1993 SFAS-106 OPEB IMPACTS COMPARED TO 1991 HISTORICAL DATA
(000)

STUDY AREA: SOUTHWESTERN BELL TELEPHONE CO.

	SUBJECT TO SEPARATIONS	INTERSTATE	TOTAL COMMON LINE	TOTAL SWITCHED	SPECIAL ACCESS	IX
EXPENSES						
50 NTWK SUPP	192	47	20	19	8	0
51 GEN SUPP	10,724	2,561	416	1,455	682	12
52 COE	22,167	5,314	926	3,483	867	34
53 OPR SYS	N/A	N/A	N/A	N/A	N/A	N/A
54 CIRCUIT	N/A	N/A	N/A	N/A	N/A	N/A
55 IOT	11,993	2,977	2,974	N/A	3	0
56 C&W	36,242	10,022	6,981	1,410	1,631	0
57 OTH PP&E	144	37	18	13	5	0
58 NTWK OPR	46,991	12,221	6,129	4,131	1,929	29
59 ACCESS	0	0	N/A	N/A	N/A	0
60 DEPR & AMORT	2,595	696	303	272	124	1
61 MARKETING	14,602	3,590	1,609	1,357	618	9
62 CUST SVCS	52,975	9,064	1,273	2,476	1,059	1,304
63 CORPORATE	43,352	10,191	4,663	3,087	1,479	300
64 FCC ADJ EXP	N/A	0	0	0	0	0
65 **TOT OPR EXPENSES**	241,977	56,720	25,312	17,703	8,405	1,689
67 CONTRIBUTIONS	0	5	2	3	1	0
68 OTHER MISC REVENUES	0	0	(0)	0	(0)	(0)
70 S&L TAXES	746	(245)	(115)	(91)	(38)	(0)
71 OTHER TAXES	0	9	1	3	2	0
72 **TOT OTH TAXES**	746	(236)	(114)	(88)	(36)	(0)
74 FIXED CHARGES	0	(22)	(14)	(2)	(5)	0
75 IRS INCOME ADJ	0	43	21	17	6	0
76 FCC INCOME ADJ	0	0	0	0	0	0
77 ITC AMORT	0	2	0	2	0	0
78 FCC ITC ADJ	0	0	0	0	0	0
79 FIT	10,571	(2,881)	(1,495)	(903)	(474)	(10)
80 **TOT OPR TAXES**	11,316	(3,117)	(1,609)	(992)	(510)	(11)
82 REVENUE REQUIREMENT	N/A	48,043	20,810	14,981	6,978	1,657
83 MISC REVENUE	N/A	0	(0)	0	(0)	(0)
84 UNCOLLECTIBLES	N/A	0	(0)	0	0	(0)
85 NET REVENUE REQ	N/A	48,043	20,811	14,981	6,978	1,658
86 EXP AND OTHER TAXES	N/A	56,489	25,200	17,618	8,370	1,688
87 AVG NET INVESTMENT	N/A	(49,467)	(25,729)	(15,404)	(8,165)	(180)
88 FIT ADJUSTMENTS	N/A	21	7	15	1	0
89 ITC-A	N/A	2	0	2	0	0
90 FIT	N/A	(2,881)	(1,495)	(903)	(474)	(10)
91 NET OPERATING INCOME	N/A	(5,565)	(2,894)	(1,733)	(919)	(20)
92 RATE OF RETURN	N/A	-0.000000	-0.000000	0.000000	0.000000	0.000000

FIGURE 2.4-1

EXOGENOUS COSTS ADJUSTED FOR NONPRICE CAP SERVICES
(000)

STATE: SOUTHWESTERN BELL TELEPHONE COMPANY

		TOTAL	CL	TS	SPECIAL	IX
1.	EXOGENOUS IS ACCESS & IX W/NONPRICE CAP SERVICES FIGURE 2.3-4, LN 82	44,426	20,810	14,981	6,978	1,657
2.	DISTRIBUTION RATIO TO ADJUST NONPRICE CAP SERVICES LN 9		0.008865	0.000791	0.011187	0.001727
3.	EXOGENOUS COSTS ASSOCIATED W/NONPRICE CAP SERVICES LN 1 * LN 2	277	184	12	78	3
4.	EXOGENOUS WITHOUT NONPRICE CAP SERVICES LN 1 - LN 3	44,149	20,626	14,969	6,900	1,654
5.	GODWIN ADJUSTMENT		0.848	0.848	0.848	0.848
6.	EXOGENOUS WITH GODWIN ADJ LN 4 * LN 5	37,438	17,490	12,694	5,851	1,403

