80% payment, with deductible - Allergy treatment and testing, hospital room and board, related hospital services, nursing services, outpatient mental and nervous treatment provided by PMO (otherwise payment is at 50%), laboratory exam and x-rays, prescription drugs in hospital, surgeon's office visits and hospital services.

Out-of-Pocket Maximum - After "Other Covered Charges" total $1,000, the balance is covered at 100%.

The following benefits are paid at 50%, after deductible:

Outpatient mental and nervous treatment outside of PMO. (Out-of-pocket maximum does not apply).

Surgery or elective hospitalization without BCBS approval.

Benefits subject to maximums:

Psychiatric or substance abuse (subject to utilization review) have $50,000 annual maximum and $250,000 lifetime maximum.

Bio-technological drugs are subject to $250,000 lifetime maximum.

Retiree Protection Provision - If the out-of-pocket maximum is satisfied in one year, the maximum will be dropped to $500 during the next year.

Deductible for non-PMO care:

Deductibles	Management	Nonmanagement
Retiree Only	$150	.5% of final pay* maximum $150
Retiree and 1 Dependent	$225	1.0% of final pay* maximum $225

*Final pay at retirement

Retiree and 2 or more Dependents	$300	1.0% of final pay* maximum $300

*Final pay at retirement

(c) Health Maintenance Organizations (HMO)

Membership in HMOs is available to retirees in certain geographic locations. HMOs available are Community Health Care Plan, Connecticare, Constitution Health Care, Kaiser Permanante, and Physicians Health Services.

2. SNET Retiree Dental Plan

Subject to a $750 per person calendar year maximum (excluding orthodontia) and a lifetime $1,000 orthodontia maximum. The plan pays 100 percent of Type A services (within reasonable and customary range) and benefits based on a schedule of benefits for Type B services. Type A services are preventive and diagnostic, while Type B services cover treatments such as oral surgery and restorations.

3. Medicare Part B

SNET reimburses premiums quarterly for retirees and their spouses.

C. CAP ON COMPANY CONTRIBUTIONS

Beginning July 1, 1996, SNET's contribution for medical benefits and Medicare Part B for nonmanagement employees retiring after December 31, 1989 and management employees retiring after December 31, 1991 are subject to the following maximums:

SNET Medical Plan

Retiree	Single Coverage	Joint Coverage
Pre-65	$2,500	$5,200
Post-65	$350	$1,500

Medicare Part B Premium Reimbursement

$33 per month for retirees and/or their spouses (if eligible)

SECTION IV

DEMOGRAPHIC DATA

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
DEMOGRAPHIC DATA

Participants as of December 31, 1993

	Management		Nonmanagement		Total	
	First Dollar Plan	Comprehensive Plan	First Dollar Plan	Comprehensive Plan	First Dollar Plan	Comprehensive Plan
1) Retirees						
Pre-65	117	1,027	351	1,091	468	2,118
Post-65	1,090	269	2,136	337	3,226	606
Total	1,207	1,296	2,487	1,428	3,694	2,724
2) Actives	0	3,578	0	7,680	0	11,258
3) Total	1,207	4,874	2,487	9,108	3,694	13,982

Notes:

1. The First Dollar Plan category includes pre-1985 management retirees and pre-1988 nonmanagement retirees (also called the SNET Retirement Medical Expense Plan). All other retirees and actives are in the Comprehensive Plan. (Retirees in the Comprehensive Plan are in either the SNET Retiree Medical Plan if retired prior to 1990 or the SNET Medical Plan for Retirees. The difference between these plans did not warrant different claim costs and trend rates).

2. The data for retirees excludes deferred vested pensioners since they are not eligible for postretirement health benefits. Key employees are excluded from the population used to determine maximum tax deductible contributions. These employees are, however, shown in the participant counts above.

SECTION V

ACTUARIAL ASSUMPTIONS

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION
ACTUARIAL ASSUMPTIONS

A. ACTUARIAL EARNINGS RATE

For purposes of determining maximum tax deductible amounts:

7.50% for the Represented Employee Trust
7.00% for the Management Trust

B. DISCOUNT RATE

For purposes of determining VEBA contribution under DPUC methodology:

7.00% for both management and nonmanagement benefits

C. PLAN PARTICIPATION

Valuation assumes all current and future retirees will participate in available plans.

