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Curtis L. Kennedy, Esq.
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Dear Mr. Kennedy:

On December 15, 2009, the Verizon Claims Review Committee reviewed your appeal, on behalf of your clients Phillip A. Murphy, Jr., Susan A. Burke, Sandra R. Noe, Joanne Jacobsen, David L. Wibbelsman, and Claire M. Palmer of the initial claim determination denying the Claimants' request for benefits under the Management Plan, the New York and New England Plan, and the Mid-Atlantic Plan. In reviewing your appeal, the Committee considered the information provided in your appeal letter dated September 15, 2009 and other correspondence, information from Verizon and the administrators of the Plans, and the terms of the Plans.

Except as otherwise defined in this letter, capitalized terms have the meaning specified in the enclosed initial claim determination dated July 31, 2009 (the "Initial Claim Determination").

As indicated in Marc Schoenecker's letter to you dated November 24, 2009, this appeal determination does not consider Ms. Jacobsen's request for non-pension benefits. That request was first made in your email to Mr. Schoenecker dated October 21, 2009 and is being considered as an initial claim for benefits under the relevant Verizon welfare benefit plans.

As explained in the Initial Claim Determination, some of the claims made in your letters are appropriate claims for benefits under the administrative claims procedures of the Plans and ERISA. However, other claims you have made relate to business decisions made by Verizon in its capacity as the sponsor of the Plans. Those business/settlor decisions, including the decision to transfer portions of the Plans to pension plans maintained by Idec, are not subject to review under the Plans' claims procedures. Furthermore, Idec is an independent company from Verizon, and Verizon is not the sponsor of the Idec pension plans. Neither the Committee nor any Verizon employee serves as a fiduciary of those Idec plans. Therefore, the Committee is not responding

on behalf of Idearc or any Idearc benefit plan, and nothing in this letter should be construed as a claim or appeal determination under any such Idearc benefit plan.

Based on all of the information available to the Committee and after a thorough review of the claim file, your appeal on behalf of the Claimants has been denied. This letter describes the reasons for the Committee's decision. In accordance with the authorizations provided by the Claimants, the Committee is issuing one appeal determination to all Claimants.

The Committee adopts and incorporates the provisions and conclusions of the enclosed Initial Claim Determination into this letter.

Background

In the Initial Claim Determination the Verizon Claims Review Unit (the "VCRU") denied the Claimants' benefit claims under the Plans. By letter dated September 15, 2009, you requested that the Committee review the VCRU's claim denial.

In your email dated November 23, 2009 to the administrators of the Plans (care of Mr. Schoenecker), you stated that the Claimants "will treat their appeal as being denied" for the reasons indicated in your email. However, Mr. Schoenecker responded to you the next day on behalf of the Committee indicating that your appeal would be given a full and fair review by the Committee and inviting you to provide additional information to the Committee. The Committee did not receive any additional information from you or any of the Claimants, and you did not affirmatively withdraw your appeal on behalf of the Claimants.

The "Background" section of the Initial Claim Determination sets forth certain information regarding each Claimant, the Idearc transaction, and the EMA and is incorporated into this letter as described above.

Relevant Provisions of the EMA and the Plans

The relevant provisions of the EMA and the Plans are set forth in the Initial Claim Determination and are incorporated into this letter as described above.

Analysis

Claims under the Mid-Atlantic Plan

Although your appeal letter is addressed to the administrator of the Mid-Atlantic Plan, you have not challenged or addressed the VCRU's determination that none of the Claimants commenced a pension from the Mid-Atlantic Plan or had any benefit liability transferred from the Mid-Atlantic Plan to an Idearc pension plan. After reviewing the claim file, the Committee affirms such determination and denies the Claimants' appeal for benefits under the Mid-Atlantic Plan.

Because none of the Claimants participated in the Mid-Atlantic Plan, the remainder of the analysis in this appeal determination relates solely to the Management Plan and the New York and New England Plan.

Effective Date of Plan Amendments

In the appeal letter, you state that

Although, during 2006, Verizon's pension plans contained a specific provision contemplating there could be mergers, consolidations of the pension plans, and transfers of "assets" or "liabilities," there were no plan terms or rules that either specifically allowed the curtailment of payment of accrued pension plan benefits and the simultaneous involuntary transfer of Named Claimants and other retired pension plan participant's into Idearc's pension plans.

The VCRU denial letter does not dispute Named Claimant's contention that Verizon amended several of its pension plan documents after the fact, more than a month after the spin-off creation of Idearc and the transfer of pension plan assets together with selected retired plan participants. The pension plan amendments were executed and adopted on December 22, 2006. At least during the seven week period November 1, 2006 through December 21, 2006, pension plan fiduciaries and plan administrators were not excused from their obligation to continue paying retired pensioners and their beneficiaries on pay status their accrued benefits directly from Verizon's pension plans. Likewise, during November 2006, there was no existing plan amendment giving anyone any authority to send millions of dollars of plan assets over to Idearc.