1991 REVENUES
(000)

		TOTAL	CL	TS	SPECIAL	IX
7.	1991 REVENUES W/NONPRICE CAP SERVICES FCC 492 LN 1 + LN 6	1,690,325	768,596	610,783	276,524	34,678
8.	1991 NONPRICE CAP SVCS REVENUE FCC 492 FOOTNOTE	10,451	6,814	483	3,094	60
9.	DISTRIBUTION (LN8/LN7)		0.008865	0.000791	0.011187	0.001727

EXHIBIT 4

Southwestern Bell Telephone Company Direct Case
CC Docket No. 92-101

Southwestern Bell's Reporting of SFAS 106 Information to Investors and the Securities Exchange Commission in Annual Reports, 10-K and 10-Q Reports

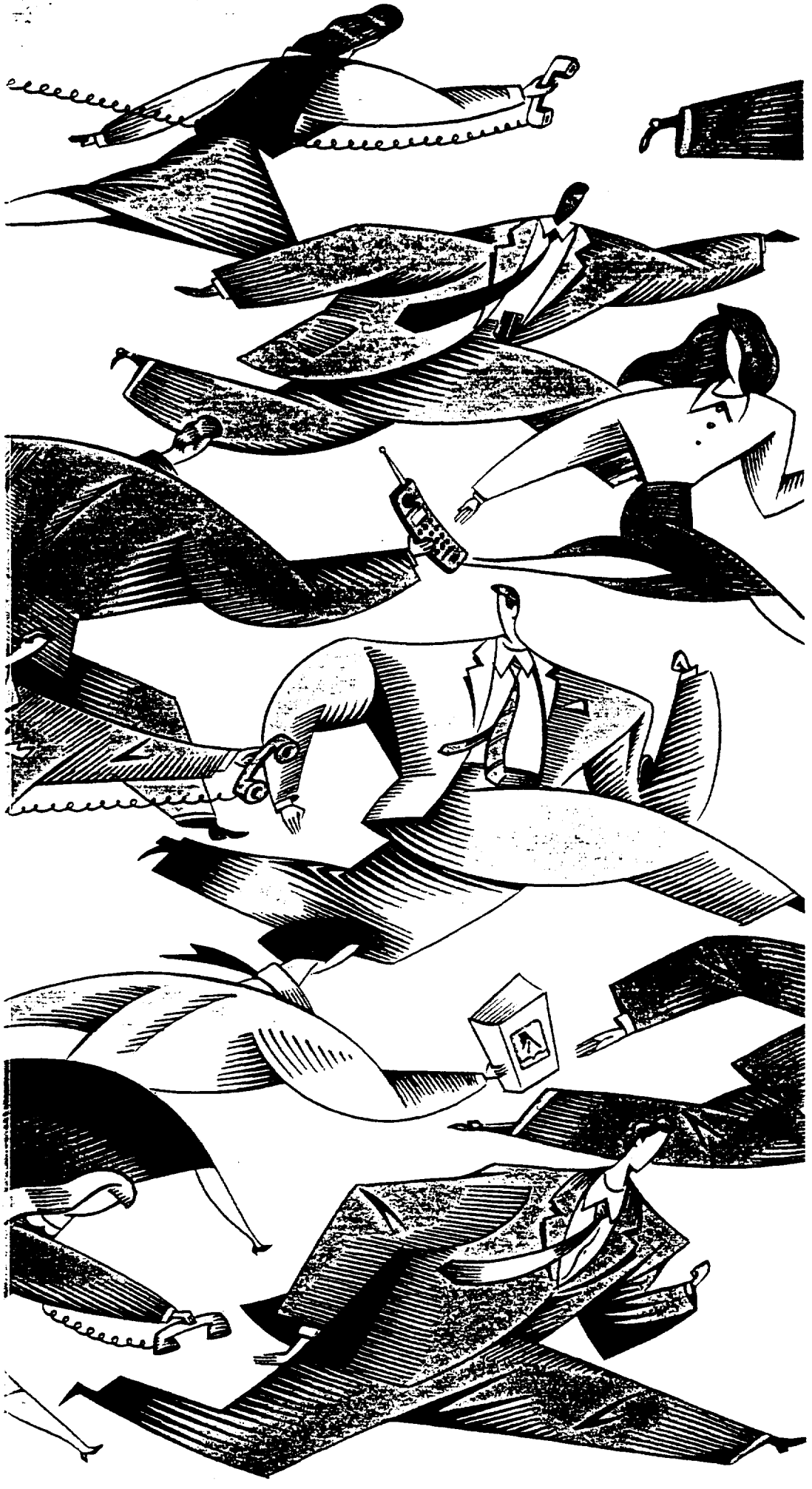
SBC 1990 Annual Report

SWBT Form 10-K -- 1990

SWBT Form 10-Q -- 3rd Quarter 1991

SBC 1991 Annual Report

SWBT Form 10-K -- 1991



1990 Annual Report

Where we are,
Where we're going.

Southwestern Bell
Corporation

2. Employee Retirement Benefits

Substantially all employees of the Corporation are covered by noncontributory pension and death benefit plans. The pension benefit formula used in the determination of pension cost is based on a flat dollar amount per year of service according to job classification for nonmanagement employees, and a stated percentage of adjusted career income for management employees.

The Corporation's objective in funding the plans, in combination with standards of the Employee Retirement Income Security Act of 1974 (as amended), is to accumulate funds sufficient to meet its benefit obligations to employees upon their retirement. Contributions to the plans are made to an irrevocable trust for the sole benefit of plan participants. Plan assets consist primarily of listed stocks, U. S. government and domestic corporate bonds, and real estate.

The following data relate to plan costs:

	1990	1989	1988
Pension cost (credit)	$(67.1)	$(61.9)	$(56.0)
Amount capitalized in property, plant and equipment	$ (5.7)	$ (5.5)	$ (5.2)

Pension cost includes the following components:

	1990	1989	1988
Service cost — benefits earned during the period	$ 99.5	$ 84.6	$ 82.5
Interest cost on projected benefit obligation	342.4	323.1	308.2
