Questions and Answers
About the Pension Transfer

What is changing and why?

1.1 Why is Verizon transferring pension benefits to The Prudential Insurance Company of America ("Prudential")?

Through the years, Verizon has become a money manager of about $24 billion of pension assets. Managing a pension trust to pay pension benefits is a complex obligation that Verizon believes can be effectively managed outside of Verizon to ensure future obligations are met. Prudential, an organization with a long history of providing lifetime income to individuals, is well positioned to meet this commitment.

1.2 What does "pension transfer" mean?

The Verizon Management Pension Plan (the "Plan") is purchasing a group annuity contract from Prudential to transfer to Prudential the responsibility for making monthly pension payments. In this transaction, the Plan transfers assets to Prudential to purchase a group annuity contract ("Contract") under which Prudential agrees to pay all promised monthly pension payments to covered retirees, survivors and alternate payees. To put it simply, Prudential will replace the Plan as the source of pension payments. The Plan will no longer have this responsibility to individuals covered by the pension transfer.

1.3 What type of annuity will be purchased to pay benefits?

The Plan will purchase a single premium group annuity contract. The Plan will make a one-time up-front payment to Prudential to buy a contract under which Prudential will provide monthly pension payments for the retirees, survivors and alternate payees included in this transaction. The provisions of the single premium group annuity contract call for Prudential to pay monthly pension benefits in the form of payment that participants elected at retirement. If you are part of the pension transfer, monthly pension benefits owed to you are described in the **Pension Benefit Statement** that was mailed in October 2012.

1.4 How does this change affect me?

Retirees, survivors and alternate payees who are part of the pension transfer will have their monthly benefit payments paid by Prudential after the Contract is purchased in December 2012. Prudential was selected, in part, because of its

history of providing annuity benefits, the size of its current annuity business, and its ability to provide comprehensive service to participants without disruption.

However, Wells Fargo Bank will continue administering payments, i.e., depositing payments and cutting checks, on behalf of Prudential through June 30, 2013. Starting July 1, 2013, Prudential will take over payment administration from Wells Fargo Bank without disruption to pension payments.

If you are part of this pension transfer, there is no action you need to take to continue receiving your monthly pension payment. The pension transfer will happen automatically – and you will continue to receive your monthly benefit without interruption during the transition. However, if you believe that any of the information on the **Pension Benefit Statement** sent to you in October 2012 is incorrect, please contact the Pension Transfer Information Center immediately at .

1.5 What factors did Verizon consider before making this decision?

This decision was made after careful consideration and a thorough review of both our funding obligations and what is legally permissible under the terms of the Plan. Moreover, Prudential is well-positioned, based on its expertise, asset base and overall credit worthiness, to assume this financial responsibility. You will have the full financial backing of Prudential. In addition, Prudential's obligation to make your monthly pension payment will have the backing of state guaranty insurance funds that provide further financial security in the very unlikely event that Prudential is ever faced with a situation that otherwise limits its ability to make these annuity payments. Prudential has a well-established and strong reputation for providing pension plan services to 3.7 million active workers and retirees from more than 6,000 qualified retirement plans.

1.6 What is the funding status of the Verizon Management Pension Plan?

In April 2012, Verizon sent Plan participants a funding notice that indicated the Verizon Management Pension Plan was 82% funded as of January 1, 2011.

1.7 Is this pension transfer a sign that Verizon is in financial trouble?

No; in fact, it is just the opposite. It is Verizon's strength that enables us to pursue a transaction of this size. Restructuring financial commitments in this way increases Verizon's opportunities for future success.

1.8 Is Verizon making this change to save money?

No, Verizon is making this change in order to increase our long-term financial strength. To meet this objective, this change will actually cost Verizon money in the short-term. However, in the long-term, Verizon will save money relative to managing and administering the pension plan.

1.9 Are there plans for additional pension transfers in the future?

There are no definitive plans at this point for additional pension transfers.

