

To: Verizon Employees

From: Andrew J. Krosnowski and Melissa Scott Paine

Interest rates are at the lowest level since the second quarter of 2009. The second quarter 2009 pension interest rates were historically the lowest that we can recall. If you are planning to retire within the next 12 months, we strongly encourage you to review your pension lump sum balance based on the second quarter pension interest rates.

VERIZON Pension INTEREST Rate Update

| Applicable Interest Rate Assumption | <i>May</i> | <i>June</i> | <i>July</i> | <i>Aug</i> |
|---|------------|-------------|-------------|------------|
| Management and West Associate 100% PBGC* | 0.75% | 1.00% | 1.00% | 1.00% |
| Management and West Associate 120% PBGC* | 0.9% | 1.20% | 1.20% | 1.20% |
| Management and West Associate 10-Year T-bond | 1.75% | 1.75% | 1.75% | 1.75% |
| Management Quarterly GATT (General Agreement Tariffs & Trade) | 3.17% | 3.17% | 3.17% | N/A |
| Management and West Associate Monthly GATT | 2.88% | 3.08% | 3.17% | 3.16% |
| East Associate Quarterly GATT | 3.17% | 3.17% | N/A | N/A |
| East Associate Quarterly 100% PBGC** | 1.00% | 1.00% | N/A | N/A |

* Applies to West Associates only if retirement eligible on or before 12/31/1999

** Applies to termination dates in the months above

*** PLS = Pension Lump Sum

I. Monitor the Changes in Verizon Pension Calculation Rates - On or near the 17th day of the current month there is an announcement for the next four months pension calculation rates. The rates from through are listed above. In addition to the monthly rate update, the quarterly rates for the upcoming quarter are announced (i.e. Quarterly GATT rates) on or near the 17th day of March, June, September and December.

Remember when evaluating the interest rates (**GATT/PPA, PBGC, 10 Year Treasury**) that each rate has its own separate calculation method. Employees can straddle quarters when deciding to retire and select their retirement and benefit commencement dates (for example: during the fourth quarter 2009, if the first quarter 2010 PLS balance is greater than the current quarter, it may make sense to remain employed). This enables employees to monitor their PLS balance from quarter to quarter. If the current

quarter is greater than the next quarter and you are ready to retire then it may make sense to then retire from the company with the best possible PLS balance available to you.

If you find yourself wanting to retire as soon as possible in the current quarter, but the next quarter PLS calculation provides you with a greater economic benefit, the following retirement timing strategy is suggested:

Hypothetical situation- During June 2010 employee John Doe decides to retire from Verizon. He determines that his third quarter PLS balance is higher than the second quarter PLS balance. In this example, John could maximize his PLS economic benefit by selecting a **retirement date** of June 30 and **benefit commencement** date of July 1. This will enable him to terminate his employment with the company in the month of June when he wants to retire and lock in the more favorable third quarter PLS balance calculation.

II. Quantify whether it makes sense to retire or to continue to remain employed

We can run a free “**Ben Franklin**” retirement analysis which addresses the pros and cons of such critical issues as:

➤ **Future Annual Employment Income:**

At Verizon = \$_____, Outside of Verizon = \$_____, Difference = \$_____ X
Number of years you plan to continue to work _____ (years) = \$ _____
(Total Income Difference). (+)

➤ **Pension Lump Sum Utilization:** Measure the effect of continuing to work at Verizon and the possibility of your PLS balance declining. Estimated annual amount of pension reduction = \$_____ X (# of years) _____ = \$ _____ (total pension balance decrease in value). (-)

➤ **If you retire** from the company and roll over your pension lump sum balance to an IRA, you can invest your pension assets where they may increase in value while you continue employment with another employer.

Estimate your annual pension lump sum/IRA Rollover balance increase. PLS
balance \$_____ X 0.06 (assume 6% return) X _____ (number of years) = \$ _____ (-)

➤ **Verizon 401k Savings Plan match** = \$_____. (+)

➤ **Rate your Job satisfaction** at Verizon on a scale of 1 (very happy) to 10 (very unhappy) _____. (+ or -)

(+) = Advantage of staying with current employer, (-) disadvantage of staying with current employer.

**Quantifying and comparing all of the factors above will enable us to help you make a better more well informed retirement decision.*

III. Free Retirement and Investment Planning Reports

We offer free initial investment & retirement planning analysis. Below is a brief description of the different reports that we can generate for you:

A. 401(k) Savings Plan Investment and IRA Rollover Advice

- We will review your 401 (k) plan investment allocations and provide you with investments recommendations.
- Upon retirement, we can assist you in rolling over your 401(k) assets into an IRA and advise you on efficient investment strategies.
- We can assist you in executing an “in-service” 401(k) Savings Plan rollover to an IRA. This may give you access to potentially more attractive investment vehicles while you continue to work for your current employer.

B. IRA Income Distribution Alternatives

There are two ways to distribute assets from your 401(k) savings plan prior to age 59 ½ (penalty free). Ordinary income taxes still apply.

1. Age 55 Rule - If you retire at age 55 or older, you can request up to twelve 401(k) Savings Plan distributions per year (minimum distribution amount is \$1,000.)

2. IRA 72(t) Income Distribution Analysis -

- Did you know that there is a way you can withdraw assets from your IRA before you are 59 ½? Normally there is a 10% penalty on premature (before 59 ½) IRA withdrawals.
- We can run a report which will illustrate how much income you can withdraw from your IRA prior to age 59 ½ and avoid the 10% penalty.

C. Investment Portfolio Review (Financial Physical)

- If you provide us with a summary of your investment holdings, we will analyze them for you.

We will provide you with a report that will review areas of improvement in your portfolio including ways that may enable you to lower your fees, improve performance, and reduce risk. We will also notify you if your assets are in proper alignment with your stated goals and objectives.

D. Retirement Income Analysis (RIA)

We can assist you in gathering financial data (including future cash flows, investment balances and income needs) and generating a report which will measure your potential to retire comfortably.

If you fax us a copy of your Savings Plan Statement (**FAX: 703-506-9556**), we will generate a report which will analyze the “pros” and “cons” of distributing NUA shares including both tax and estate planning considerations.

E. FOMC (Federal Open Market Committee) – Meeting Dates

| | |
|------------------|--------|
| January | 29-30 |
| March | 19-20* |
| April/May | 30-1 |
| June | 18-19* |
| July | 30-31 |
| September | 17-18* |
| October | 29-30 |
| December | 17-18* |

Please feel free to contact us if you would like to take advantage of our free initial reports and services.

Sincerely,

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