Actual return on plan assets	149.9	(1,266.6)	(718.7)
Other — net	(658.9)	797.0	272.0
Net pension cost (credit)	$ (67.1)	$ (61.9)	$ (56.0)

The assumed discount rate used in determining pension cost for 1990 was 7.5 percent; for both 1989 and 1988, the rate was 8.0 percent.

The assumed long-term rate of return on plan assets used in determining pension cost for 1990, 1989 and 1988 was 7.5 percent.

Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," requires certain disclosures to be made reconciling the fair value of the pension plans' assets with amounts reported in the Corporation's Consolidated Balance Sheets. This point-in-time comparison has certain limitations because of the inability to predict future events and economic conditions, which will affect both the fair value of the plans' assets and the present value of their benefit obligations.

The following table sets forth the defined benefit plans' funded status and amounts recognized as "other assets" in the Corporation's Consolidated Balance Sheets as of December 31:

	1990	1989
Fair value of plan assets	$6,772.1	$7,201.9
Adjusted for:		
Unrecognized net gain	(437.5)	(1,045.8)
Unamortized difference between the fair value of plan assets and the projected benefit obligation at the transition date	(1,188.9)	(1,277.5)
Adjusted value of plan assets	5,145.7	4,878.6
Estimated amounts of assets required to provide funds for future payments of projected benefit obligation	4,939.9	4,687.5
Adjusted for:		
Unrecognized prior service cost	(324.8)	(275.3)
Adjusted projected benefit obligation	4,615.9	4,412.2
Prepaid pension cost	$ 529.8	$ 466.4

The projected benefit obligations for 1990 and 1989 were determined using a discount rate of 7.5 percent and a composite rate of compensation increase of 6.7 percent.

As of December 31, 1990, the accumulated benefit obligation was $4,742.5, of which $4,338.8 was vested. At December 31, 1989, these amounts were $4,463.2 and $4,069.7, respectively.