1.10 What pension obligations will Verizon have after this transaction?

Following the transaction, the Verizon Management Pension Plan will cover the benefits for certain active employees, terminated employees with a deferred vested benefit, and other annuitants in pay status not otherwise included in the transaction. The Pensioner Death Benefit will continue to be paid from the Plan to those who are eligible (including retirees included in the transaction). Finally, Verizon maintains several other pension plans which were not affected by this transaction.

1.11 Are there circumstances whereby the pension transfer will not occur?

We fully expect the transfer to proceed as planned.

Who is affected by these changes?

2.1 Whose benefits are being transferred to Prudential?

The pension transfer affects most management retirees, their surviving beneficiaries and alternate payees whose benefits are paid from the Verizon Management Pension Plan, and who started receiving monthly pension benefits before January 1, 2010. Verizon mailed detailed information about the pension transfer to affected participants.

In general, the following Verizon Management Pension Plan participants are not included in the pension transfer:

- Active employees.
- Former employees who have not yet started receiving pension benefits or who had started receiving pension benefits on or after January 1, 2010.
- Participants receiving disability pension benefits who will be under age 65 on December 31, 2012.
- Former employees who were represented by a union during their employment with Verizon or had their pension benefit based on the terms of a collective bargaining agreement.
- Retirees receiving pension benefits from the Pension Plan for Employees of MCI Communications Corporation and Subsidiaries, which is a component of the Verizon Management Pension Plan.

In addition, former management retirees whose benefit is payable from the Verizon Enterprises Management Pension Plan (now part of the Verizon Pension Plan for Associates) are not included in the pension transfer.

Individuals receiving monthly pension benefits from more than one Verizon pension plan may continue to receive part of their monthly pension benefit from the Verizon Pension Trust and part of their benefit from Prudential.

2.2 How was the population segment selected?

Verizon selected management retirees in its Management Pension Plan for the following reasons. First, we were confident the asset base could support this level of settlement. Second, monthly pension benefit payments for this segment are frozen and already in pay status, which simplifies the transaction.

2.3 Why was the cutoff date of before January 1, 2010 selected?

Verizon spent a significant amount of time studying ways to better understand, manage and predict its long-term pension costs. Verizon chose this cutoff date because these pensions will have been in pay status for more than two years before the transfer takes effect, which was long before the timeframe that Verizon began considering this transfer.

2.4 If I retired after January 1, 2010, will I be added to this group at a later time?

Any decision to transfer additional pension benefits in the future would depend on Verizon's ongoing evaluation of its pension costs.

2.5 If I was not included in this pension transfer, can I choose to have Verizon purchase an annuity contract for me?

No.

2.6 I receive a monthly annuity from a "nonqualified" pension plan. Will that benefit be transferred?

No, a nonqualified annuity is a monthly benefit that is paid from Verizon's company assets rather than the trust fund set aside to pay benefits from the Verizon Management Pension Plan.

How am I affected by the pension transfer?

For participants who are part of the pension transfer

3.1 How will my monthly pension payment change?

The pension transfer will not change the amount of the monthly pension payment to you or your surviving beneficiary based on your election at retirement. Please review the benefit amounts payable to you in the **Pension Benefit Statement** mailed to affected retirees, surviving beneficiaries and alternate payees in October 2012.

Please note that, as you do today, you may see changes in the net amount of your monthly pension payments over time due to required changes in deductions and withholdings. For example:

- If premiums for Verizon health, insurance or any other benefits are deducted from your monthly pension benefit payment, the net amount you receive could change due to changes in benefit premiums and/or changes you make to your benefits coverage.
- Annual changes in tax rates can also affect your withholdings. Your withholdings will also change if you modify your withholding instructions.

3.2 When will the transfer happen?

The pension transfer to Prudential is expected to be completed in December 2012. When the transfer is complete, Prudential becomes responsible for making your monthly pension payments. However, as part of the transfer, there will be a transition period through June 30, 2013. During the transition period, Wells Fargo Bank will continue administering payments, i.e., making direct deposits and cutting checks, on behalf of Prudential. Starting July 1, 2013, Prudential will take over payment administration from Wells Fargo Bank.