D. CLAIM COST

See attached Table 1.

E. ANNUAL TREND RATES

See attached Tables 2 and 3.

F. TURNOVER

See attached Tables 4.1 to 4.2.

G. RETIREMENT RATES

See attached Tables 5.1 to 5.2.

H. MORTALITY TABLES

See attached Tables 6.1 to 6.3.

I. DISABILITY TABLE

See attached Table 7.1.

TABLE 1

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

CLAIM COST

1994 Per Retiree Claim Cost (Including Expenses)

	First Dollar Plan	Comprehensive Plan
Medical		
Pre-65	$7,047	$5,677
Post-65	2,067	2,000
Medicare Part B	809	809
Dental	390	390

TABLE 2

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

ASSUMPTIONS FOR PRE-1990 NONMANAGEMENT AND PRE-1992 MANAGEMENT RETIREES (GRANDFATHERED GROUP)

ANNUAL TREND RATES

A. Medical Care Trend Rates

		FIRST DOLLAR		COMPREHENSIVE	
From	To	Pre-65	Post-65	Pre-65	Post-65
1994	1995	8.2%	7.3%	9.0%	8.1%
1995	1996	7.6%	6.6%	8.3%	7.3%
1996	1997	6.9%	6.5%	7.5%	7.1%
1997	1998	6.1%	6.1%	6.6%	6.6%
1998	1999	5.0%	5.4%	5.4%	5.8%
1999	2000	4.7%	4.8%	4.7%	5.1%
2000	2005	4.7%	4.7%	4.7%	5.0%
2005	2010	4.7%	4.7%	4.7%	4.8%
2010	2011+	4.7%	4.7%	4.7%	4.7%

B. Part B Trend Rates

From	To	
1994	1995	12.2%
1995	1999	3.5%
1999	2000+	3.7%

C. Dental Trend Rates

From	To	
1994	1995	7.6%
1995	1996	7.1%
1996	1997	6.9%
1997	1998	6.5%
1998	1999	6.0%
1999	2000	5.8%
2000	2005	5.6%
2005	2010	5.5%
2010	2015	5.3%
2015	2020	5.2%
2020	2050	5.0%
2050	2051+	4.7%

TABLE 3

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

ASSUMPTIONS FOR POST-1989 NONMANAGEMENT AND POST-1991 MANAGEMENT RETIREES

ANNUAL TREND RATES

A. Medical Care Trend Rates

From	To	Pre-65	Post-65
1994	1995	9.0%	8.1%
1995	1996	(13.1)%	(27.1)%
1996	1997	(22.2)%	(44.5)%
1997	1998+	0.00%	0.00%

B. Part B Trend Rates

From	To	
1994	1995	12.2%
1995	1996	(15.8)%
1996	1997	(22.3)%
1997	1998+	0.00%

C. Dental Trend Rates

From	To	
1994	1995	7.6%
1995	1996	7.1%
1996	1997	6.9%
1997	1998	6.5%
1998	1999	6.0%
1999	2000	5.8%
2000	2005	5.6%
2005	2010	5.5%
2010	2015	5.3%
2015	2020	5.2%
2020	2050	5.0%
2050	2051+	4.7%

Table 4.1

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

Annual Rates Of Employee Separation From Service Before Eligibility For Service Retirement

	Nonmanagement	
Service	Male	Female
0	0.1470	0.1340
1	0.0843	0.0856
2	0.0666	0.0544
3	0.0488	0.0455
4	0.0387	0.0411
5	0.0335	0.0400
6	0.0298	0.0394
7	0.0278	0.0393
8	0.0266	0.0385
9	0.0263	0.0369
10	0.0243	0.0330
11	0.0214	0.0281
12	0.0193	0.0243
13	0.0179	0.0218
14	0.0175	0.0203
15	0.0160	0.0197
16	0.0147	0.0190
17	0.0134	0.0182
18	0.0122	0.0174
19	0.0102	0.0154
20	0.0083	0.0133
21	0.0070	0.0125
22	0.0070	0.0125
23	0.0070	0.0125
24	0.0070	0.0125
25	0.0070	0.0125
25	0.0070	0.0125
26	0.0070	0.0125
27	0.0070	0.0125
28	0.0070	0.0125
29	0.0070	0.0125
30	0.0070	0.0125

Note: Based on separations for all causes.
Source: SNET Nonmanagement experience 1988-1990.