Substantially all employees are eligible to participate in voluntary savings plans designed to strengthen the employee's financial security at retirement by providing an incentive to save and invest regularly. Under the savings plans, the Corporation matches a stated percentage of eligible employee contributions, subject to a specified ceiling. Starting in 1990, the Corporation's match of employee contributions is being fulfilled with the Corporation's common stock allocated from two leveraged Employee Stock Ownership Plans (see Note 7) and from purchases of the Corporation's stock in the open market. The costs relating to these savings plans were $62.5, $46.0 and $40.8 in 1990, 1989 and 1988, respectively.

The Corporation also provides certain medical, dental and life insurance benefits to substantially all retired employees. Retiree health care benefits are recognized as an expense as claims are incurred. Life insurance benefit costs are actuarially determined and are accrued and funded annually over the employees' active working lives. In 1990, 1989 and 1988, the cost of providing these postretirement benefits was $89.6, $73.2 and $74.7, respectively.

Dollars in millions except per share amounts

In December 1990, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("Statement No. 106"). Statement No. 106 requires benefit costs to be recognized on an accrual basis as benefits are earned by employees, and is effective beginning in 1993, although earlier adoption is permitted. The Corporation's expected date for adopting the statement has not been determined.

In implementing Statement No. 106, an employer may immediately recognize the accumulated obligation for postretirement benefits at the date of implementation or delay the recognition over a period not to exceed the greater of the average remaining service period of plan participants or 20 years. A choice between these alternatives is currently under study by the Corporation.

The increase in expense from implementing Statement No. 106 may be material; however, a current estimate is not available. The extent of the expense increase is influenced by the level of expense recognition within the ratemaking process and certain revenue-sharing agreements in regulatory jurisdictions of the Telephone Company.

Accounting for Postretirement Benefits Other Than Pensions In December 1990, the FASB issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" ("Statement No. 106"). Statement No. 106 will change the manner in which the Corporation accounts for postretirement benefits by requiring expense to be recognized on an accrual basis as benefits are earned by employees. Currently, expense is recognized as claims are incurred. Note 2 to the Consolidated Financial Statements discusses the factors, including the effect of regulation at the Telephone Company, which will influence the extent of any increase in expense resulting from implementing Statement No. 106. The increase may be material but an estimate is not currently available.

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

(Mark one) ☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For fiscal year ended December 31, 1990

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____

Commission File Number 1-2346

SOUTHWESTERN BELL TELEPHONE COMPANY

Incorporated under the laws of the State of Missouri
I.R.S. Employer Identification Number 43-0529710

1010 Pine Street, St. Louis, Missouri 63101
Telephone Number 314 235-9800

Securities registered pursuant to Section 12(b) of the Act: (See attached Schedule A)

Securities registered pursuant to Section 12(g) of the Act: None.

THE REGISTRANT, A WHOLLY-OWNED SUBSIDIARY OF SOUTHWESTERN BELL CORPORATION, MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION J(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION J(2).

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes...✓..... No.....

Accounting for Postretirement Benefits Other than Pensions

In December 1990, the FASB issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" ("Statement No. 106"). Statement No. 106 will change the manner in which the Telephone Company accounts for postretirement benefits by requiring expense to be recognized on an accrual basis as benefits are earned by employees. Currently, expense is recognized as claims are incurred. Note 2 to the Financial Statements discusses the factors, including the effect of regulation at the Telephone Company, which will influence the extent of any increase in expense from implementing Statement No. 106. The increase may be material but an estimate is not currently available.

2. Employee Retirement Benefits

Substantially all employees of the Telephone Company are covered by one of two noncontributory pension and death benefit plans sponsored by the Corporation. The pension benefit formula used in the determination of pension cost is based on a flat dollar amount per year of service according to job classification for nonmanagement employees, and a stated percentage of adjusted career income for management employees.

The Telephone Company's objective in funding the plans, in combination with standards of the Employee Retirement Income Security Act of 1974 (as amended), is to accumulate funds sufficient to meet its benefit obligations to employees upon their retirement. Contributions to the plans are made to an irrevocable trust for the sole benefit of plan participants. Plan assets consist primarily of listed stocks, U.S. government and domestic corporate bonds, and real estate.

The following data relate to plan costs:

	1990	1989	1988
Pension cost (credit)	$(66.6)	$(58.8)	$(52.4)
Amount capitalized in property, plant and equipment	$ (5.7)	$ (5.5)	$ (5.2)

The assumed discount rate used in determining pension cost for 1990 was 7.5 percent; for both 1989 and 1988, this rate was 8.0 percent.

