

WorldCom's Collapse and the Consequences for Workers' Retirement Security

Summary:

- WorldCom's only retirement plan for most of its employees was a 401(k) plan.
- Over 103,000 workers and retirees participated in the WorldCom 401(k) plan as of its most recent disclosure statement.
- Interviews with WorldCom employees suggest a large number of employees had invested all or substantially all of their 401(k) assets in WorldCom stock.
- All of WorldCom's 401(k) plans together held over \$1.1 billion in WorldCom stock at the end of 1999, more than the total estimated 401(k) losses at Enron.
- Today WorldCom stock in the WorldCom 401(k) is worth less than \$20 million—down 98 percent from year-end 1999.
- WorldCom stock accounted for 30 percent of the combined assets of WorldCom's 401(k) plan assets at the end of 1999, and now account for less than 4 percent of the assets while the number of shares held by the fund continues to grow.

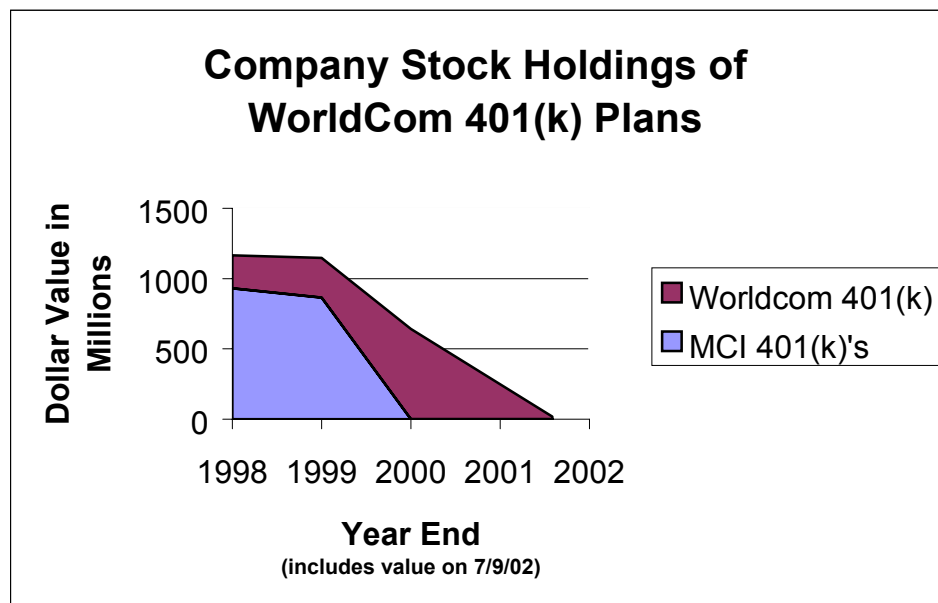


TABLE: WorldCom 401(k) Holdings of Company Stock over Time

	12/31/98	12/31/99	12/31/00	7/9/02
% of Combined WorldCom and MCI 401(k) Assets in Company Stock	35%	30%	32%	4%
Price of WorldCom stock	\$47	\$54	\$14	\$0.3
Estimated WorldCom Shares held in WorldCom 401(k) Plans (millions)	25	21	46	60

Chronology:

April 1, 1981—Establishment of Pension Plan for Employees of MCI Communications Corporation and Subsidiaries (MCI Defined Benefit Plan), as well as MCI Communications Corporation ESOP and 401(k) Plan for Non-Exempt Employees and MCI Communications Corporation ESOP and 401(k) Plan for Exempt Employees.

January 1, 1986 – Establishment of WorldCom, Inc. 401(k) Salary Savings Plan

September 14, 1998 – WorldCom, Inc. acquires MCI..

January 1, 1999 – MCI WorldCom freezes the MCI Defined Benefit Plan. MCI WorldCom does not freeze its Supplemental Plan, a defined benefit pension plan that covers only certain key executives including WorldCom Chairman and former MCI CEO Bert C. Roberts Jr. Under this plan Mr. Roberts will at retirement receive a guaranteed benefit of \$582,000 per year from WorldCom, Inc.

January 1, 1999 – WorldCom merges the two existing MCI 401(k) plans into a single plan, the MCI Communications Corporation 401(k) Plan, which has two parts, a 401(k) plan and an Employee Stock Ownership Plan.

December 31, 1999 – SEC and Department of Labor filings show the MCI Communications Corporation 401(k) and the WorldCom 401(k) Salary Savings Plan hold between them WorldCom stock worth of \$1.1 billion at the stock price of the time of \$54/share..

November 1, 2000 – The MCI Communications Corporation 401(k) Plan is merged into the WorldCom, Inc, 401(k) Salary Savings Plan.

December 31, 2000 -- SEC and Department of Labor filings show the WorldCom 401(k) Salary Savings Plan holds WorldCom stock worth of \$642 million at the stock price of the time of \$14/share.

July 1, 2002 – WorldCom files with the SEC a notification of late filing of its Form 11(k) covering the WorldCom 401(k) Salary Savings Plan. As a result, the public does not have the data that would normally be available on holdings by the plan at year end 2001.

July 2, 2002 – At a press conference at the National Press Club, WorldCom CEO John Sidgmore in response to a question says less than 4% of the WorldCom 401(k) assets are WorldCom stock but neglects to mention what proportion was WorldCom stock before the value of the company stock collapsed.

July 9, 2002 – The current total value of WorldCom stock held by the WorldCom 401(k) Salary Savings Plan is approximately \$18 million—down 98% from the value of company stock in the plan two and a half years earlier.

Impact on WorldCom Employees:

WorldCom did not require that its company match to its 401(k) be in company stock, nor were there any issues of lockdowns or other constraints on WorldCom workers from selling their shares. But there was a culture within the company that linked employees' belief in the company they worked with the idea of investing their only company-sponsored retirement money in company stock. And the combination of that culture with corporate misconduct has led to ruin for thousands of loyal employees.

“When my colleagues asked me why I put so much money in WorldCom, I told them: Why wouldn't I invest in the company that I based my career on? Yes I had choices, and there are no guarantees, but I believed it was important to place value in my company and its growth. Growth. That was the problem. All this growth was based on amounts and projections based on false information.” — *Cara Alcantar, WorldCom Employee, Phoenix, Arizona*

“I'm feeling betrayed. I put all my money in Worldcom stock and I'm pretty sure I've lost everything. I knew what happened at Enron but I thought we were different.” — *Unnamed Worldcom Employee, Washington, DC*

“I lost ten years of investments and so financially am 10 years behind where I should have been. I might have to work to supplement my income after I retire.” — *Lisa Brown, former WorldCom Employee, Wichita, Kansas (Washington Post, 7/10/02)*

Impact on Retirement Security Beyond WorldCom Employees

WorldCom was an S&P 500 index stock widely held beyond WorldCom's own employees. In 1999 WorldCom represented 1.1% of the total S&P 500, more than two times the amount represented by Enron before its collapse. The AFL-CIO estimates that at its peak, workers' pension funds held approximately \$25 billion in WorldCom stock. Those shares are now all but worthless. Worker funds had additional billions of dollars invested in WorldCom debt securities that are now trading well below 50% of par value. As was the case with Enron, most Americans who invest in the capital markets or who participate in a pension plan were investors in WorldCom.

Sources: WorldCom, Inc. official filings with the U.S. Department of Labor and the Securities and Exchange Commission, interviews with Worldcom employees and recent public statements by WorldCom officials.

AFL-CIO
July 2002