Flex Dental Plan

• Coverage	
- Pre-Age 65	Flex Plan Options A, B, or C.
- Post-Age 65	Option B.
• Company Contribution	
- Pre-Age 65	Flex credits adjusted annually which vary by retiree health care region.
- Post-Age 65	Company paid.
• Lifetime Deductible	Option A: None Option B: $50 per person/$150 family Option C: $50 per person/$150 family Waived for routine preventive and diagnostic care.
• Coinsurance	
- Routine	Option A: 100% Option B: 100% of R&C Option C: 100% of R&C
- Corrective	Option A: Not covered Option B: Schedule Option C: 75% of R&C but no less than Schedule
- Orthodontia	Option A: Not covered Option B: Schedule (lifetime maximum $1,500 per person) Option C: Schedule (lifetime maximum $1,500 per person)
• Annual Maximums for All Non-Orthodontia	Option A: $250 per person Option B: $1,250 per person Option C: $1,250 per person

PLAN PROVISIONS (Continued)

Dental Expense Plan

• Company Contribution	Company paid.
• Lifetime Deductible	$50 per person for corrective care and orthodontia; waived for routine preventive and diagnostic care.
• Coinsurance	
- Routine	100% of R&C.
- Corrective	Schedule.*
- Orthodontia	Schedule.*
• Maximum Benefits	
- Non-Orthodontia (Annual)	$1,250 per person (effective January 1, 1994, $1,500).
- Orthodontia (Lifetime)	Lifetime maximum $1,500 per person (effective January 1, 1994, $2,000).

*Schedule increases 5% effective January 1, 1994 and January 1, 1995 except periodontics which increases 10% effective January 1, 1995.

PLAN PROVISIONS (Continued)

Medicare Part B Premium Reimbursement

• Employees Hired Post-01/01/90	No coverage.
• Retired Post-07/01/85	$15.50 per month (retiree only).
• Retired Pre-07/02/85	$27.90 per month (retiree and spouse).

Life Insurance Plan

• Initial Benefit	100% of annual base pay at retirement rounded up to the next $1,000.
• Ultimate Benefit	50% of initial benefit.
• Reduction Pattern	
- Prior to Age 66	No reduction.
- At Age 66	Reduced beginning at age 66 in five equal annual steps to 1/2 the initial benefit at age 70 or older.
• Annual Base Pay	Basic wage rate, annual performance incentives, plus incentive compensation (e.g., sales commissions). If incentive compensation is used, it is based on the average annual incentive compensation paid for the 36-month period prior to retirement.
• Company Contribution	Company paid.

HEALTH CARE CLAIMS DEVELOPMENT

This section [illegible]
obtained using [illegible]
1993 by recent [illegible]

HEALTH CARE CLAIMS DEVELOPMENT

Retiree health care costs for 1993 are based on actual 1993 company contributions to the flexible benefit plans and 1991 paid claims for the other retiree groups. Due to the size of the claim base, no creditability or smoothing adjustments were made in the rating process. This approach assumes that the retiree claim base is representative of current and future (with cost trend) plan costs. The 1991 claims cost was "trended" to 1993 based on the assumptions outlined in this section.

- Flexible Benefit Plans - 1993 Company Contribution

  - Pre-Age 65 Coverage

Health Care Region	Medical (Per Month)	Dental (Per Month)
Greater New York City	$358.36	$55.95
Greater Boston	$334.68	$53.45
Other New England	$244.92	$51.03
Other	$247.24	$52.29

  - Post-Age 65 Coverage

	Medical
Total 1991 Paid Claims	$1,483,071
Estimated Adjustment to True Age for Dependent Claims Reported Based On Retiree Age	- 524,289
Adjusted 1991 Paid Claims	$ 958,782
Average 1991 Covered Group	÷ 1,194
1991 Average Paid Claim Per Covered Participant	$ 803
Trend (2 Years at 8.0% Per Year)	x 1.1664
1993 Expected Cost Per Covered Participant	$ 937

HEALTH CARE CLAIMS DEVELOPMENT (Continued)