The assumed long-term rate of return on plan assets used in determining pension cost for 1990, 1989 and 1988 was 7.5 percent.

Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," requires certain disclosures to be made of the components of net periodic pension cost for the period and a reconciliation of the funded status of the plans with amounts reported in the balance sheets. This information is not presented for the Telephone Company as the structure of the plans does not readily permit the proportionate determination of the Telephone Company's share of plan assets and obligations. As of December 31, 1990 and 1989, the amount of the Telephone Company's cumulative contributions

made to the pension trust in excess of its cumulative amount of pension cost recognized was $501.5 and $432.4, respectively. Based on actuarial valuations of each plan, the fair value of each plan's assets exceeded their estimated actuarial projected benefit obligation at December 31, 1990 and 1989.

The projected benefit obligations for 1990 and 1989 were determined using a discount rate of 7.5 percent and a composite rate of compensation increase of 6.7 percent.

Substantially all employees are eligible to participate in voluntary savings plans sponsored by the Corporation which are designed to strengthen the employee's financial security at retirement by providing an incentive to save and invest regularly. Under the savings plans, the Telephone Company matches a stated percentage of eligible employee contributions, subject to a specified ceiling. Starting in 1990, the Telephone Company's match of employee contributions is being fulfilled with the Corporation's common stock allocated from two leveraged Employee Stock Ownership Plans and from purchases of the Corporation's stock in the open market. The costs relating to these savings plans were $57.4, $43.5 and $38.1 in 1990, 1989 and 1988, respectively.

The Telephone Company also provides certain medical, dental and life insurance benefits to substantially all retired employees. Retiree health care benefits are recognized as an expense as claims are incurred. Life insurance benefits costs are actuarially determined and are accrued and funded annually over the employees' active working lives. In 1990, 1989 and 1988, the cost of providing these postretirement benefits was $85.0, $72.4 and $73.9, respectively.

In December 1990, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("Statement No. 106"). Statement No. 106 requires benefit costs to be recognized on an accrual basis as benefits are earned by employees, and is effective beginning in 1993, although earlier adoption is permitted. The Telephone Company's expected date for adopting the statement has not been determined.

In implementing Statement No. 106, an employer may immediately recognize the accumulated obligation for postretirement benefits at the date of implementation or delay the recognition over a period not to exceed the greater of the average remaining service period of plan participants or 20 years. A choice between these alternatives is currently under study by the Corporation.

The increase in expense from implementing Statement No. 106 may be material; however, a current estimate is not available. The extent of the expense increase is influenced by the level of expense recognition within the ratemaking process and certain revenue-sharing agreements in regulatory jurisdictions of the Telephone Company.

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

(Mark one)

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1991

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-2346

SOUTHWESTERN BELL TELEPHONE COMPANY

Incorporated under the laws of the State of Missouri
I.R.S. Employer Identification Number 43-0529710

1010 Pine Street, St. Louis, Missouri 63101-2070
Telephone Number 314 235-9800

THE REGISTRANT, A WHOLLY-OWNED SUBSIDIARY OF SOUTHWESTERN BELL CORPORATION, MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1) (a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION H(2).

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes...✓..... No.....

Accounting for Postretirement Benefits Other than Pensions

As previously discussed on page 24 of the Telephone Company's 1990 Annual Report on Form 10-K, the Financial Accounting Standards Board issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" (Statement No. 106) in December 1990. Statement No. 106 will change the manner in which the Telephone Company accounts for postretirement benefits by requiring expense to be recognized on an accrual basis as benefits are earned by employees. Currently, expense is recognized on a cash basis as claims are incurred. Adoption of Statement No. 106 is required on or before January 1, 1993.

On September 20, 1991, the Telephone Company filed with the FCC its notification of intent to adopt Statement No. 106 for interstate regulatory accounting purposes effective January 1, 1993. This notification requests that the FCC incorporate Statement No. 106 into its Uniform System of Accounts. Approval of a change in accounting standard will take place automatically 90 days after the filing of the notification of intent unless the FCC informs the Telephone Company to the contrary. Should the FCC deny the Telephone Company's request, a Notice of Proposed Rulemaking may be issued. All major local exchange carriers are required to make similar filings with the FCC for adoption of significant accounting changes. The Telephone Company's filing with the FCC does not preclude the Corporation from adopting Statement No. 106 prior to January 1, 1993.