Table 4.2

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

Annual Rates Of Employee Separation From Service Before Eligibility For Service Retirement

		Management
Service	**Male**	**Female**
0	0.1759	0.1855
1	0.1280	0.1327
2	0.0804	0.0888
3	0.0605	0.0710
4	0.0479	0.0597
5	0.0388	0.0508
6	0.0329	0.0447
7	0.0291	0.0405
8	0.0266	0.0369
9	0.0260	0.0353
10	0.0254	0.0338
11	0.0247	0.0324
12	0.0236	0.0315
13	0.0208	0.0283
14	0.0173	0.0235
15	0.0138	0.0189
16	0.0112	0.0154
17	0.0103	0.0143
18	0.0093	0.0132
19	0.0084	0.0122
20	0.0075	0.0110
21	0.0075	0.0110
22	0.0065	0.0100
23	0.0065	0.0100
24	0.0065	0.0100
25	0.0060	0.0085
26	0.0060	0.0085
27	0.0060	0.0085
28	0.0060	0.0085
29	0.0060	0.0085
30	0.0060	0.0085

Note: Based on separations for all causes.
Source: SNET Management experience 1988-1990

Table 5.1

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

Annual Rates Of Retirement On Service Pension

		Nonmanagement
Age	**Male**	**Female**
49	0.0418	0.0385
50	0.0321	0.0282
51	0.0315	0.0287
52	0.0452	0.0356
53	0.0560	0.0449
54	0.0668	0.0542
55	0.0773	0.0638
56	0.0880	0.0732
57	0.0987	0.0826
58	0.1096	0.0918
59	0.1315	0.1102
60	0.1645	0.1377
61	0.3300	0.2800
62	0.3300	0.2800
63	0.3300	0.2800
64	0.4500	0.3500
65	0.3000	0.2000
66	0.3000	0.2000
67	0.3000	0.2000
68	0.3000	0.2000
69	0.3000	0.2000

Source: SNET Nonmanagement experience 1986-1990.

Table 5.2

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

Annual Rates Of Retirement On Service Pension

		Management
Age	**Male**	**Female**
49	0.0154	0.0425
50	0.0109	0.0277
51	0.0114	0.0273
52	0.0179	0.0403
53	0.0186	0.0397
54	0.0258	0.0521
55	0.0338	0.0638
56	0.0424	0.0750
57	0.0592	0.0977
58	0.0776	0.1191
59	0.0975	0.1392
60	0.1188	0.1580
61	0.2300	0.2700
62	0.2300	0.2700
63	0.2300	0.2700
64	0.5000	0.5000
65	0.4000	0.4000
66	0.4000	0.4000
67	0.4000	0.4000
68	0.4000	0.4000
69	0.4000	0.4000

Source: SNET Management experience 1986-1990.