- Medical Expense Plan

	Medical	
	Pre-Age 65	Post-Age 65
Total 1991 Paid Claims	$14,743,622	$19,628,113
Estimated Adjustment to True Age for Dependent Claims Reported Based On Retiree Age	+ 2,784,371	- 2,784,371
Adjusted 1991 Paid Claims	$17,527,993	$16,843,742
Average 1991 Covered Group	÷ 5,666	÷ 17,241
1991 Average Paid Claims Per Covered Participant	$ 3,094	$ 977
Trend (2 Years at 13% and 18%)	x 1.3334	x 1.3334
1993 Expected Cost Per Covered Participant	$ 4,126	$ 1,303

Age Graded Rates

The claims rate for the medical expense plan has been established separately for the under age 65 and over age 65 groups. Actual costs will be influenced by age at retirement and overall aging of the retiree group. To recognize this in the valuation, we used age-graded costs assuming increases as follows:

	Medical Expense Plan
Under Age 65	2.0% per year
Over Age 65	1.0% per year up to age 80

HEALTH CARE CLAIMS DEVELOPMENT (Continued)

- Dental Plans (Flex Dental and Dental Expense Plan)

  The following cost per participant was used for participants in the Dental Expense Plan and post-age 65 participants in the Flex Dental Plan.

	Dental
Total 1991 Paid Claims	$7,279,709*
Average 1991 Covered Group	÷ 36,539*
1991 Average Paid Claims Per Covered Participant	$ 199
Trend (2 Years at 5% Per Year)	x 1.1025
1993 Expected Cost Per Participant	$ 219

*Claims and covered individuals include experience for the Flex Dental Plan due to the inability to identify pre- and post-age 65 dental claims for the flexible benefits program.

HEALTH CARE CLAIMS DEVELOPMENT (Continued)

- Administrative Cost

	Medical	Dental
Total 1991 Administrative Cost	$3,431,709	$564,445
Average Covered Retirees	÷ 21,435	÷ 22,555
1991 Average Administrative Cost Per Retiree	$ 160	$ 25
Trend (2 Years at 3.5% Per Year)	x 1.0712	x 1.0712
1993 Administrative Costs Per Retiree	$ 171	$ 27

ACTUARIAL ASSUMPTIONS

[redacted]

ACTUARIAL ASSUMPTIONS

Demographic Assumptions

• Mortality Table	
- Active	See Table A.
- Retiree	See Table B.
- Dependent	1983 Group Annuity Mortality Table.
• Withdrawal	See Table C.*
• Disability	See Table D.
• Retirement Age	See Table E.*
• Plan Participation	All employees assumed to elect coverage.
• Dependent Coverage	
- New Retirees	
-- Male	80%.
-- Female	40%.
- Current Retirees	Based on current coverage elected.
• Spouse Age	A wife is assumed to be three years younger than her husband.
• HMO Participation	Cost of HMO participation is assumed to be identical to indemnity plans.
• Calculation Date	January 1, 1993.

*These tables represent a sample of the entire set of assumptions.

ACTUARIAL ASSUMPTIONS (Continued)

Demographic Assumptions (Continued)

- **Employee Data**

- Retirees	The 1992 census data with 1992 FMP retirees added, was valued as of January 1, 1992 and projected forward to January 1, 1993 assuming no actuarial gain or loss.
- Actives	The 1992 census data, reduced for all 1992 FMP separations, was valued at January 1, 1993. Temporary employees who have less than 5 years of service are excluded from the calculation. The annual base pay for the life insurance benefit was based on 1992 pay projected to 1993 at 4.5%.

ACTUARIAL ASSUMPTIONS (Continued)

Economic Assumptions

• Discount Rate	8.5%.
• Expected Rate of Return On Plan Assets (After-Tax)	
- Health Care	7.5%.
- Life Insurance	8.5%.
• Salary Growth	4.5%.
• Medical Cost Growth	
- Pre-July 2, 1985 Retirees	Medical trend rate (see Table F).
- Post-July 1, 1985 Retirees	Medical inflation rate (see Table F).
• Dental Cost Growth	See Table F.
• Administrative Cost Growth	3.5%.
• AT&T Reimbursement	For all retirees with a Pension Effective Date prior to January 2, 1984, post-retirement medical and dental costs are reimbursed based on a constant factor currently equal to 11.11% of total costs.