The magnitude of the financial statement impact of adoption of Statement No. 106 depends on the level of expense recognition within the ratemaking process and certain revenue-sharing agreements in the Telephone Company's regulatory jurisdictions as well as the possibility of amendments to postretirement benefit plans. Because of these uncertainties, management is unable to reasonably estimate the financial statement impact of adopting Statement No. 106 at this time.

TELMEX

1991 Annual Report

"Wall Street validates Southwestern Bell's investment in Teléfonos de México."

Southwestern Bell Corporation

2. Employee Retirement Benefits

Pensions Substantially all employees of the Corporation are covered by noncontributory pension and death benefit plans. The pension benefit formula used in the determination of pension cost is based on a flat dollar amount per year of service according to job classification for nonmanagement employees, and a stated percentage of adjusted career income for management employees.

The Corporation's objective in funding the plans, in combination with standards of the Employee Retirement Income Security Act of 1974 (as amended), is to accumulate funds sufficient to meet its benefit obligations to employees upon their retirement. Contributions to the plans are made to an irrevocable trust for the sole benefit of plan participants. Plan assets consist primarily of stocks, U.S. government and domestic corporate bonds and real estate.

The following data relate to plan costs:

	1991	1990	1989
Pension cost (credit)	$(57.8)	$(67.1)	$(61.9)
Amount capitalized in property, plant and equipment	$ (5.5)	$ (5.7)	$ (5.5)

Pension cost includes the following components and assumptions:

	1991	1990	1989
Service cost — benefits earned during the period	$ 116.0	$ 99.5	$ 84.6
Interest cost on projected benefit obligation	382.8	342.4	323.1
Actual return on plan assets	(1,545.1)	149.9	(1,266.6)
Other — net	988.5	(658.9)	797.0
Net pension cost (credit)	$ (57.8)	$ (67.1)	$ (61.9)
Assumed discount rate for determining pension cost	7.5%	7.5%	8.0%
Assumed long-term rate of return on plan assets	7.75%	7.5%	7.5%

Statement of Financial Accounting Standards No. 87, "Employers' Accounting For Pensions", requires certain disclosures to be made reconciling the fair value of the pension plans' assets with amounts reported in the Corporation's Consolidated Balance Sheets. These disclosures have certain limitations since the fair value of the plans' assets and the present value of the plans' benefit obligations reflect a point-in-time comparison. These amounts are subject to change as a result of future events and economic conditions.

The following table sets forth the defined benefit plans' funded status and amounts recognized as "other assets" in the Corporation's Consolidated Balance Sheets as of December 31:

	1991	1990
Fair value of plan assets	$7,130.0	$6,772.1
Adjusted for:		
Unrecognized net gain	(807.3)	(437.5)
Unamortized difference between the fair value of plan assets and the benefit obligation at the transition date	(1,012.1)	(1,188.9)
Adjusted value of plan assets	5,310.6	5,145.7
Estimated amounts of assets required to provide funds for future payments of projected benefit obligation	5,160.7	4,939.1
Adjusted for:		
Unrecognized prior service cost	(437.2)	(324.0)
Adjusted projected benefit obligation	4,723.5	4,615.9
Prepaid pension cost	$ 587.1	$ 529.8

The projected benefit obligations for 1991 and 1990 were determined using a discount rate of 7.5 percent and composite rates of compensation increase of 4.6 percent and 6.7 percent, respectively.

As of December 31, 1991, the accumulated benefit obligation was $4,988.9, of which $4,479.6 was vested. At December 31, 1990, these amounts were $4,742.5 and $4,338.8, respectively.

In 1991, the Corporation reclassified certain benefit plan costs to selling, general and administrative expenses. These costs were previously reflected as interest expense or other income — net. Prior years have been restated to conform with the 1991 presentation.

Voluntary Retirement Program In September 1991, the Board of Directors of the Corporation approved terms of a voluntary retirement program for management employees of the Corporation and selected subsidiaries. As an incentive for managers to retire or resign effective December 30, 1991, special retirement benefits were offered to managers in the form of a five-year, 15 percent supplemental pension benefit and a lump sum payment option.