Table 6.1

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

Annual Rates Of Mortality Among Active Employees

Nonmanagement and Management

Age	Rates of mortality during year of age x + .5 to x + 1.5		Age	Rates of mortality during year of age x + .5 to x + 1.5	
x	Male	Female	x	Male	Female
15	.0011	.0003	43	.0021	.0013
16	.0011	.0003	44	.0024	.0015
17	.0011	.0003	45	.0027	.0017
18	.0011	.0003	46	.0030	.0019
19	.0010	.0003	47	.0034	.0021
20	.0010	.0003	48	.0038	.0022
21	.0009	.0003	49	.0041	.0024
22	.0009	.0004	50	.0045	.0025
23	.0008	.0004	51	.0050	.0026
24	.0008	.0004	52	.0055	.0027
25	.0008	.0004	53	.0061	.0030
26	.0008	.0004	54	.0068	.0033
27	.0008	.0004	55	.0075	.0037
28	.0007	.0005	56	.0083	.0040
29	.0007	.0005	57	.0092	.0044
30	.0007	.0006	58	.0102	.0049
31	.0007	.0006	59	.0111	.0053
32	.0007	.0007	60	.0121	.0058
33	.0007	.0007	61	.0132	.0063
34	.0008	.0008	62	.0143	.0068
35	.0008	.0008	63	.0154	.0074
36	.0009	.0008	64	.0165	.0080
37	.0011	.0009	65	.0177	.0086
38	.0012	.0009	66	.0190	.0093
39	.0013	.0010	67	.0202	.0101
40	.0015	.0010	68	.0215	.0110
41	.0016	.0011	69	.0228	.0119
42	.0018	.0012			

Source: Industry-wide experience 1973-1977.

Table 6.2

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

Annual Rates Of Mortality for Service Pensioners

Nonmanagement

Age x	Rates of mortality during year of age x + .5 to x + 1.5		Age x	Rates of mortality during year of age x + .5 to x + 1.5	
	Male	Female		Male	Female
45	0.0301	0.0199	78	0.0665	0.0402
46	0.0257	0.0164	79	0.0723	0.0445
47	0.0218	0.0134	80	0.0790	0.0492
48	0.0184	0.0109	81	0.0865	0.0546
49	0.0156	0.0088	82	0.0951	0.0606
50	0.0134	0.0073	83	0.1047	0.0673
51	0.0118	0.0063	84	0.1151	0.0747
52	0.0109	0.0057	85	0.1262	0.0828
53	0.0104	0.0054	86	0.1380	0.0913
54	0.0104	0.0054	87	0.1504	0.1005
55	0.0106	0.0057	88	0.1633	0.1104
56	0.0111	0.0061	89	0.1768	0.1212
57	0.0117	0.0065	90	0.1911	0.1334
58	0.0124	0.0070	91	0.2060	0.1472
59	0.0133	0.0075	92	0.2219	0.1633
60	0.0142	0.0080	93	0.2387	0.1820
61	0.0152	0.0085	94	0.2568	0.2026
62	0.0163	0.0090	95	0.2790	0.2248
63	0.0174	0.0095	96	0.3050	0.2494
64	0.0188	0.0102	97	0.3331	0.2767
65	0.0203	0.0110	98	0.3639	0.3069
66	0.0222	0.0119	99	0.3975	0.3405
67	0.0245	0.0131	100	0.4343	0.3778
68	0.0270	0.0145	101	0.4744	0.4192
69	0.0299	0.0161	102	0.5181	0.4647
70	0.0331	0.0178	103	0.5657	0.5147
71	0.0366	0.0197	104	0.6176	0.5702
72	0.0403	0.0219	105	0.6743	0.6317
73	0.0442	0.0242	106	0.7361	0.6998
74	0.0482	0.0268	107	0.8037	0.7752
75	0.0524	0.0296	108	0.8774	0.8588
76	0.0567	0.0328	109	0.9580	0.9513
77	0.0613	0.0363	110	1.0000	1.0000

For ages prior to 45, the mortality rate is assumed constant at that age value.
Source: Experience of Industry-wide service pensioners 1986-1989.