TABLE A

PROBABILITY OF PRERETIREMENT MORTALITY

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

TABLE C

PROBABILITY OF WITHDRAWAL

MALE PARTICIPANTS

Entry Age	Service 0	5	10	15	20	25
15	.1040	.0130	.0072	.0050	.0029	.0020
20	.1041	.0152	.0070	.0049	.0020	.0012
25	.1042	.0230	.0109	.0040	.0012	
30	.1010	.0199	.0110	.0022	.0003	
35	.0949	.0140	.0082	.0013		
40	.0891	.0122	.0023	.0008		
45	.0843	.0113	.0008	.0007		
50	.0815	.0059	.0007			
55	.0761	.0007				

FEMALE PARTICIPANTS

Entry Age	Service 0	5	10	15	20	25
15	.0947	.0417	.0336	.0153	.0048	.0036
20	.0947	.0436	.0253	.0138	.0046	.0010
25	.0936	.0453	.0158	.0096	.0030	
30	.0903	.0298	.0096	.0040	.0007	
35	.0858	.0136	.0080	.0007		
40	.0806	.0080	.0047	.0035		
45	.0741	.0067	.0005	.0025		
50	.0708	.0165	.0106			
55	.0696	.0246				

TABLE D

PROBABILITY OF DISABILITY

Present Age	Male	Female	Present Age	Male	Female
29	.0003	.0011	44	.0009	.0039
30	.0003	.0011	45	.0011	.0043
31	.0003	.0012	46	.0013	.0048
32	.0003	.0012	47	.0017	.0052
33	.0003	.0013	48	.0022	.0057
34	.0003	.0014	49	.0027	.0062
35	.0003	.0014	50	.0032	.0068
36	.0003	.0015	51	.0038	.0075
37	.0003	.0015	52	.0043	.0080
38	.0003	.0017	53	.0051	.0086
39	.0004	.0021	54	.0064	.0092
40	.0005	.0024	55	.0087	.0098
41	.0007	.0027	56	.0112	.0102
42	.0007	.0032	57	.0139	.0110
43	.0008	.0035	58	.0171	.0117
			59	.0202	.0125
			60	.0233	.0137
			61	.0262	.0150
			62	.0308	.0167
			63	.0356	.0188
			64	.0411	.0217

TABLE E

PROBABILITY OF RETIREMENT

MALE PARTICIPANTS

Entry Age	Service 15	20	25	30	35	40	45	50
15				.012	.016	.085	.220	.300
20				.013	.062	.196	.300	1.000
25			.015	.041	.161	.300	1.000	
30			.026	.126	.300	1.000		
35		.036	.072	.300	1.000			
40		.050	.300	1.000				
45		.300	1.000					
50	.300	1.000						
55	1.000							

FEMALE PARTICIPANTS

Entry Age	Service 15	20	25	30	35	40	45	50
15				.029	.052	.116	.212	.300
20				.032	.101	.204	.300	1.000
25			.040	.079	.181	.300	1.000	
30			.096	.161	.300	1.000		
35		.126	.146	.300	1.000			
40		.136	.300	1.000				
45		.300	1.000					
50	.300	1.000						
55	1.000							

TABLE F

Employer Cost Growth

Year	Net Medical Trend Rate	Net Medical Inflation Rate	Net Dental Trend Rate
1993	16.0%	8.0%	5.0%
1994	14.0	8.0	4.5
1995	13.0	8.0	4.0
1996	12.0	7.0	3.5
1997	11.0	6.0	3.5
1998	10.5	5.5	3.5
1999	10.0	5.0	3.5
2000	9.5	4.5	3.5
2001	9.0	4.0	3.5
2002	8.5	3.5	3.5
2003	8.0	3.5	3.5
2004	7.5	3.5	3.5
2005	7.0	3.5	3.5
2006	6.5	3.5	3.5
2007	6.0	3.5	3.5
2008+	5.5	3.5	3.5

OVERVIEW OF FAS 106

[redacted]

OVERVIEW OF FAS 106

Background

In December 1990, the Financial Accounting Standards Board finalized the accounting rules for postretirement benefits other than pensions in Statement of Financial Accounting Standards No. 106 ("FAS 106"). These rules, generally effective for the first fiscal year beginning after December 15, 1992, require employers to charge the cost of postretirement benefits (most notably postretirement medical benefits) against income over the working lifetimes of employees. This is in sharp contrast to the current practice of expensing postretirement benefit costs only when the related benefits are paid, which is after employees retire.