The Corporation also amended its management pension plan to provide all managers with an additional five years of age and service for purposes of computing a frozen level of pension benefit. This level of benefit is available to management employees until the frozen benefit is exceeded by a pension benefit calculated using an employee's actual age and service. Managers whose combined years of age and service totaled 65 on December 30, 1991, became eligible for an immediately payable service pension.

The plan amendments, special retirement benefits, partial plan curtailments and partial plan settlements did not result in a significant impact on pension cost for 1991. Plan assets of $864 were designated for the settlement of the pension obligations of those managers who elected to receive their benefits in lump sum amounts. The voluntary retirement program, in its entirety, resulted in a fourth quarter charge to net income of approximately $30.

Postretirement Benefits The Corporation also provides certain medical, dental and life insurance benefits to substantially all retired employees. Retiree health care benefits are recognized as an expense as claims are incurred. Life insurance benefit costs are actuarially determined and are accrued and funded annually over the employees' active working lives. In 1991, 1990 and 1989, the cost of providing these postretirement benefits was $97.2, $89.6 and $73.2, respectively.

In December 1990, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" (Statement No. 106). Statement No. 106 requires benefit costs to be recognized on an accrual basis as benefits are earned by employees, and is required to be implemented by 1993, although earlier adoption is permitted. The Corporation's expected date of adopting the statement has not been determined.

Notes to Consolidated Financial Statements (continued)

Dollars in millions except per share amounts

In implementing the statement, an employer may immediately recognize the accumulated obligation for postretirement benefits at the date of implementation or amortize the amount over a period not to exceed the greater of the average remaining service period of plan participants or 20 years. Management estimates its accumulated obligation for postretirement benefits to be between $2,600 and $3,000. The Corporation is currently evaluating the alternatives for recognizing this obligation.

The Corporation has completed a preliminary analysis of the statement. While the postretirement benefit expense increase may be material, a specific estimate cannot be made at this time. The magnitude of the financial statement impact depends on the implementation option chosen, level of expense recognition within the ratemaking process and certain revenue-sharing agreements in the Telephone Company's regulatory jurisdictions, as well as the possibility of amendments to the Corporation's postretirement benefit plans. Based upon the preliminary analysis, however, the Corporation anticipates that Statement No. 106 will increase this annual expense by approximately two to three times the amount reflected under the current method of accounting.

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Dollars in millions except per share amounts

Accounting for Postretirement Benefits Other Than Pensions In December 1990, the FASB issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (Statement No. 106). The statement will change the manner in which the Corporation accounts for postretirement benefits by requiring expense to be recognized on an accrual basis as benefits are earned by active employees. Currently, expense is recognized on a cash basis as claims are incurred by retirees. This increase may be material but a specific estimate cannot be made at this time. Note 2 to the Consolidated Financial Statements discusses the factors which will influence the extent of the expense increase resulting from implementing the statement.

In September 1991, the Telephone Company filed with the FCC its notification of intent to adopt Statement No. 106 for interstate regulatory accounting purposes. The notification requested that the FCC incorporate the statement into its Uniform System of Accounts. On December 26, 1991, the FCC issued an order authorizing all local exchange carriers to adopt the statement on or before January 1, 1993. The FCC selected the amortization method for the recognition of the accumulated benefit obligation which exists at the date of adoption.

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

(Mark one)

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For fiscal year ended December 31, 1991

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____

Commission File Number 1-2346

SOUTHWESTERN BELL TELEPHONE COMPANY

Incorporated under the laws of the State of Missouri
I.R.S. Employer Identification Number 43-0529710

1010 Pine Street, St. Louis, Missouri 63101-2070
Telephone Number 314 235-9800

Securities registered pursuant to Section 12(b) of the Act: (See attached Schedule A)

Securities registered pursuant to Section 12(g) of the Act: None.

THE REGISTRANT, A WHOLLY-OWNED SUBSIDIARY OF SOUTHWESTERN BELL CORPORATION, MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION J(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION J(2).

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes...✓..... No.....

