made to Named Plaintiffs and PLAN participants when they were making retirement decisions and choosing between receiving a lump sum distribution or monthly annuity.

E. COMMITTEE’s Prior Actions Served As An Interpretation Making the “Death Benefit” A Protected or Accrued Pension Benefit Under the Existing Terms of the PLAN.

81. Prior to U S WEST's merger with QWEST occurring in July 2000, U S WEST and PLAN administrators (including the COMMITTEE) treated the "death benefit" under the PLAN to be a protected or accrued pension benefit. Whenever a PLAN participant elected to receive a lump sum distribution of accrued benefits, PLAN administrators would calculate the present value of the "death benefit" and include that amount in the distribution paid to the PLAN participant.

82. After U S WEST's merger with QWEST and up until January 2004, PLAN administrators continued to treat the "death benefit" under the PLAN to be an accrued benefit.

83. To date, through its rules and procedures, the COMMITTEE has approved and authorized PLAN Administrators to distribute the "death benefit" to over 10,000 *living* PLAN participants without regard to whether or not they had "mandatory beneficiaries."

84. The PLAN states in Article 13.7 "Uniformity of Application. The provisions of the Plan shall be applied in a uniform and non-discriminatory manner in accordance with rules adopted by the Committee which shall be systematically followed and consistently applied so that all persons similarly situated shall be treated alike."

85. By their rules, procedures and actions, the COMMITTEE and PLAN administrators have interpreted the "death benefit" to be a protected benefit or accrued benefit that cannot be reduced or eliminated in the absence of a PLAN termination.

86. Moreover, in prior litigation in this District, U S WEST argued its position that no PLAN "participant's life insurance or death benefits have been reduced or diminished, nor does

U S WEST claim the right to diminish those benefits after they have become ‘accrued.’” *Jarvis v. U S WEST, Inc.*, Civil Action 97-N-2189 (D. Colo., Judge Nottingham). Therefore, QWEST as successor to U S WEST should be judicially estopped to assert otherwise.

F. January 25, 1998 Undisclosed Material Modification Declaring the “Death Benefit” Not An ‘Accrued Benefit.’

87. On or about January 25, 1998, U S WEST adopted a restated PLAN document. Section 1.0 of the January 25, 1998 executed PLAN document included a revised definition of “Accrued Benefit” that reads in part: “. . .Accrued Benefits shall not include any benefits under Article VII [Death Benefits], under Appendix J [Long Term Disability Benefits], . . .or any benefit that is not an accrued benefit under Section 411(d)(6) of the Code.”

88. The January 25, 1998 restated PLAN document was not distributed to Named Plaintiffs.

89. The January 25, 1998 restated PLAN document was not distributed to PLAN participants in general.

90. The January 25, 1998 adopted PLAN language stating the “death benefit” was not an accrued benefit was a material modification of PLAN terms and never inserted in any of the SPDs distributed to either Named Plaintiffs or any other PLAN Participant.

91. The January 25, 1998 adopted PLAN language concerning the “death benefit” was a material modification of PLAN terms and never disclosed in a summary of material modifications (SMM) distributed to either Named Plaintiffs or any other PLAN Participant.

92. Defendants and PLAN administrators are required to furnish Named Plaintiffs and PLAN participants with a summary of any material modifications written in a manner calculated to be understood by the average PLAN participant. See ERISA Section 102(a), 29 U.S.C. § 1022(a); 29 C.F.R. § 2520.104b-1(b)(1).

93. Defendants and PLAN administrators breached an ERISA fiduciary duty and did not comply with applicable Department of Labor regulations when they failed to give Named Plaintiffs and PLAN participants either a SPD or SMM disclosing the January 25, 1998 adopted PLAN language stating the “death benefit” was not an accrued benefit.

94. By not making the required disclosure in either a SPD or SMM, Defendants caused harm to Named Plaintiffs and PLAN participants and they have been prejudiced, because for over 5 years they have been unaware of this material PLAN change, and they have lost opportunity to take action to protect their retirement financial and estate planning.