You also state in the appeal letter that "the EMA is neither a governing pension plan document nor an amendment to Verizon's pension plans," and therefore cannot be relied upon to show the intent of Verizon and Idearc with respect to the transfer of assets and liabilities from the Plans to the applicable Idearc pension plans. You conclude that the amendments to the Plans specifying the treatment of participants transferred to the Idearc pension plans should be declared null and void or "[a]t the very least, Named Claimants and all other similarly situated retired pension plan participants should be paid all pension plan benefits they were entitled to receive from the Verizon pension plans during November 1, 2006 through December 21, 2006."

As an initial matter, the Committee notes that the pension benefits of the Claimants and all other participants whose benefit liabilities were transferred to the applicable Idearc pension plans were paid to such participants by the Plans through December 31, 2006. This type of transition service was contemplated by the EMA.¹ Therefore, your request for direct payment from the Plans of all pension benefits the Claimants were entitled to

¹ See section 6.3(c)(ii) of the EMA. The benefits of some participants were paid for an even longer period after December 31, 2006. The benefits paid by the Plans after the applicable Split Date or Distribution Date were properly payable by the Idearc plans and therefore were offset from the residual asset transfer to the Idearc plans as specified on the actuarial spreadsheet referenced on page 4 of your appeal letter. The net transition benefits paid by the Management Plan and the New York and New England Plan exceeded \$27 million.

receive from the Plans from November 1, 2006 through December 21, 2006 has already been satisfied.

The Committee agrees that the EMA is not a governing document for the Plans and does not constitute an amendment to the governing documents for the Plans. The EMA did, however, constitute a direction from Verizon in its capacity as the sponsor of the Plans to transfer assets and liabilities from the Plans in accordance with Section 11.3 of the Management Plan and Section 20.6 of the New York and New England Plan (and the similar provisions in prior versions of the Plans and applicable predecessor plans). The Committee has determined that such provisions of the Plans provided sufficient authority for the transfer of assets and liabilities relating to the Claimants to the applicable Idecare pension plans pursuant to the direction provided in the EMA by Verizon as the sponsor of the Plans. Such provisions were included in the Plans prior to the date on which such transfers occurred.²

Specifically, prior to the transfers, Section 11.3 of the Management Plan provided that, subject to compliance with the requirements of section 414(l) of the Internal Revenue Code of 1986, as amended (the "Code"), "the Plan may be merged into or consolidated with another plan, and its assets or liabilities may be transferred to another plan." Section 11.3 of the Management Plan also provided that "[a]ny liability transferred from the Plan to another plan pursuant to this Section 11.3 shall result in the extinguishment of such liability hereunder immediately upon such transfer, and no benefit previously payable under the Plan on account of such liability shall be payable under the Plan following such transfer."

Similarly, prior to the transfers, Section 20.6 of the New York and New England Plan provided that "[i]n case ... the assets or liabilities of the Pension Fund are transferred to, any other plan, provision must be made [for compliance with the requirements of section 414(l) of the Code]."

The Committee has confirmed that the transfers of assets and liabilities from the Plans to the applicable Idecare pension plans complied with the requirements of section 414(l) of the Code as required by the terms of the EMA. Therefore, such transfers were permitted by Section 11.3 of the Management Plan and Section 20.6 of the New York and New England Plan as in effect prior to the transfers.

As indicated in your appeal letter, the amendments to the Management Plan and the New York and New England Plan that added specific provisions regarding the treatment of participants transferred to the applicable Idecare pension plans were adopted in December of 2006 after the initial transfers of assets and liabilities. However, those specific provisions (Schedule XLV of the Management Plan and Section 5.11 of the New York and New England Plan) were consistent with the general transfer provisions

² Benefit liabilities were transferred on the "Split Date" (November 1, 2006 in the case of the Management Plan) and the "Distribution Date" (November 17, 2006 in the case of the New York and New England Plan). An initial asset transfer occurred in November of 2006, and a final asset transfer occurred in November of 2009.

described above and the direction provided by Verizon in the EMA and did not contradict any pre-existing terms of the Plans or deprive any participant of any right existing under the Plans prior to the amendments.³ Therefore, the Committee affirms the Initial Claim Determination that (i) the transfers of assets and liabilities from the Plans to the applicable Idearc pension plans were permitted by the terms of the Plans and (ii) the amendments to the Plans to specify the portions of the Plans that would be transferred to the applicable Idearc pension plans did not violate the terms of the Plans and were effective with respect to the Claimants as of the applicable Split Date or Distribution Date. The Committee has concluded that, although such amendments were not required, they were appropriate to memorialize the transfers from the Plans to the Idearc pension plans.