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

Annual Rates Of Mortality For Service Pensioners

Management

Age x	Rates of Mortality during year of age x + .5 to x + 1.5		Age x	Rates of Mortality during year of age x + .5 to x + 1.5	
	Male	Female		Male	Female
45	0.0251	0.0199	78	0.0578	0.0402
46	0.0206	0.0164	79	0.0628	0.0445
47	0.0168	0.0134	80	0.0681	0.0492
48	0.0136	0.0109	81	0.0738	0.0546
49	0.0111	0.0088	82	0.0802	0.0606
50	0.0091	0.0073	83	0.0874	0.0673
51	0.0078	0.0063	84	0.0957	0.0747
52	0.0070	0.0057	85	0.1051	0.0828
53	0.0066	0.0054	86	0.1160	0.0913
54	0.0066	0.0054	87	0.1283	0.1005
55	0.0068	0.0057	88	0.1421	0.1104
56	0.0072	0.0061	89	0.1574	0.1212
57	0.0078	0.0065	90	0.1741	0.1334
58	0.0084	0.0070	91	0.1920	0.1472
59	0.0091	0.0075	92	0.2111	0.1633
60	0.0099	0.0080	93	0.2310	0.1820
61	0.0109	0.0085	94	0.2537	0.2026
62	0.0119	0.0090	95	0.2790	0.2248
63	0.0130	0.0095	96	0.3050	0.2494
64	0.0143	0.0102	97	0.3331	0.2767
65	0.0156	0.0110	98	0.3639	0.3069
66	0.0171	0.0119	99	0.3975	0.3405
67	0.0187	0.0131	100	0.4343	0.3778
68	0.0207	0.0145	101	0.4744	0.4192
69	0.0229	0.0161	102	0.5181	0.4647
70	0.0255	0.0178	103	0.5657	0.5147
71	0.0285	0.0197	104	0.6176	0.5702
72	0.0320	0.0219	105	0.6743	0.6317
73	0.0357	0.0242	106	0.7361	0.6998
74	0.0398	0.0268	107	0.8037	0.7752
75	0.0441	0.0296	108	0.8774	0.8588
76	0.0485	0.0328	109	0.9580	0.9513
77	0.0531	0.0363	110	1.0000	1.0000

For ages prior to 45, the mortality rate is assumed constant at that age value.
Source: Experience of Industry-wide service pensioners 1986-1989.

Table 7.1

SNET
POSTRETIREMENT HEALTH
ACTUARIAL VALUATION

Annual Rates Of Retirement On Disability Pension

Nonmanagement and Management

Age	Rates of disability retirement during year of age x + .5 to x + 1.5	
x	Male	Female
29	0.0001	0.0004
30	0.0001	0.0004
31	0.0001	0.0005
32	0.0002	0.0006
33	0.0002	0.0008
34	0.0003	0.0011
35	0.0003	0.0013
36	0.0004	0.0015
37	0.0005	0.0017
38	0.0007	0.0020
39	0.0008	0.0023
40	0.0009	0.0024
41	0.0010	0.0026
42	0.0011	0.0027
43	0.0012	0.0029
44	0.0014	0.0031
45	0.0016	0.0033
46	0.0019	0.0036
47	0.0022	0.0039
48	0.0026	0.0043
49	0.0029	0.0047
50	0.0034	0.0052
51	0.0040	0.0057
52	0.0046	0.0063
53	0.0053	0.0069
54	0.0060	0.0074
55	0.0062	0.0079
56	0.0066	0.0083
57	0.0074	0.0087
58	0.0088	0.0099
59	0.0110	0.0116
60	0.0141	0.0137
61	0.0183	0.0164
62	0.0239	0.0198
63	0.0308	0.0238
64	0.0394	0.0286

Source: Industry-wide experience 1985-1989

SNET

POSTRETIREMENT
GROUP LIFE INSURANCE
ACTUARIAL REPORT
1993

ASA

SNET
ACTUARIAL REPORT
ACCRUAL RATE FOR POSTRETIREMENT GROUP LIFE INSURANCE
APPROPRIATE FOR USE IN 1993

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SNET
ACTUARIAL REPORT
ACCRUAL RATE FOR POSTRETIREMENT GROUP LIFE INSURANCE
APPROPRIATE FOR USE IN 1993

I. GENERAL

This report develops the funding contributions to the Southern New England Telephone Company Postretirement Life Insurance Benefits Trust (hereafter referred to as the "Trust"). The Trust was established by SNET on December 20, 1991 to prefund postretirement group life insurance benefits up to a maximum of $50,000 per retiree. No benefits are funded for key employees. A description of the benefits funded is provided in Table C. The Trust is intended to satisfy the Internal Revenue Code (IRC) Section 501(c)(9) with regard to tax exempt status related to the Voluntary Employees' Beneficiary Association ("VEBA").

The postretirement group life insurance benefits are funded on an actuarial basis. The accidental death and disability benefits provided under the group life insurance policy, as well as the basic group life insurance benefits payable in the event of death before retirement, are not advance funded.