95. Principles of equitable estoppel, now, forbid Defendants and successors from ever altering, modifying, eliminating or terminating the death benefit with respect to Named Plaintiffs and retired PLAN participants in the absence of a PLAN termination.

G. The New COMMITTEE’s Position on the Status of the “Death Benefit With Respect to Named Plaintiffs and All Retired PLAN Participants.”

96. In July 2000, QWEST took over as plan sponsor and began looking for ways to decrease liabilities of the PLAN so as to be able to avoid or limit its PLAN funding obligation with operating revenues.

97. In early September 2003, QWEST officers and the Secretary for the COMMITTEE drafted a proposed notice to be sent to PLAN participants which proposed letter stated that QWEST would eliminate the “death benefit” as of October 1, 2003.

98. Naturally, this surprise information caused great consternation to thousands of PLAN participants and their beneficiaries, many of whom sent letters and email asking QWEST leadership to memorialize a commitment to continue the “death benefit” under the PLAN.

99. Defendants decided to **delay** carrying out plans to end the “death benefit.”

100. However, Defendants eliminated the “death benefit” for PLAN participants retiring on or after January 1, 2004.

101. Defendants have refused and will continue to refuse to incorporate a commitment for the “death benefit” into the written terms of the PLAN.

102. The *present* COMMITTEE has refused and continues to refuse to acknowledge that actions by past COMMITTEE members have served to interpret the “death benefit” to be a protected or accrued pension benefit under then existing terms of the PLAN.

103. The *present* COMMITTEE has refused and continues to refuse to acknowledge past breaches of ERISA fiduciary by past PLAN fiduciaries resulting from their representations about the “death benefit,” and material omissions and non-disclosure of PLAN terms.

104. The *present* COMMITTEE has refused and continues to refuse to acknowledge that due to past representations, material omissions and non-disclosure of PLAN terms by past PLAN fiduciaries, principles of equitable estoppel, now, forbid Defendants and successors from

ever altering, modifying, eliminating or terminating the death benefit in the absence of a PLAN termination.

105. An actual controversy exists between Defendants, on the one hand, and PLAN Participants, including Named Plaintiffs, on the other hand, as to whether the “death benefit” should be treated as a protected or accrued pension benefit under the PLAN.

106. Pursuant to ERISA Section 502(a)(1)(B), 29 U.S.C. Section 1132(a)(1)(B), Named Plaintiffs and the proposed class of PLAN participants are entitled to bring this action to have this Court clarify their rights to future “death benefits” under the terms of the PLAN.

FIRST CLAIM FOR RELIEF
(Equitable Estoppel Due to Failure to Disclose Material Information)

107. Named Plaintiffs incorporate and reallege by reference the foregoing paragraphs 1 through 106, inclusive (together with the Class Action Allegations, ¶s 127-141), as if they were fully set forth herein.

108. Because of their ERISA fiduciary positions and access to internal and external legal advice about the protected or unprotected status of the “death benefit” and related material PLAN information not disclosed to PLAN participants, QWEST, COMMITTEE and PLAN Administrators knew that material facts had not been disclosed and had been concealed from Named Plaintiffs and PLAN participants and that the other positive representations repeatedly made about the “death benefit” were either incomplete, materially false or misleading.

109. As PLAN fiduciaries, Defendants QWEST and COMMITTEE had a duty to communicate material facts affecting the interests of Named Plaintiffs and PLAN participants. Defendants had a duty to disclose material information, including whether the “death benefit” could be reduced or eliminated in the absence of a PLAN termination.

110. Prior to December 2003, neither Defendant QWEST, the COMMITTEE, nor PLAN administrators made a formal disclosure in the SPDs distributed to Named Plaintiffs and PLAN participants advising that the “death benefit” was not a protected benefit or that the “death benefit” could either be reduced or eliminated by the sponsoring company even in the absence of a PLAN termination.