Status as Former VIS Employees and Idearc Individuals

In the Initial Claim Determination, the VCRU determined that each Claimant's last employment was with the Spinco Business based upon Verizon's payroll records and that each Claimant was otherwise subject to the Idearc benefit transfer provisions of the applicable Plan. In the appeal letter you stated that "Named Claimants have neither documents nor statements to submit challenging Verizon's determination that their last employment was with the Spinco Business within Verizon." The Committee has reviewed the claim file and affirms the Initial Claim Determination, which is incorporated into this letter as described above.

Discriminatory Treatment

In the appeal letter, you state that "there was discriminatory treatment with respect to transferring retirees" because the benefits of management retirees with deferred, vested pension benefits ("DVPs") were not transferred to the Idearc pension plans while the benefits of associate DVPs were transferred.

Verizon and Idearc agreed to exclude Management Plan DVPs from the transfer to the applicable Idearc pension plan to increase the likelihood that the transfer would satisfy the "de minimis" exception under section 414(l) of the Code and thus avoid the need to perform an allocation under section 4044 of ERISA. This was not a fiduciary decision, but rather a company/settlor agreement between Verizon and Idearc. Ultimately, the Management Plan actuary determined that the transfer from the Management Plan that was set forth in the EMA did in fact satisfy the "de minimis" exception under section 414(l) of the Code. Satisfaction of the de minimis exception avoided the possibility that the applicable Idearc pension plan might receive a transfer of assets that was less than the present value of accrued benefits determined using the applicable Pension Benefit Guaranty Corporation assumptions required under Code section 414(l).⁴ See Treasury

³ And, as described above, even if the retroactive amendments were not valid, this portion of the relief you requested (direct payment of pension benefits by the Plans for the period prior to the adoption date of the amendments) has already been satisfied.

⁴ Such possibility would have occurred if the de minimis exception were not satisfied and if the Management Plan had been underfunded on a PBGC termination basis at the time of the transfer.

regulation section 1.414(l)-1(n)(2). In more simplistic terms, the exclusion of DVPs from the Management Plan transfer helped ensure that the transfer of assets would fully fund the transferred liabilities on a PBGC termination basis. These same concerns did not exist under the New York and New England Plan, and therefore there was no agreement in the EMA to exclude DVPs under that plan.

Because there was a legitimate business basis for the EMA provisions in question and there was no intent to interfere with the rights of any Claimant under the Plans or ERISA, the Committee has determined that such transfer did not impermissibly discriminate against the Claimants.

Idearc's Responsibility for Benefits

In light of the foregoing and consistent with the Initial Claim Determination, the Committee has determined that the benefit liability of each Claimant under the applicable Plan was properly transferred to the applicable Idearc pension plan in accordance with the terms of the applicable Plan. Because the liabilities were properly transferred to the Idearc plans, no Claimant has any entitlement to benefits under the Plans pursuant to Section 11.3 and Schedule XLV of the Management Plan and Section 5.11 of the New York and New England Plan.

Accordingly, none of the Claimants is considered a participant with any colorable claim to benefits under the Plans. Instead, the Claimants are required to pursue any claims solely under the terms of the applicable Idearc pension plan to which benefit liability was transferred. The Committee has determined that each Claimant's claim to have his or her pension benefits paid by the applicable Plan, rather than by Idearc and its benefit plans, must be denied.

This determination does not waive any rights or defenses of Verizon and its affiliates and of the Plans and the fiduciaries of the Plans under the Plans or any other agreements relating to the Claimants. Without limiting the foregoing, this determination does not waive any rights or defenses of Verizon and its affiliates under the agreement dated as of November 19, 1987 among NYNEX Information Resources Company, NYNEX Corporation, and Claimant David Wibbelsman.

We understand that this is not the decision for which you had hoped. However, the Committee has thoroughly considered your appeal on behalf of the Claimants. All decisions of the Committee are final.

Rights under ERISA

- You have the right to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your appeal for benefits. These documents can be obtained by sending the request to the following address: Verizon Claims Review Unit, P.O. Box 1438, Lincolnshire, IL 60069-1438.
- Since this appeal has been denied, you have the right to bring a civil action under section 502(a) of ERISA.

If you have any questions regarding the foregoing or if you send any further correspondence regarding this matter (other than a request for copies under the first bullet above), please direct your questions and/or correspondence to Marc Schoenecker, Esq., Counsel to the Verizon Claims Review Committee, Verizon Communications, 600 Hidden Ridge MC: HQE02J19, Irving, TX 75038, Telephone: (972) 718-2903.

Sincerely,



DCC:jmn

Enclosure

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