Indicate by check mark if disclosure of delinquent filers pursuant to Items 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (✓)

Accounting for Postretirement Benefits Other Than Pensions

In December 1990, the FASB issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (Statement No. 106). The statement will change the manner in which the Telephone Company accounts for postretirement benefits by requiring expense to be recognized on an accrual basis as benefits are earned by active employees. Currently, expense is recognized on a cash basis as claims are incurred by retirees. This increase may be material but a specific estimate cannot be made at this time. Note 2 to the Financial Statements discusses the factors which will influence the extent of the expense increase resulting from implementing the statement.

In September 1991, the Telephone Company filed with the FCC its notification of intent to adopt Statement No. 106 for interstate regulatory accounting purposes. The notification requested that the FCC incorporate the statement into its Uniform System of Accounts. On December 26, 1991, the FCC issued an order authorizing all local exchange carriers to adopt the statement on or before January 1, 1993. The FCC selected the amortization method for the recognition of the accumulated benefit obligation which exists at the date of adoption.

Postretirement Benefits

The Telephone Company also provides certain medical, dental and life insurance benefits to substantially all retired employees. Retiree health care benefits are recognized as an expense as claims are incurred. Life insurance benefit costs are actuarially determined and are accrued and funded annually over the employees' active working lives. In 1991, 1990 and 1989, the cost of providing these postretirement benefits was $95.1, $85.0, and $72.4, respectively.

In December 1990, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (Statement No. 106). Statement No. 106 requires benefit costs to be recognized on an accrual basis as benefits are earned by employees, and is required to be implemented by 1993, although earlier adoption is permitted. The Telephone Company's expected date of adopting the statement has not been determined.

Dollars in Millions

In implementing the statement, an employer may immediately recognize the accumulated obligation for postretirement benefits at the date of implementation or amortize the amount over a period not to exceed the greater of the average remaining service period of plan participants or 20 years. Management estimates its accumulated obligation for postretirement benefits to be between $2,600 and $3,000. The Telephone Company is currently evaluating the alternatives for recognizing this obligation.

The Telephone Company has completed a preliminary analysis of the statement. While the postretirement benefit expense increase may be material, a specific estimate cannot be made at this time. The magnitude of the financial statement impact depends on the implementation option chosen, level of expense recognition within the ratemaking process and certain revenue-sharing agreements in the Telephone Company's regulatory jurisdictions, as well as the possibility of amendments to the Telephone Company's postretirement benefit plans. Based upon the preliminary analysis, however, the Telephone Company anticipates that Statement No. 106 will increase this annual expense by approximately two to three times the amount reflected under the current method of accounting.

EXHIBIT 5

Southwestern Bell Telephone Company Direct Case
CC Docket No. 92-101

Summary of OPEB Plan Provisions

SUMMARY OF PLAN PROVISIONS

I. Health Benefits

A. Basic Plan Information

(1) Plan Name:	CustomCare Medical Plan
(2) Plan Sponsor:	Southwestern Bell Corporation and Participating Subsidiaries
(3) Plan Year:	January 1 through December 31
B. Eligibility	Regular active employees and retired employees of Southwestern Bell Corporation and Participating Subsidiaries; spouses and other dependents are eligible for company paid coverage only while the retiree is living
C. Requirements for Benefits	Service or disability retirement from the Southwestern Bell Corporation Management Pension Plan or the Southwestern Bell Corporation Pension Plan
D. Benefits Defined	There are two separate benefit classes under the Plan:

- Outside Network Area
- Network Area

OUTSIDE NETWORK AREA BENEFITS

(1) Base Coverage: (Not subject to deductible)

- 100% of hospital charges for 120 days
- 95% of surgeon charges
- 90% of physician in-hospital visits
- 100% of diagnostic laboratory and x-ray services
- 100% of alternate care in lieu of hospitalization

(2) Supplemental Coverage

• Deductible	1% of base pay or pension per individual per calendar year subject to a $25 minimum and a $165 maximum, with a family maximum of three times the individual
• Maximum Out-of-Pocket	$1,000 plus the deductible per individual per calendar year with a family maximum of $1,000 for each person plus three separate individual deductibles
• Coinsurance	80% reimbursement of all other covered expenses including outpatient psychiatric and chemical dependency up to a maximum of $80 per visit for 30 visits; additional outpatient visits for psychiatric visits are covered at 50%; all chemical