111. Defendants’ recently announced position that the “death benefit” can be either reduced or eliminated by the sponsoring company even in the absence of a PLAN termination

was never disclosed to either Named Plaintiffs or PLAN participants when they were making their respective retirement choices.

112. The COMMITTEE's and PLAN Administrator's past failure to disclose that the "death benefit" could be either reduced or eliminated even in the absence of a PLAN termination was recklessness, a material omission and fiduciary misconduct, since there was a substantial likelihood that omission would mislead a reasonable employee into making an inadequately informed decision upon retirement about electing to receive an immediate distribution of the "death benefit" and other PLAN benefits, or electing to receive an annuity and the "death benefit" payable after death to the surviving spouse or dependent beneficiaries.

113. The COMMITTEE's and PLAN Administrator's past failure to disclose that the "death benefit" could be either reduced or eliminated even in the absence of a PLAN termination was recklessness,¹ a material omission and fiduciary misconduct, since there was a substantial likelihood that omission would mislead a reasonable PLAN participant about whether or not to purchase life insurance on the market.

114. Named Plaintiffs and PLAN participants have been systematically tricked into believing the "death benefit" was a funded protected benefit under the PLAN.

115. Accordingly, Named Plaintiff's and PLAN participants reasonably and detrimentally relied upon the written representations made by PLAN administrators that there

¹ By "recklessness" Named Plaintiffs mean the PLAN fiduciaries' conduct was an extreme departure from the standards of ordinary fiduciary care and the misconduct presented a danger of misleading PLAN participants about important information concerning the "death benefit" that was either known to AT&T (Baby Bells) and U S WEST controlled PLAN fiduciaries or was so obvious that the PLAN fiduciaries should have been aware of the false impression given to PLAN participants.

was a commitment to provide a “death benefit” to the surviving spouse or dependent beneficiaries, and Named Plaintiffs and PLAN participants did not obtain the equivalent in life insurance coverage from other sources.

116. Named Plaintiffs and PLAN participants have been prejudiced from the lack of notice of material information contrary to the written representations in PLAN publications and SPDs given to them about the “death benefit.”

117. Defendant’s omissions and written misrepresentations and SPDs about the “death benefit” were material to Named Plaintiffs and PLAN participants because a reasonable PLAN participant considered the information important in making retirement elections and decisions about whether to buy life insurance on the market.

118. Now, due to a combination of age, health condition, and meager financial factors, thousands of PLAN participants cannot possibly afford the cost of purchasing life insurance on the market so as to replace the face amount of the expected “death benefit” under the PLAN.

119. The current cost of life insurance to replace the face amount of the expected “death benefit” makes mitigation of damages impracticable for Named Plaintiffs and the proposed class of PLAN participants.

120. Named Plaintiffs seek an order declaring that QWEST, the COMMITTEE and PLAN administrators, by making omissions and failing to make necessary disclosures in the SPDs, failed to discharge duties to act solely in the interests of Named Plaintiffs, PLAN participants and beneficiaries, as required by ERISA Section 404(a)(1), 29 U.S.C. § 1104(a)(1).

121. Named Plaintiffs seek further class-wide appropriate equitable relief, including a declaration that due to the aforesaid actions by the COMMITTEE and PLAN administrators, the “death benefit” is deemed under the PLAN to be a protected or accrued pension benefit, not subject to reduction or elimination absent a PLAN termination.

122. This Court should apply principles of equitable estoppel, under ERISA § 502(a)(3), 29 U.S.C. § 1132(a)(3), and issue an order forbidding Defendants and successors from ever altering, modifying, eliminating or terminating the death benefit in the absence of a PLAN termination.

123. Pursuant to ERISA Section 502(a)(3), 29 U.S.C. § 1132(a)(3), this Court should grant injunctive relief requiring QWEST, as plan sponsor, to insert language in the governing PLAN documents memorializing the “death benefit” is an entitlement, a protected and accrued benefit for Named Plaintiffs and the proposed class of PLAN participants.