The resumption of advance funding commenced in 1992 following an eight year period in which no contributions were made. Prior to 1984, postretirement group life insurance benefits were funded on an annual basis.

The primary purposes of advance funding are:

1. to allocate the costs of the benefits on a rational and systematic basis to the period in which the benefits are earned,

2. to provide security for the employees by making the receipt of the promised benefits independent of what happens to the company, and

3. to assure the investors that provision is being made to meet the future liability entailed by the Plan that could otherwise jeopardize their interests.

Participant data for this report was supplied by SNET as of December 31, 1991. This data was reviewed for accuracy and consistency with prior data and is deemed appropriate for use in determining funding requirements.

Assets as of December 31, 1992 for the Trust were provided by the Trustee. Assets held by Metropolitan Life Insurance Company ("MetLife") as of December 31, 1992 were estimated by the actuary.

II. ACTUARIAL COST METHOD

The actuarial cost method used to determine the periodic charges to operating income for postretirement group life insurance and subsequent payments to the Trust is the Aggregate Cost Method. The basic rationale of this method is to contribute a stable percentage (accrual rate) of accruable payroll of currently active employees during their remaining working lives. The accrual rate is determined such that future contributions plus the present Trust assets plus the future investment earnings are predicted to be sufficient to pay all future postretirement life insurance benefits expected to become payable from the Trust on behalf of pensioners and all active employees, and the associated expenses of the Trust and insurance carriers.

III. ASSUMPTIONS AS TO FUTURE EXPERIENCE

Actuarial Value of Liabilities

To determine the accrual rate to provide postretirement benefits, it is necessary to estimate the basic group life insurance benefits that will be paid in future years on behalf of pensioners and, after retirement, on behalf of all currently active employees, and to estimate wages that will be paid in future years to all currently active employees. These items are then discounted to estimate their present values. To complete the calculations, experience is analyzed and actuarial assumptions are developed. The accrual rate is developed in Table A.

The investment earnings assumption used in determining the present value of benefits and the present value of future wage payments is 8 %.

A sampling of the other economic and demographic assumptions underlying the accrual rate for 1993 is presented in Tables D and E attached.

While it is not to be expected that any one of the assumptions will prove to agree exactly with future experience, it is believed that the resulting accrual rate is reasonably accurate. The accuracy of the accrual rate is the test of the appropriateness of the actuarial assumptions. The assumptions have been developed so that each assumption is reasonable and represents the best estimate of anticipated experience under the plan.

Annual redetermination of the accrual rate provides a means whereby continual adjustment is made for the deviation of actual from assumed experience. The spreading of such adjustment over the remaining future payrolls of the then present employees minimizes the magnitude of fluctuations in the rate due to accumulated unrecognized effects. Under the Aggregate Cost Method of accrual, the deviation of actual experience during the year from that assumed for the year is a measure of the adequacy of the assumption if current experience were to continue. It is not, however, a conclusive measure of the long-run accuracy, since it is unlikely that the experience of any one year will be continually repeated.

Actuarial Value of Retirement Funding Account

Assets as of December 31, 1992 are derived from two sources, the VEBA Trust and remaining assets in a Basic Life Insurance Retirement Funding Account (RFA). The RFA was established in 1958 and was held primarily by The Travelers, with a portion held by the MetLife. As of December 31, 1991 the RFA held by The Travelers was transferred to the Trust over the period from January 2, 1992 to October 1, 1992. Beginning in 1992, the assets held by MetLife will be transferred into the Trust or a separate account held by The Travelers, at the discretion of SNET, in equal installments over ten years. Assets as of December 31, 1992 in the Trust were provided by SNET, while assets held by MetLife were estimated by the actuary.

The actuarial value of assets is the market value of Trust assets, as provided by SNET, plus estimated assets held by MetLife as of December 31, 1992. These amounts are shown in Table B.

