STATEMENT OF AMERICAN TELEPHONE & TELEGRAPH CO.*

FOREWORD

This statement by the American Telephone & Telegraph Co. on behalf of the Bell System companies is in response to the letter of James W. Knowles to the Honorable Martha W. Griffiths, dated October 1, 1966, and Mrs. Griffiths' letter of November 2, 1966, to the Honorable Wright Patman, transmitting the staff document entitled "Old Age Income Assurance: An Outline of Issues and Alternatives."

The statement is intended as a contribution toward the proper solution of some of the important issues raised in the staff document. It does not attempt to deal with all of the issues. The purpose is to evaluate the issues discussed from a broad national viewpoint even though emphasizing considerations of employers because these may not be given due weight by many commentators.

The American Telephone & Telegraph Co. and other Bell System companies have had pension plans covering all employees since 1913, and since 1927 advance provision has been made for the payment of service pensions.

These plans thus predated any legal requirement that they be bargained with unions, although improvements in them have since been bargained. They also predate any sizable individual or corporate income taxes. The plans have been subject to investigation of their purpose and financing by Federal and State regulatory bodies having jurisdiction over communications companies.

In view of this background, the company is in a position to discuss the business purposes of pension plans on the basis of experience with long-range and fundamental considerations.

BACKGROUND FACTS WITH RESPECT TO THE BELL SYSTEM PLANS

The Bell System consists principally of the American Telephone & Telegraph Co., 21 regional Bell operating companies, Western Electric Co., and Bell Telephone Laboratories.

Each company has a separate pension plan and separate funds separately administered. These plans cover 840,000 active employees and about 95,000 employees retired on service pensions. There are some 30 banks as trustees of these funds.

The plans, although separate, are virtually identical. They are noncontributory, and cover all employees from the first day of employment. They have been in existence since 1913.

The pension formula is 1 percent for each year of service of the average annual rate of pay—not including overtime—for the highest

*Comments on certain of the issues discussed in the staff document entitled "Old Age Income Assurance: An Outline of Issues and Alternatives."