SECOND CLAIM FOR RELIEF
(ERISA Section 502(a)(1)(B) Claim to Clarify Future Rights to the “Death Benefit”)

124. Named Plaintiffs incorporate and reallege by reference the foregoing paragraphs 1 through 123, inclusive (together with the Class Action Allegations, ¶s 127-141), as if they were fully set forth herein.

125. Pursuant to ERISA Section 502(a)(1)(B), 29 U.S.C. Section 1132(a)(1)(B), Named Plaintiffs and the proposed class of PLAN participants are entitled to bring this action they request this Court to clarify their rights to future “death benefits” under the terms of the PLAN.

126. Named Plaintiff PHELPS seeks a declaration that Named Plaintiffs and PLAN participants' mandatory beneficiaries, to the extent there are any at time of death, are entitled to the "death benefit" payable from the PLAN.

CLASS ACTION ALLEGATIONS

127. **Class Definition.** Named Plaintiffs bring this action on behalf of a class consisting of all PLAN participants who retired before January 1, 2004 and are receiving either a service pension annuity or disability pension annuity.

128. This action is maintainable as a class action under Federal Rule of Civil Procedure Rule 23, subsections (a), (b)(2), and (b)(3).

129. **Class Size.** The precise size of the class is presently unknown and will be determined through discovery. However, Named Plaintiffs are informed and believe, and on that basis allege, that the size of the class is well over twenty thousand. The class is so numerous that joinder of all the members of the class is impractical.

130. **Questions of Law and Fact Common to the Class.** This suit poses questions of law and fact which are common to and affect the rights of all putative class members. The questions presented include, but are not limited to: A) whether Defendants violated their fiduciary duties under ERISA Section 404 when making representations and providing PLAN publications and SPDs that led reasonable PLAN participants to conclude that the "death benefit" was a protected or accrued pension benefit; B) whether Defendants' and predecessor's actions interpreted the "death benefit" to be an entitlement, protected or accrued pension benefit; C) whether Defendants are judicially or equitably estopped to eliminate the "death benefit" in

the absence of PLAN termination; D) whether the “death benefit” provided under the PLAN is an accrued benefit protected by ERISA Section 204(g); and E) whether PLAN participants are entitled to declaratory and injunctive relief and the form and extent of the relief to which they should receive.

131. **Typicality of the Claims of the Representatives.** The claims of Named Plaintiffs are typical of the claims of the proposed class of PLAN participants and beneficiaries as a whole.

132. Named Plaintiff’s reliance on written representations and SPDs from different time periods than same or similar ones issued to other PLAN participants during other time periods does not undermine Named Plaintiff’s ability to represent the entire class. ²

133. **Adequacy of Representation.** Named Plaintiffs have no interest antagonistic to or in conflict with the interests of the proposed class of participants and beneficiaries. Indeed, Named Plaintiffs have the support of thousands of PLAN participants.

134. Plaintiffs’ counsel Curtis L. Kennedy is experienced counsel who has served as Class counsel in ERISA cases successfully litigated in the District of Colorado, including multi-plaintiff civil actions involving the Defendants and their predecessors.

² Although this is a proposed ERISA class action, not a securities fraud class action, it is noteworthy that the Tenth Circuit has ruled that a dissimilarity of misrepresentations upon which individual members of a putative class relied does not prohibit a class action when the misrepresentations established a common course of conduct by defendants. *Esplin v. Hirschi*, 402 F.2d 94, 100-101 (10th Cir. 1968) (securities litigation); See also, *In re Intelcom Group, Inc. Sec. Litig.*, 169 F.R.D. 142, 151 (D. Colo. 1996).

135. Defendants' refusal to acknowledge the "death benefit" is a protected PLAN benefit makes appropriate an award of final injunctive and declaratory plan-wide and class-wide relief.

136. Questions of law or fact common to the members of the proposed class predominate over any questions affecting only individual participants and beneficiaries. The predominant questions in this litigation concern the rights of proposed class members to receive declaratory, injunctive and equitable relief, and whether Defendants should be required to memorialize in the governing PLAN documents the "death benefit" is an entitlement, protected or accrued pension benefit.

137. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

138. Members of the proposed class have little interest in individually controlling the prosecution of separate actions.

139. Named Plaintiffs know of no other litigation concerning this controversy which has previously been commenced by members of the proposed class.

140. In the interests of judicial efficiency, the claims arising out of this controversy should be consolidated in this proposed class action before this Court.

141. No undue difficulties are anticipated to result from the prosecution of this proceeding as a class action.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs EDWARD J. KERBER and NELSON PHELPS, Individually and on behalf of the QWEST PENSION PLAN participants and beneficiaries and for the benefit of the QWEST PENSION PLAN, seek orders and judgments against Defendants as follows:

A. Order this action be maintained as a class action under Fed.R.Civ.P., Rule 23(a), (b)(2) and (b)(3), and require QWEST at company expense to publish and mail notification of this action to all members of the proposed class of participants and beneficiaries;

B. Declare that Defendants, as fiduciaries to the QWEST PENSION PLAN failed to discharge duties to act solely in the interests of the participants and beneficiaries, as required by ERISA Section 404(a)(1), 29 U.S.C. § 1104(a)(1);

C. Pursuant to ERISA § 502(a)(1)(B), 29 U.S.C. § 1132(a)(1)(B), declare the Named Plaintiffs' and PLAN participants' rights to future "death benefits" under the terms of the PLAN and declare the "death benefit" is an accrued benefit under ERISA Section 204(g), 29 U.S.C. § 1104(g), protected from cut-backs, and that Named Plaintiffs and PLAN participants have a non-forfeitable interest in the "death benefit" that cannot be eliminated by amendment of the PLAN;

D. Pursuant to ERISA § 502(a)(1)(B), 29 U.S.C. § 1132(a)(1)(B), declare that the PLAN language inserted in the January 25, 1998 restated PLAN document defining "Accrued Benefit" so as to exclude the "death benefit" has no force and effect on Named Plaintiffs' and the proposed class of PLAN participants' rights to future "death benefits";

E. Pursuant to ERISA § 502(a)(1)(B), 29 U.S.C. § 1132(a)(1)(B), issue an order clarifying that Named Plaintiffs' and PLAN participants' "mandatory beneficiaries" at the time

of death of Named Plaintiffs and PLAN participants are entitled to “death benefits” payable from the PLAN;

F. Pursuant to ERISA § 502(a)(3)(A) and(B), 29 U.S.C. § 1132(a)(3)(A) and (B), grant temporary, preliminary and permanent injunctive relief prohibiting QWEST and successor plan sponsors from eliminating or reducing the “death benefit,” with respect to Named Plaintiffs and retired PLAN participants, absent a termination of the QWEST PENSION PLAN, and requiring the plan sponsor to amend the governing PLAN documents to clearly state the “death benefit” cannot be eliminated or reduced absent a termination of the PLAN;

G. Pursuant to ERISA § 502(a)(3), 29 U.S.C. § 1132(a)(3), issue an order directing Defendants, or an appointed independent fiduciary, to distribute at Defendant’s expense a writing to Named Plaintiffs and the proposed class of PLAN participants correctly disclosing that the “death benefit” is a protected and accrued benefit which cannot be forfeited by any amendment to the PLAN by QWEST and successor PLAN sponsors;

H. Grant Plaintiffs and the proposed class members such other and further class-wide and plan-wide relief, including appropriate equitable relief allowable under ERISA § 502(a)(3), as the Court deems just and proper;

I. Order QWEST’s officers, employees and agents not to retaliate against Named Plaintiffs (and their relatives) and the proposed class of PLAN participants and beneficiaries on the basis of the filing or prosecution of this action; and

J. Pursuant to ERISA § 502(g)(1), 29 U.S.C. § 1132(g)(1), order Defendants to pay the reasonable value of Plaintiffs' interim and final attorney's fees for services performed, expert witness fees, accounting fees, necessary expenses of litigation, and costs of this action.

DATED this ____ day of March, 2005.

Respectfully submitted,



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