3.3 Will my current tax withholdings be affected at the time of the transfer?

The pension transfer will generally have no direct effect on your tax withholding. Your monthly payments will continue to be subject to applicable federal, state and local taxes. However, Prudential will require new withholding election forms after the transition in July 2013.

3.4 Will Prudential offer cost-of-living adjustments to my monthly pension payment?

Prudential will be obligated under the group annuity contract to pay the monthly pension amount you currently receive. The Plan currently does not provide for cost-of-living increases.

3.5 I use direct deposit for my monthly pension payments. Do I need to send my banking information to Prudential?

No, all banking information will be transferred on your behalf. During the transition period, Wells Fargo Bank will continue processing monthly pension payments, until payment administration is transitioned to Prudential in July 2013. As part of that transition, Wells Fargo Bank will transfer your direct deposit account information securely to Prudential so there will be no disruption in your monthly pension payments.

3.6 Will the pension transfer affect my other retiree benefits, such as retiree medical and life insurance?

No, the pension transfer does not affect your eligibility for and participation in any other Verizon retiree benefits. Call the Verizon Benefits Center if you need help or have questions about those benefits or if you would like copies of summary plan descriptions (SPDs).

3.7 Will automatic deductions from my monthly pension payment, such as premiums for medical, long-term care, auto insurance, etc., continue?

Yes, the deductions from your monthly pension payment that are in place at the time of the pension transfer will continue. These deductions will be forwarded to the appropriate provider as they are today. If you need to make changes to your elections, contact the provider organization. The provider will take appropriate action to change your deduction.

3.8 Can Prudential change my pension payments in the future?

No, the agreement with Prudential is an irrevocable commitment to pay all pension payments covered under the Contract. Please review the amounts described in the **Pension Benefit Statement** mailed in October for confirmation of the monthly pension payment amounts that Prudential is expected to pay.

3.9 What if Prudential is purchased or merges with another company?

The agreement between Verizon and Prudential requires Prudential to issue irrevocable commitments to provide the pension payments covered by the group annuity contract. Companies can, from time to time, be acquired, but an acquisition of Prudential by another company (meaning, a change in the ownership of

Prudential) would not change Prudential's business, or any of its obligations under the group annuity contract.

3.10 Will my monthly pension payment be subject to any administrative fees once it is transferred to Prudential?

No, participant-paid fees will not apply.

3.11 Does the payment I receive from Prudential continue to be considered a pension plan benefit?

No, your monthly payment will transition from a pension plan benefit to an annuity payment, fully guaranteed by Prudential, based on the provisions of the Contract. The Contract is designed to continue payments that satisfy the pension you were promised under the Verizon Management Pension Plan.

3.12 My Pension Benefit Statement says I have no beneficiary on file. Does that mean I have no life insurance beneficiary on file?

No. Any beneficiary information noted on your Pension Benefit Statement, or a statement that you have no beneficiary on file, refers only to your pension plan benefit. For information about your life insurance beneficiaries, call the Verizon Benefits Center.

For participants who are not part of the pension transfer

3.12 How does the pension transfer affect the funded percentage of the Verizon Management Pension Plan?

Verizon will contribute the funds necessary so that, immediately after the annuity purchase, this transaction will not affect the funded percentage of the Plan on a financial reporting basis. However, the funded percentage of the Plan may vary from year to year for other reasons.

3.13 Will there be restrictions on lump-sum distributions for participants who have not started receiving their benefit?

Verizon does not expect restrictions to be imposed on lump-sum payments to current Plan participants who retire or leave Verizon.

What is the transition process?

4.1 Why is there a transition period?

The transition period, which continues through June 30, 2013, allows time for Verizon's current service providers to transfer to Prudential in an orderly manner the full payment administration. There will be no disruption to the timing of your monthly pension payments during the transition period. During the transition, monthly pension payments will continue to be issued by Wells Fargo Bank (by check or direct deposit, consistent with how you receive payments today and any elections you made). However, beginning on the date the transaction with Prudential is completed, Prudential will have the financial responsibility for funding the payments. Starting July 1, 2013, you will receive monthly pension benefits directly from Prudential.