IV. INTERNAL REVENUE CODE REQUIREMENTS

The enactment of the Deficit Reduction Act (DEFRA) on July 18, 1984 applied new rules and regulations to welfare benefit plans for tax years ending after December 31, 1985. The legislation added strict deduction rules that limit the annual contributions made by employers to prefund welfare benefits. The legislation also established nondiscrimination requirements for welfare benefit plans, similar to those traditionally applied to qualified retirement plans. Southern New England Telephone's Group Life Insurance Plan is a welfare benefit plan under ERISA and is subject to DEFRA's requirements.

Under DEFRA's requirements (IRC Section 419 and 419A), the maximum deduction allowed to an employer for funding welfare benefits equals

1. the amount (including administrative expenses) which would have been allowable as a deduction to the employer for the benefits provided during the year on a cash receipts and disbursements basis, plus

2. the amount necessary to fund incurred, but unpaid claims (including associated administrative expenses) as of the end of the tax year, plus

3. the amount needed to accumulate assets over the employees' working lives that fully funds the employees' postretirement life insurance benefits at retirement, minus

4. the fund's after-tax income excluding employer contributions.

V. KEY EMPLOYEES

DEFRA restricts the prefunding and handling of benefits for key employees. If benefits are prefunded, separate accounts may be maintained and benefits for those employees can be paid only from these separate accounts. However, SNET's key employee benefits are not prefunded and therefore, such benefits are paid through company operating expenses.

VI. $50,000 CAP ON FUNDED POSTRETIREMENT BENEFIT

Under DEFRA, contributions to prefund retiree life insurance coverage are deductible only to the extent that they are used to provide the first $50,000 of coverage, unless the employee was grandfathered. A retired employee was grandfathered under DEFRA if the employee attained age 55 on or before January 1, 1984, and either retired on or before that date or worked for the employer maintaining the group term life insurance plan during 1983.

VII. EXPENSES

Since the payments to the insurance carriers must cover appropriate expenses incurred by the carriers, the accrual rate provides for such expenses in a similar manner as for the postretirement group life insurance benefits (i.e. total projected future expenses are spread evenly over projected future wages so as to enable expenses to be funded as a stable percentage of accruable payroll). The assumed rate of expenses used is 3% of the present value of future benefit payments.

VIII. APPROPRIATE ACCRUAL RATE FOR USE IN 1993

The 1993 accrual rate is based on employee census as of December 31, 1991 and the actuarial value of assets as of December 31, 1992. The determination of the accrual rate, appropriate for use effective January 1, 1993, is shown in Table A. The accrual rate applicable to accruable payroll is 0.29%. The contribution amount for 1993 based on the January 1, 1993 payroll is $1,331,787.

Michael J. Gulotta

Michael J. Gulotta
Fellow, Society of Actuaries

August, 1993

ASA

Table A

SNET

ACCRUAL RATE FOR POSTRETIREMENT GROUP LIFE INSURANCE APPROPRIATE FOR USE IN 1993

VALUATION AS OF DECEMBER 31, 1992

(1)	Present value of future benefits on behalf of retired employees and associated expenses	$38,567,150
(2)	Present value of postretirement benefits on behalf of all active employees and associated expenses	$33,775,038
(3)	Total: (1) + (2)	$72,342,188
(4)	Actuarial Value of Assets as of 12/31/92	$55,330,417
(5)	Present value of remaining costs: (3) - (4)	$17,011,771
(6)	Present value of future wage payments to present employees	$5,819,304,487
(7)	Accrual rate to provide postretirement benefits (as a % of accruable payroll): 100 x [(5)/(6)]%	.29%
(8)	1993 Annual Wage Rates	$459,236,850
(9)	Contribution Amount: (7) x (8)	$1,331,787

NOTE: Excludes key employees

Table B

SNET

ACCRUAL RATE FOR POSTRETIREMENT GROUP LIFE INSURANCE APPROPRIATE FOR USE IN 1993

SUMMARY OF ACTUARIAL VALUE OF ASSETS

AS OF DECEMBER 31, 1992

(1)	VEBA Trust*	$46,130,417
(2)	MetLife (Estimated)	$ 9,200,000
(3)	Actuarial Value of Assets at December 31, 1992 [(1) + (2)]	$55,330,417

*Market Value as of December 31, 1992