The new expense calculation considers expected future medical costs, not just the cost of benefits today. It also includes an accrual for all active employees, valuing the benefits they are anticipated to receive in retirement based on the likelihood that they will stay employed until eligible for postretirement benefits.

The combined effect of projecting medical cost increases and including the active work force produces a much larger expense than that determined under the current practice of expensing only current claims of current retirees.

Scope of FAS 106

FAS 106 applies to all postretirement benefits other than pensions, including:

- Health care benefits--medical and dental,
- Life insurance outside of pension plan, and
- Other welfare benefits--day care, legal services, housing subsidies, tuition assistance, etc.

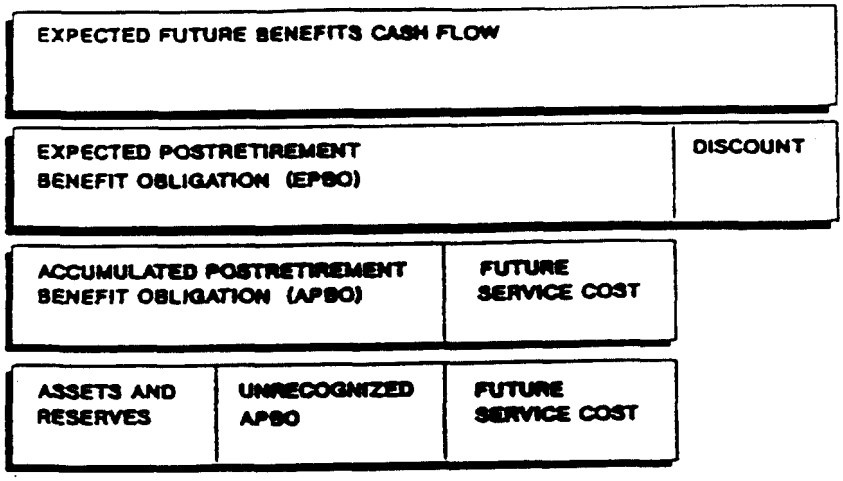
The statement applies to any arrangement that is in substance a postretirement benefit plan. It can be written or unwritten.

Substantive Plan

The accounting for postretirement benefits is based upon the substantive plan, which is the plan as understood by the employer and employees. Generally, it is the written plan, but an employer's cost sharing policies as evidenced by past practice or communication to employees may differ from the written plan.

OVERVIEW OF FAS 106 (Continued)

FAS 106 Terminology



- The Expected Postretirement Benefit Obligation (EPBO) is the actuarial present value of all postretirement benefits expected to be paid to each employee and his/her covered dependents in the future. The calculation considers the probability that the employee will remain with the Company until retirement, the expected retirement age, and the anticipated level of medical claims at that time.

  The EPBO is not used directly in the expense calculation nor is it disclosed. It is, however, a good measure of total exposure.

- The Accumulated Postretirement Benefit Obligation (APBO) is the portion of the EPBO that is attributed to employee service rendered prior to the valuation date:

  -- For retired employees and actives who have reached their Full Eligibility Date, the APBO equals the EPBO.

  -- For active employees not yet eligible for full benefits, the APBO equals a pro rata portion of the EPBO based on years of service worked prior to the valuation date to those expected to be worked at the Full Eligibility Date.

  The APBO is used in the accounting calculations to establish the plan's funded status and to develop postretirement benefit expense.

- The Transition Obligation is the unfunded and unreserved portion of the APBO as of the date of initial application of the accounting standards.