4.2 What type of documents should I expect to receive from Prudential?

Shortly after the transaction is complete in 2012, Prudential will provide you with an annuity certificate which describes the benefits covered by the Contract. Prudential will provide additional communications in 2013 when it takes on full payment administration.

4.3 What if I have a concern about my monthly pension payments after Prudential takes over?

After responsibility for your monthly pension benefit transfers from the Plan to Prudential, you will have a legal right to those payments from Prudential. Should you have any concerns about your payments or a claim, you should contact Prudential. Prudential will provide you with contact information to use in the event you have a question about your pension payment.

How is my benefit protected?

5.1 How is my pension payment protected once it is transferred to Prudential?

The insurance industry is heavily regulated to protect the interests of individuals receiving annuity benefits and/or their beneficiaries, if applicable. For example, there are regulations requiring insurance companies to maintain excess funds for additional protection and to carefully manage and invest funds to pay your annuity benefits. In addition, Prudential will be setting up a separate account to hold assets that will provide extra protection to the Verizon retirees, survivors and alternate payees who are included in the pension transfer.

If an insurer is thought to have severe financial difficulties, the state insurance regulators will actively work with the company to return it to financial health. In the unlikely event that the insurer is declared insolvent, the state guaranty associations would then be triggered to provide benefit protection as needed, up to specified state limits.

5.2 How do my pension protections under Prudential compare with what I've had with Verizon?

Today, your pension is guaranteed by Verizon and insured by the Pension Benefit Guaranty Corporation (PBGC), a U.S. government agency that provides protections – up to certain limits – for pension benefits in the event a plan can no longer pay benefits. (Learn more about the PBGC at **www.pbgc.gov**.) Once the group annuity contract is issued, your benefit will no longer be part of the Verizon Management Pension Plan and protected by the PBGC. Instead, your pension payment will be guaranteed by Prudential. In addition, there may be protection afforded by the state guaranty association of the state in which you live. Each state (and Puerto Rico and the District of Columbia) has a guaranty association, operating under individual state laws. Like PBGC insurance, this coverage is also subject to certain limits. These limits vary based on the state in which you live, and the protections provided will vary based on state rules and the type of benefit you are receiving. State guaranty associations act as a form of insurance for insurance companies, and are funded by insurance companies that sell insurance in a given state.

For more information on state guaranty associations, visit the National Organization of Life and Health Insurance Guaranty Associations at **www.nolhga.com**. Click on "Facts and Figures," then click on "GA Law Summaries" and scroll through the drop-down menu to select the state for which you would like more information.

5.3 What state guaranty association will be responsible for my pension benefit?

Generally speaking, the guaranty organization for the state in which an individual resides has the responsibility if and when an insurance company becomes unable to pay its obligations. In certain circumstances, other factors – such as where the insurance company is licensed to do business – will determine which guaranty association is responsible.

5.4 If Prudential stops making my monthly payments, will Verizon make payments?

No, once the group annuity contract is issued, Prudential, not Verizon or the Plan, will be responsible for payments. In the unlikely event Prudential has difficulty meeting its obligations, the state guaranty association may be responsible for your benefits (up to certain limits). See question 5.2.

5.5 Will the money the Plan transfers to Prudential be held in a separate account?

The assets will be placed in a separate account just for Verizon retirees, survivors and alternate payees to provide even further protection and financial security. Prudential will maintain the separate account under terms described in the group annuity contract.

5.6 How will Prudential invest the money provided to pay benefits?

The money is primarily invested in high-quality bonds or other fixed-income securities with very limited investment in equity instruments.

5.7 What benefit protections are in place for individuals who live outside of the United States?

As stated in Question 5.1 above, the insurance industry is heavily regulated to protect individuals covered by insurance. In the unlikely event that an insurance company becomes insolvent, the rules that apply may depend on individual circumstances, including the individual's country of residence.

How was Prudential selected?

6.1 Why was Prudential selected?

With the help of experts in annuity provider selection, an extensive review of the insurance market and annuity providers was conducted before Prudential was selected. An independent fiduciary representing the Plan participants has determined that the selection of Prudential as the annuity provider satisfies the requirements of federal pension law and is in the best interest of Plan participants.