OVERVIEW OF FAS 106 (Continued)

- The Prior Service Cost is the increase or decrease in the APBO due to a plan amendment subsequent to initial application of the accounting standards. The Unrecognized Prior Service Cost is the portion of the Prior Service Cost that has not been recognized as a part of annual expense.

- The Service Cost is one-year's pro rata share of the EPBO for current active employees. There is no Service Cost for retirees or active employees who have already met the eligibility conditions for full benefits.

- The Discount Rate is the interest rate selected as of the measurement date to determine the present value of future cash outflow of postretirement payments. FASB suggests that employers should look to rates of return on high-quality, fixed-income investments currently available whose cash flows match the timing and amount of expected benefit payments.

- The Full Eligibility Date is the date at which an employee has rendered all service necessary to receive all of the benefits expected to be received by that employee.

- The Attribution Period is the period to which EPBO is assigned. It begins at hire date and ends at the employee's Full Eligibility Date.

Components of Expense

The components of expense ("net periodic postretirement benefit cost" using FAS 106 terminology) are:

- The Service Cost is the portion of the EPBO attributed to employee service during the fiscal period (again, attributing costs to full eligibility instead of over the whole service period).

- The Interest Cost accounts for the increase in the APBO due to the passage of time. It is calculated as interest on the APBO, less interest on expected benefit payments.

- The Expected Return on Plan Assets accounts for the expected earnings on certain plan assets set aside to provide benefits under these plans.

OVERVIEW OF FAS 106 (Continued)

- The Transition Obligation is amortized on a straight-line basis over the average remaining service period of active plan participants, or 20 years if greater. Alternatively, an employer can choose to recognize the transition obligation immediately in the net income of the compliance year as the effect of a change in accounting principle. Note that a single method of transition must be used for all postretirement plans. Also, any phase-in recognition may not be less than pay-as-you-go accounting.

  The Prior Service Cost, if any, is generally amortized over the remaining service to full eligibility of each plan participant active on the date of the amendment.

- Any Unrecognized Gain or Loss exceeding 10% of the APBO is subject to amortization. The minimum amortization is the excess divided by the average remaining service period of active plan participants.

OVERVIEW OF FAS 106 (Continued)

Using the components above, the annual expense under FAS 106 equals:

(a) Service Cost; plus

(b) Interest Cost; minus

(c) Expected Return on Plan Assets, if any; plus

(d) Amortization (or one-time charge) of Transition Obligation; plus

(e) Amortization of Prior Service Cost, if any; plus

(f) Required Amortization of (Gains) or Losses.

In the initial year of compliance, (e) and (f) will be zero.

Disclosure

The disclosure required by FAS 106 is quite extensive. It includes:

- Description of substantive plan(s).

  Components of expense.

- Reconciliation of plan's funded status.

- Assumed health care cost trend rate ("inflation").

- Economic assumptions used to develop costs.

- Effect of a one percentage point increase in inflation on:

  -- The aggregate of the service and interest cost components of expense, and

  -- APBO.

- Description of plan assets.

- Amount of gain or loss due to settlements/curtailments.

- Cost of providing special termination benefits.

Actuarial Report

NYNEX Corporation

FAS 106 Valuation
Non-Management Plans

1993

Hewitt Associates

PREPARATION OF THIS ACTUARIAL VALUATION

AS OF JANUARY 1, 1993

NYNEX POSTRETIREMENT BENEFIT PLANS FOR NON-MANAGEMENT EMPLOYEES

This material has been prepared to present to management the 1993 accounting requirements for postretirement benefits other than pensions as determined under the standards set forth in the Statement of Financial Accounting Standards No. 106 ("FAS 106"), Employers' Accounting for Postretirement Benefits Other Than Pensions.

In conducting the valuation, we have used personnel, asset, claims and plan design information supplied by NYNEX Corporation, and the actuarial assumptions and methods described in the Actuarial Assumptions Section of this report.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices and in accordance with our understanding of FAS 106.

HEWITT ASSOCIATES

Anthony P. Yezzi

Anthony P. Yezzi
Fellow of the Society of Actuaries

July 21, 1993

Hewitt Associates