Considerations in selecting Prudential included the company's:

- Financial strength at the time of the transaction to help ensure that monthly pension payments continue to affected participants without disruption.
- High ratings from firms that evaluate the financial strength of insurers.
- Capacity to manage an extremely large pension transfer.
- History of providing group annuity benefits, as well as the size of its current annuity business.
- Ability to service affected participants and continue to provide comprehensive service without disruption.

6.2 What is Prudential's credit rating?

Rating agencies – firms that routinely evaluate the financial strength of insurance companies and the relative safety of their products – have given Prudential high ratings. While each firm uses different rating criteria, Prudential currently receives high marks from all of the rating agencies. You may also review information at **www.moodys.com, www.standardandpoors.com, www.ambest.com** or **www.fitchratings.com**.

6.3 Who are the "experts in annuity provider selection" that helped evaluate insurance companies?

Prudential was selected by Fiduciary Counselors Inc., an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Fiduciary Counselors Inc. was engaged as an independent fiduciary to represent the Plan and Plan participants and beneficiaries in the selection of the annuity provider. Fiduciary Counselors Inc. is one of the leading providers of independent fiduciary services. Under the Employee Retirement Income Security Act of 1974, or "ERISA," one of the federal laws governing pension plans, plan fiduciaries are obligated to make plan decisions prudently and for the exclusive benefit of Plan participants and beneficiaries. Fiduciary

Counselors Inc. retained the management consulting firm Oliver Wyman, a leading expert on the insurance industry, and K & L Gates, a law firm that has extensive expertise in ERISA transactions and in fiduciary matters, to advise it in its exercise of these responsibilities.

The independent fiduciary requested and evaluated, with the help of its advisors, detailed financial and operational information about the companies being considered to provide annuities, as well as the structure of the annuity contract. The purpose of the review was to determine whether the potential providers had the financial stability, experience and resources to meet all future pension payments.

6.4 Where can I learn more about The Prudential Insurance Company of America?

You can find additional information on Prudential's website at **www.prudential.com**.

What happens if…? (Life events)

7.1 What happens in the event of a death (mine or my spouse's)?

Prudential will honor the elections you made when you elected your monthly pension benefits, including any survivor benefits, as outlined in the **Pension Benefit Statement** mailed to affected retirees, surviving beneficiaries and alternate payees in October 2012. What will change is who you contact to report a death. Eventually, you will contact Prudential directly. Continue to call the Verizon Benefits Center if a death occurs on or before December 31, 2012. Additional information about how to report a death on or after January 1, 2013, will be provided later this year.

The Pensioner Death Benefit is not part of the pension transfer. If you qualify for the Pensioner Death Benefit, your eligible beneficiaries will receive this benefit from the Verizon Management Pension Plan (subject to the terms of the Plan).

7.2 What if I get divorced?

If you get divorced after the pension transfer, Prudential will work with you and your ex-spouse to split your benefit payments according to the provisions of your divorce agreement and domestic relations order.

7.3 If I get remarried, can I change my beneficiary?

No, the terms of the Plan do not allow you to change your beneficiary and that will continue to be the case after the pension transfer to Prudential. Your beneficiary listed in the information on file, as noted in the **Pension Benefit Statement** that was included in the October 2012 mailing, is the only person who will be able to receive your benefits in the event of your death.

Contact information

8.1 Who should I call if I have additional questions not addressed here?

You should direct your question based on the type of question:

For questions about:	You should call:	Contact information
▪ The pension transfer and how it affects you	**Pension Transfer Information Center**	
▪ Your other retiree benefits	**Verizon Benefits Center**	

8.2 Who should I contact to report incorrect information in the mailing I received?

Please call the **Pension Transfer Information Center** at .

Nothing in this document creates any rights or modifies any rights you may have under the Plan or the group annuity contract that the Plan purchases. Any rights you may have under the Plan are determined under the official plan documents, which include the plan sponsor's right to amend the Plan and the plan administrator's authority to interpret the Plan. Any rights you may have under the group annuity contract will be determined under the terms of the group annuity contract